MD Medical Group

Annual Report
and Accounts
2015

Setting the standard across Russia

MOTHER AND CHILD
GROUP OF COMPANIES

MD Medical Group
Investments Plc

Setting the standard across Russia

Annual Report and Accounts 2015

Delivering highly sought after medical services throughout Russia

MD Medical Group is the leading provider of private healthcare for women and children in Russia, with an extensive and continuously growing network of state-of-the-art hospitals and clinics across the country. We remain wholly focused on providing a world-class level of care for increasing numbers of patients as we continue on our journey of expansion into the regions of Russia where people need us.

“ We firmly believe that health is the key to a happy life. Patients are as much a part of our team as the doctors who treat them, and that is why we work 24 hours a day, 7 days a week, 365 days a year to ensure that we do what is right by them. ”

Contents

Continuously improving

2015 saw a number of important milestones in our regional expansion as we opened our first clinic in Ryazan, started to expand our Novosibirsk hospital, completed the acquisition of the Medica clinic in Novokuznetsk, and we announced the acquisition of five ARTMedGroup clinics in the largest cities of Siberia — Krasnoyarsk, Omsk, Novosibirsk, and Barnaul, which we completed in January 2016.

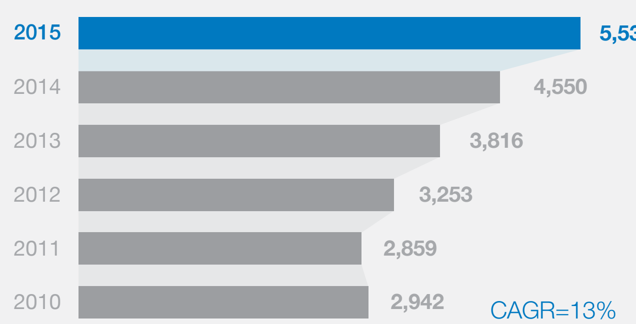
“We continue to follow our proven strategy rigorously, maintaining a focus on delivering the highest quality of care and broadening our reach and presence through carefully considered growth opportunities, which include both organic growth and selective M&A transactions.”

For more information about financial & operational results go to page 40-41

Operational KPIs

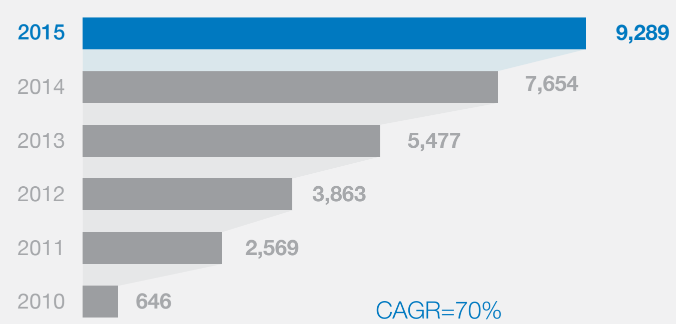
Deliveries

5,535 +22%



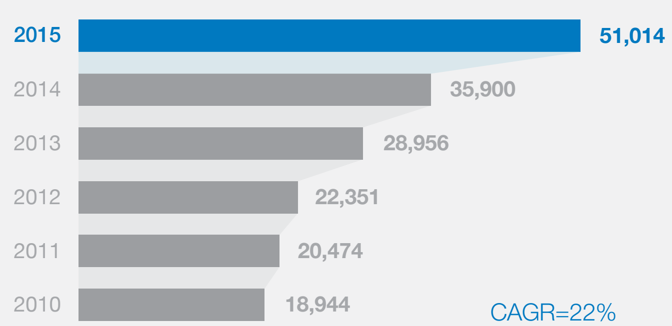
IVF

9,289 +21%



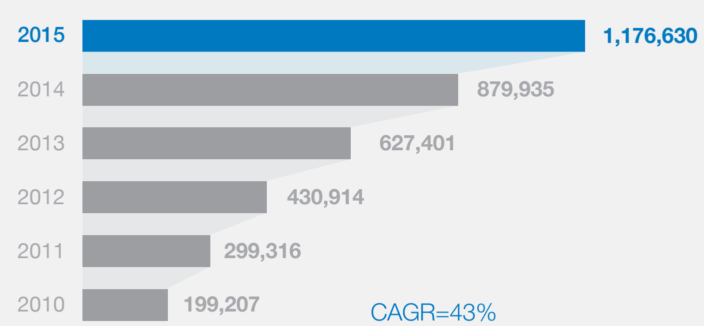
In-patient treatments

51,014 +42%



Out-patient admissions

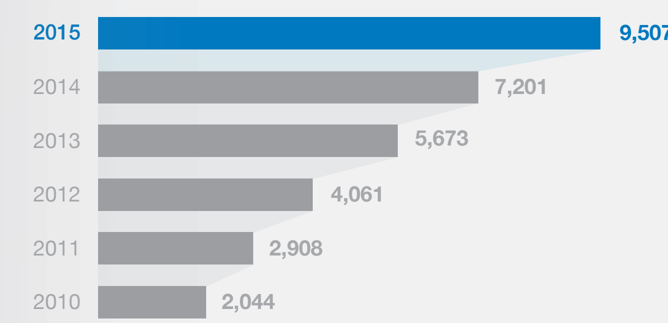
1,176,630 +34%



Financial KPIs

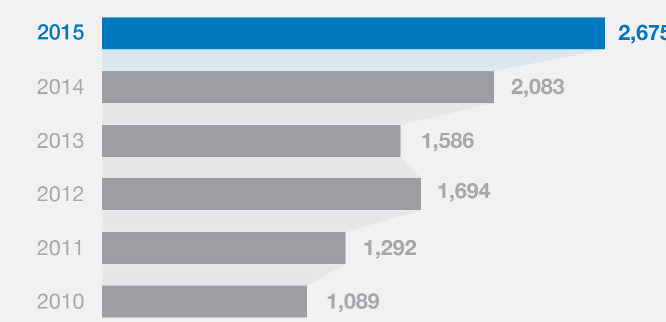
Revenue

9,507 +32%



EBITDA*

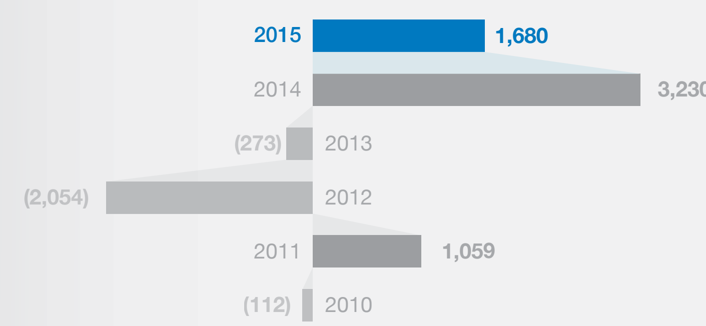
2,675 +28%



*EBITDA calculated as operating profit before depreciation and amortisation

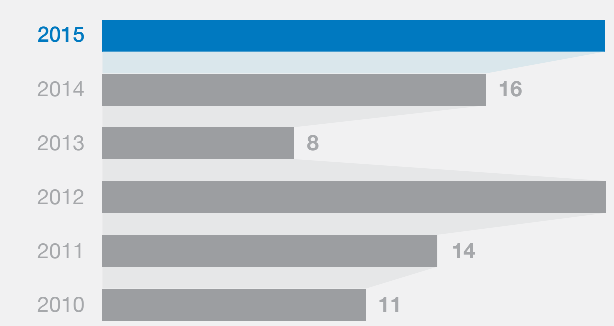
Net debt / (cash)

1,680 (-48%)



EPS (RUB/GDR)**

21 +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

Key milestones

Since our first hospital opened its doors in 2006, we have demonstrated impressive growth, adding 28 modern facilities both via organic growth and through acquisitions, as well as carefully diversifying our range of high-technology services which we now offer in 14 major cities of Russia.

“While people often travel to our facilities to receive the high standard of care for which we have come to be known, we also aim to bring our services to them by opening new clinics across Russia.”

Overview of MDMG’s development

2003–2009

Construction of our first hospital and diversification of our range of services

- Design and construction of first private maternity hospital in Russia — Perinatal Medical Centre (PMC)
- 2006 — first patients at PMC
- 2006-2009 — expansion and diversification of our range of services, launch of new departments, including IVF and stem cell storage

2010 – early 2011

Establishment of growth platform

- Incorporation of MD Medical Group Investments LTD, holding company registered in Cyprus
- Acquisition of Mother and Child clinics chain and start of construction of Lapino hospital

2011–2012

Roll out of successful business model

- Acquisition of Mother & Child Savelovskaya and other out-patient clinics
- Opening of out-patient diagnostic and treatment centre at PMC
- Active development of regional operations, launch of new out-patient clinic in St. Petersburg and preparations for the opening of a clinic in Perm
- Successful IPO of the Group on London Stock Exchange
- Opening of Lapino hospital

2013–2014

Regional expansion

- Acquisition of clinics in the Samara region and Irkutsk, opening of a clinic in Yaroslavl
- Opening of Group’s first regional self-constructed hospital in Ufa
- Acquisition of Avicenna Medical Centre in Novosibirsk (one hospital and three clinics)

2015

- Opening of out-patient clinic in Ryazan
- Launch of construction of a new in-patient wing to expand hospital in Novosibirsk
- Acquisition of the Medica Clinic in Novokuznetsk
- Agreement to purchase ARTMedGroup chain comprising five clinics

2016
(as of March 2016)

- Acquisition of ARTMedGroup chain comprising five clinics in Krasnoyarsk, Omsk, Novosibirsk and Barnaul

29 owned hospitals & clinics in Russia (as of March 2016)

Chairman's statement

Our key achievements in 2015 included 32% y-o-y growth in revenue to RUB 9,507 mln and 34% growth in net profit to RUB 1,770 mln. This record revenue makes us the undisputed leader across the whole Russian private healthcare market. We also improved all of our principal operating results with an increase in deliveries and IVF numbers by 22% and 21%, respectively.

For more information about Board of Directors go to page 68

These would be strong results in any market. But they are particularly strong in the context of the current macroeconomic situation, which remained challenging throughout all of 2015. A weaker rouble put pressure on our operations, but we responded quickly and decisively to mitigate against this pressure.

For example, we faced higher prices for imported supplies and medicines, but we were able to adjust our prices for some of the most material-intensive services, i.e. in 2015 average check for IVF grew up by 12%. We also took concrete measures to decrease our exposure to FX volatility: we were able to renegotiate a number of dollar contracts into roubles; where possible we switched to domestic contractors (for example with the construction of our new hospital wing in Novosibirsk); and going forward construction costs of our new projects will be denominated in roubles.

During the year, we saw some attractive opportunities for us to expand our network into the Russian regions. In February, we opened our first facility in Ryazan. Later in the year we launched construction of a new wing which in early 2017 will be attached to our Novosibirsk hospital, where capacity utilisation of our in-patient department has reached its optimal level. And at the end of the year we purchased Medica and announced the acquisition of ARTMedGroup, which we completed in January 2016. The acquisition of these two leading medical companies in Siberia has significantly strengthened our foothold in this attractive region of Russia. In addition to effective organic growth, we demonstrated our ability this year to be the leading consolidator in our industry.

32%

Y-o-y revenue growth

We believe our share price is substantially undervalued, which is largely a result of external market factors that are beyond our control. However, in 2016 and beyond, we will focus on what is in our control — delivering on our strategy, and maintaining profitable growth as we expand our world-class offering across Russia. We are confident that in time, our efforts will once again be properly reflected in our share price.

While we may face further challenges in terms of the market environment in 2016, I know that we have the right team, the right business model and the right platform in place to continue to grow. And whatever challenges we face, we will remain relentlessly focused on delivering on our strategy, delivering on our promises and doing everything in our power to maximise value for all of our shareholders.

I would like to thank all of our people for their continued support and for getting us to where we are today. To everyone, from our shareholders to our patients: let me say on behalf of Board and the wider leadership team at MD Medical Group — we will deliver.

Dr Mark Kurtser,
Chairman

“We are extremely pleased with our performance in 2015. This was a year where we truly saw our strategy in action, executed skilfully and diligently by our world-class management team.”

9,507

mln RUB revenue

CEO’s statement

The year produced more records in terms of our operating results. Deliveries grew significantly by 22% to 5,535. As Russia’s leading provider of private IVF care we boosted the number of completed cycles by 21% to 9,289. In-patient and out-patient treatments grew 42% and 34% to 51,014 and 1,176,630, respectively.

For more information about senior management go to page 72

2015 marked another consecutive year of significant growth for MD Medical Group both operationally and financially, as our results testify. This continued success was driven by the continued ramp-up of our facilities at Lapino, the roll-out of our unique regional expansion strategy with the first full year of operations in Novosibirsk and Ufa, and solid performance at our other facilities.

Our financial results reflected this operational growth. Revenue rose by 32% year-on-year to RUB 9,507 mln. Profit for the year grew by 34% to RUB 1,770 mln. EBITDA increased by 28% to RUB 2,675 mln, at a healthy margin of 28%.

We are pleased with the progress that has been achieved at our hospitals in Lapino and Ufa, both of which are developing in line with our plans. In fact, the experience that we have gained from Lapino has proved invaluable in streamlining the launch in Ufa — our first regional hospital — and thus accelerating the roll-out process.

5,535

deliveries

Both hospitals made significant contributions to the Group’s operational growth in 2015, with an average capacity utilisation for key services reaching 68% at Lapino and 30% in Ufa. We believe that demand will continue to grow and are confident of our ability to provide high-quality care; we therefore plan to add new services at the hospitals, i.e. histopathology and cardiology department at Lapino.

We continue to execute on our regional growth expansion strategy. This is a key differentiator for MD Medical Group, as we remain one of the few private healthcare companies in Russia with a clear strategy in this area. Private healthcare in Russia remains under-developed compared to markets in both developing and especially developed markets, and retains significant potential for growth, especially looking beyond Moscow and St. Petersburg.

Our goal is simple: to make high-quality medical services accessible to millions more people across the country. We also have a socially important role to play in these regions, as we are often the only provider of certain services in the regions where we operate. Local residents therefore gain the opportunity to benefit from best-in-class medical facilities without needing to travel long distances. We will continue to look at potential new projects in million-plus cities across Russia where disposable income levels are high.

“In 2016, we will focus on successfully integrating our newly acquired clinics and continuing to ramp-up operations at our existing hospitals. We are in no doubt that our efforts will produce continued excellent performance in 2016.”

Our regional focus is therefore at the heart of what we do, and it has been a core factor in our successful growth over recent years.

We started 2015 by opening a medical centre in Ryazan, where we once again pioneered high-tech medical care by bringing IVF services to the Ryazan region for the first time. In 11 months of 2015 our clinic in Ryazan carried out 170 IVF cycles.

As our in-patient facilities in Novosibirsk reached optimal capacity utilization levels, we began work on a new wing, which will be completed in 2017. This spacious 7,000 m^2 facility will add significant extra capacity, with 48 beds, 20 offices and three state-of-the-art operating rooms with high-tech equipment. We expect that deliveries will increase by 48% to 800 per year, while the capacities of the OBGYN and surgical departments will increase by 83% and 310%, respectively.

Our organic growth has been complemented by selective acquisitions of high-quality assets in regions where we see high growth potential. In 2015 we completed the acquisition of the leading IVF facility in Novokuznetsk — a new region for us.

In 2015, acquisition of five reproductive technology centres from ARTMedGroup, one of Russia’s five largest private healthcare providers on the IVF market and the leader in Siberia in terms of completed IVF cycles, which we completed in January 2016. As well as opening up four new regions, this transaction will also significantly increase our IVF capacity, strengthening our position as the market leader in what is one of our core segments.

Furthermore, already in 2016 we opened an IVF department at our Mother and Child Yugo-Zapad clinic in Moscow.

In summary, 2015 was a successful year for MD Medical Group both in terms of our results and the continued expansion of our regional network.

Dr Elena Mladova,
CEO

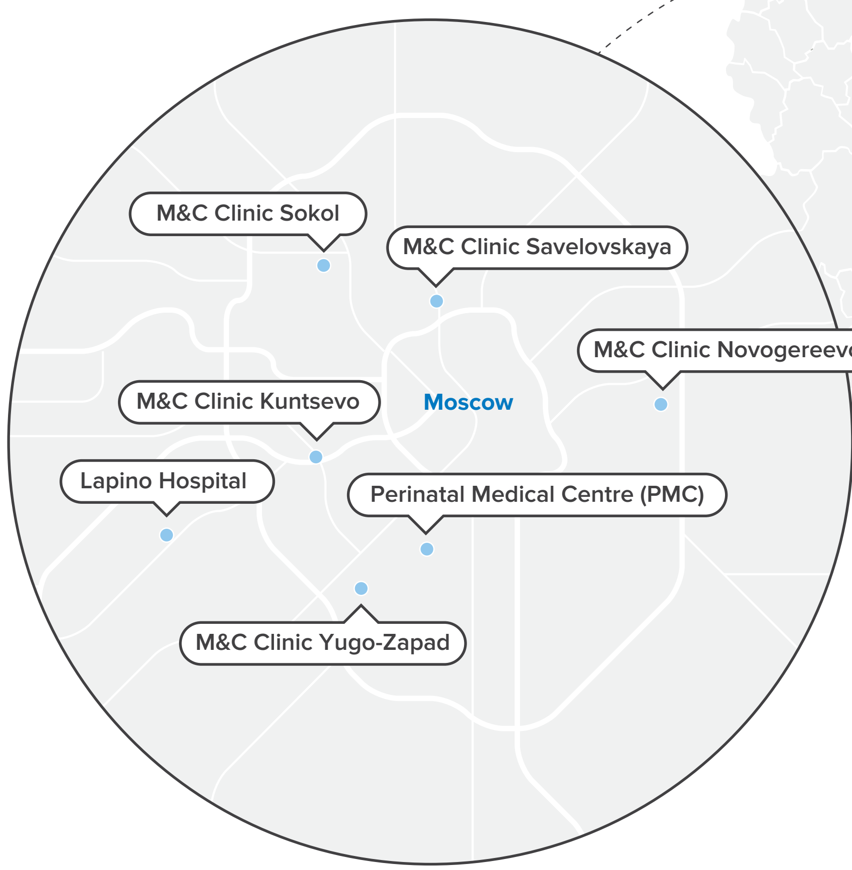
9,289

IVF cycles

Best-in-class medical services across Russia

MD Medical Group is the number one player in the women's and children's healthcare market in Russia, and is also the leader in terms of total revenue in the country's private healthcare market overall.

Delivering high-quality medical services throughout Russia



№1

player in the women's and children's healthcare market in Russia

> "MDMG is not simply different from its peers — it is unique. Our highly-qualified medical personnel provide an unparalleled quality of healthcare, using state-of-the-art equipment. In other words, we set the industry standard."

While people often travel to our facilities to receive the high standard care for which we have come to be known, we also aim to bring our services to them by opening new clinics across Russia. For example, we recently entered four new regions through our acquisition of Medica and ARTMedGroup companies. And we will continue our expansion into new attractive regions.

We are constantly improving and carefully expanding our range of services, which are in great demand across Russia. Often we are a region's only provider of certain medical services. For example, when we moved into Ryazan in February 2015, we were the region's only provider of IVF services.

We are also expanding our presence by attracting some of the best talent on the market and implementing high standards in order to provide the same top level of services at all of our facilities.

Our core services

Obstetrics and gynaecology

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

Paediatrics

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

Fertility and IVF treatment

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

Other services

- Laboratory services
- Stem cell storage
- Genetic diagnosis
- Trauma
- Rehabilitation
- Surgery (incl. plastic surgery)
- Oncology

World-class facilities

29

modern, high-technology hospitals and clinics of MD Medical Group offer advanced treatment and diagnostics for both in- and out-patients

World-class facilities

We are constantly improving and growing our network. Today, MD Medical Group comprises 4 modern, high-technology hospitals and 25 clinics offering advanced treatment and diagnostics.

These treat both in and out-patients, allowing us to tailor the care we offer to each individual.

Our facilities are equipped with innovative, state-of-the-art technology. We constantly monitor global trends and are committed to adopting the best solutions in order to provide the highest possible level of quality and safety to our patients.

We have a solid presence in Russia's largest and fast-growing regions, including

Moscow...

Our current Moscow facilities include two hospitals — PMC, the first private maternity hospital in Moscow opened in 2006, and Lapino, our largest facility to date opened in 2012 — and five out-patient clinics. All seven are fully equipped with the finest medical equipment available.

...and beyond

As we continue our focused expansion into the Russian regions, our facilities are offering high-quality private healthcare to more of the population than ever before.

2015 was the first full year of operations at our greenfield hospital in Ufa and Mother and Child chain in Novosibirsk. We are very pleased with the performance of our new facilities, and in 2015 we started construction of a new hospital wing in Novosibirsk to substantially increase our capacity and meet the strong demand for our services in the region.

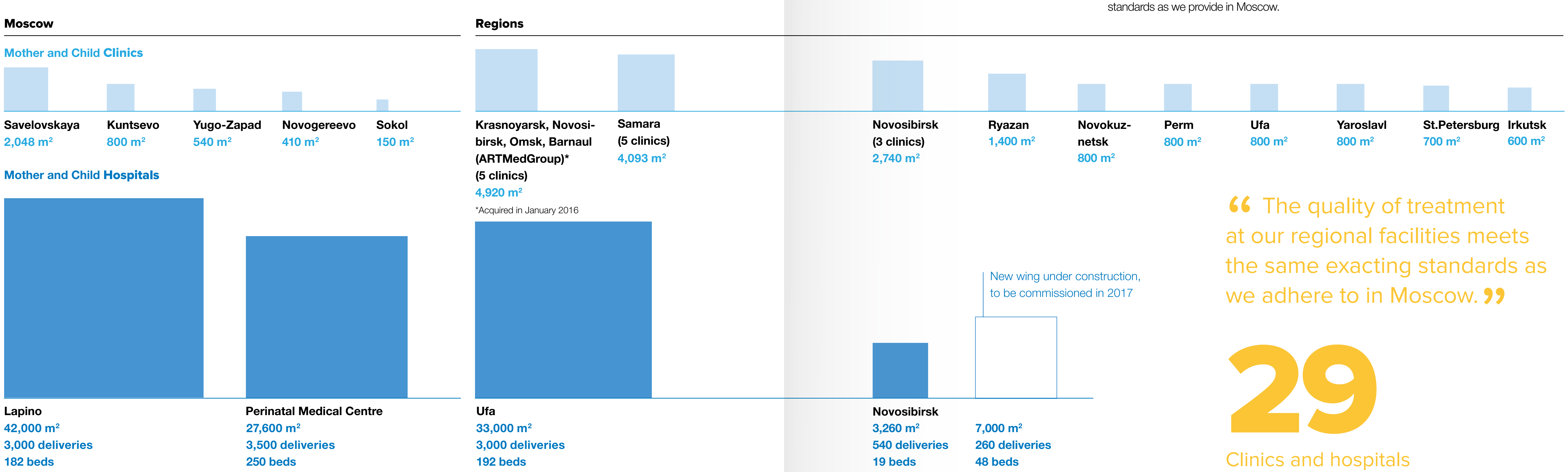
In early 2015 we opened our new clinic in Ryazan, the first facility in the region to offer IVF cycles.

We have also recently completed the acquisition of well-established facilities in some of the most attractive regions for our business in Russia Medica clinic in Novokuznetsk and ARTMedGroup chain in four largest cities in Siberia — Krasnoyarsk, Omsk, Novosibirsk and Barnaul.

It remains our long-term goal to have a facility in every Russian city with a population greater than 1 million. The quality of treatment at our regional facilities meets the same exacting standards as we provide in Moscow.

Franchises in Kiev

Our partners operate three clinics in Kiev with a combined space of 1,645 sq m, whose results are not consolidated into MDMG. These facilities specialise in reproductive technology, obstetrics and gynaecology.



> "The quality of treatment at our regional facilities meets the same exacting standards as we adhere to in Moscow."

29

Clinics and hospitals

A closer look at our hospitals

Lapino can rival any hospital anywhere in the world

Lapino hospital

Our largest hospital to date in close vicinity to Moscow provides patients with an unparalleled level of comfort and high-quality services. Surrounded by green areas this 182-bed hospital has the capacity to provide 414,000 out-patient treatments and 3,000 deliveries per year.

The 42,000 m² hospital offers a wide range of services in the areas of obstetrics and gynaecology, IVF, paediatrics, diagnostics, surgery, trauma and rehabilitation for not only mothers and their children, but also the whole family.

Lapino annual capacity:

Beds	FTE*	Deliveries
182	1,037	3,000
IVF	**Out-patient treatments**	**In-patient days**
1,000	414,000	19,252

*FTE — actual full-time equivalent as of December 2015

“We have invested RUB 5.2 bln into Lapino, which remains the largest privately-backed investment in healthcare in the history of Russia.”

42,000 m^2
Hospital

Perinatal Medical Centre (PMC)

PMC was not only our first hospital but also the first private maternity hospital in Russia. Since its launch in 2006, the hospital has expanded its range of services, commissioned innovative technologies and equipment, and has delivered 26,477 babies.

This 250-bed hospital has state-of-the-art equipment including the latest MRI and CT technology.

PMC offers a wide range of in-patient and out-patient services for mothers and children, including in core areas such as obstetrics and gynaecology, infertility treatment including IVF, as well as paediatrics. The hospital also offers laboratory research, diagnostics and assistance, a stem cell bank and other services.

In 2015, we opened a new "home deliveries" department in response to demand from our customers who wish to make the labour experience as natural as possible.

26,477

babies born in 10 years

PMC annual capacity:

Beds	FTE*	Deliveries
250	928	3,500

*FTE — actual full-time equivalent as of December 2015

IVF	Out-patient treatments	In-patient days
2,000	285,000	28,000

Mother and Child Novosibirsk

The hospital in Novosibirsk was a part of the largest private healthcare chain in Russia outside Moscow and St Petersburg — Avicenna — which we acquired in Q4 2014. Since then, the hospital has performed well and we see sustainable demand for our high quality services from the residents of Novosibirsk and nearby regions.

Core services offered at Mother and Child Novosibirsk include obstetrics and gynaecology, paediatrics and IVF supplemented by surgery. The clinic also offers out-patient and diagnostics services in nearly all therapeutic areas.Since in-patient facilities in Novosibirsk have reached maximum capacity, we initiated construction of a new in-patient wing which will be attached to the existing hospital and will significantly expand our operations in the city.

7,000 m^2

New wing is to be commissioned in 2017

Mother and Child Novosibirsk annual capacity:

Beds	FTE*	Deliveries
19	606	540

*FTE — actual full-time equivalent as of December 2015

IVF	Out-patient treatments	In-patient days
1,800	261,450	8,030

Mother and Child Ufa

2015 was the first full year of operation of our greenfield project in the capital of the Bashkortostan region — one of the wealthiest Russian regions with high demographic indicators.

This 33,000 m² hospital is a key example of our strategy in action. Funded mainly by the proceeds of our successful IPO in 2012, it became our first regional Russian hospital. The project was completed in time in late 2014 with an investment of RUB 4.3 bln.

The Mother and Child Ufa hospital offers a wide range of in-patient and out-patient services including deliveries, IVF, gynaecology and obstetrics, paediatrics and neonatology. The hospital also offers services for the whole family, including surgery, urology, plastic surgery and diagnostic services. It includes the first private maternity hospital and stem cell bank in Bashkortostan.

33,000 m²
Hospital

Mother and Child Ufa annual capacity:

Beds	FTE*	Deliveries
192	585	3,000
IVF	**Out-patient treatments**	**In-patient days**
1,100	240,000	31,000

*FTE — actual full-time equivalent as of December 2015

Innovative leader

Since its inception, MD Medical Group has been at the forefront of Russia's healthcare market, setting high standards for medical services throughout the country. The Group is a unique player on the market, not just because its regional expansion model has been a success, but also because the services it offers are genuinely innovative. Dr Yulia Kutakova, Medical Director, shares her insight on the role played by state-of-the-art medical technologies in MD Medical Group.

Dr Yulia Kutakova, PhD,
Medical Director

In the early days of MD Medical Group, its first clinics focused on children's healthcare and obstetrics. Our patients were impressed by the quality of service we offered, and encouraged friends and family to come to us for treatment. Our focus — the health and wellbeing of women and children — remains our core value, but we have also responded to patient feedback and expanded the range of medical services. Today, at Lapino, and at other Group hospitals, we provide specialised medical services in surgery, traumatology, cardiology, urology, etc.

Leader in Russia's reproductive technologies

MD Medical Group is the leading player in assisted reproductive technologies (ART) in Russia. The Company offers a range of services covering the full infertility treatment cycle. We diagnose potential causes of infertility, provide treatment recommendations for one or both partners, help women conceive, on the successful completion of IVF treatment-follow the pregnancy through, support deliveries, provide neonatal care, and offer healthcare services to babies and children until they turn 16.

Our doctors also apply assisted reproductive technologies in gynaecological oncology. Techniques used include vitrification of oocytes, embryos and ovarian tissue — deep-freezing tissue and cells to preserve and extend reproductive function once the patient is in sustained remission.

Personalised medical treatment

We advocate the application of personalised medical care, meaning not just timely diagnostics, but, crucially, the prevention of a number of diseases, through treatment that takes into account an individual's genes, lifestyle and environment. A good example of this is taking a blood sample and testing it for BRCA1 and BRCA2 gene mutations, which can signal a higher risk of developing breast, ovarian or prostate cancers.

Prenatal diagnostics

As one of the leading modern private medical companies in Russia, we make sure we stay abreast of technical developments in treatment equipment, which helps us apply innovative approaches to the treatment of our patients.

MD Medical Group's treatment facilities offer innovative treatment in prenatal diagnostics, including tests on extracellular foetal DNA in the mother's blood. This is a safe, non-invasive and reliable way to detect and diagnose foetal chromosome abnormalities. Using the new generation of massive sequencing technologies has made it possible to detect and identify fragments of foetal DNA in the mother's blood during the first trimester of pregnancy. This approach rivals invasive diagnostics in sensitivity and reliability: it can already identify the gender of the foetus, its Rh factor, as well as the most common abnormalities in chromosome numbers. Over time, it should also become possible to identify single-gene foetal disorders.

Prenatal screening for preeclampsia is another area in which we are leading the way. This involves comprehensive testing to identify foetal chromosome disorders, as well as toxaemia, during the first trimester, based upon patient's medical history, average blood pressure and ultrasound scans combined with screening for biochemical markers. This helps identify patients at risk of severe complications like toxaemia, and gives doctors time to respond early in the hope of minimising negative consequences for both mother and baby.

Foetal surgery

MD Medical Group is taking the lead in foetal surgery in Russia. In late 2015, a Foetal Treatment Ward opened at Lapino. This unparalleled facility specialises in diagnostics and intra-uterine correction of foetal disorders, such as twin-to-twin transfusion syndrome, haemolytic disease of the foetus (HDFN), sacrococcygeal teratoma (SCT), and cardiac anomalies. Intra-uterine treatment using advanced medical technologies helps prevent severe and irreversible damage to the foetus, help sustain the pregnancy through to full term and improves the likelihood of a healthy birth.

Organ-sparing surgery

We are proponents of organ-sparing surgery because we believe in helping women maintain their reproductive ability. We are the only medical services provider in Russia to surgically treat placental growth into uterine scar tissue after Caesarean section operations. There was a time when most of these operations would lead to a hysterectomy, due to the risk of massive bleeding. However, organ-sparing techniques have been developed that use angiographic bleeding control, helping minimise blood-loss and support a woman's reproductive ability. Our hospitals are equipped with specialised high-tech equipment for complex endovascular operations.

These techniques are available at the four hospitals operated by MD Medical Group — Perinatal Medical Centre and Lapino Hospital in Moscow, Mother and Child Ufa, and Mother and Child Novosibirsk.

Cell-based treatment

Cell-based therapy is another area in which we are pushing back the boundaries of the possible. Stem cells can be found in any human organ or tissue, in peripheral blood, in bone marrow, and, crucially, in umbilical blood. An automated technique for processing umbilical blood helps deliver top quality stem cell concentrate, which can be cryogenically preserved for an almost unlimited period. This offers parents a kind of 'bio-insurance' policy to help treat future diseases. Today, stem cells are used to treat blood and immune system disorders and to aid recovery after cancer treatment. The MD Medical Group's stemcell bank exemplifies leading-edge technologies put to sound practical use to benefit patients today — and in the future.

Developmental care

We also have an unparalleled neonatal intensive care unit for abnormally low birthweight (500 to 1.000 grams) babies and for treating retinal damage with anesthetised laser coagulation surgery.

Providing medical care for newborns with low and very low birthweights is a core element in the neonatal care Mother and Child clinics operate. Our doctors are leading Russian specialists in neonatal medicine. Newborns with low, very low and abnormally low bodyweight, as well as babies born prematurely, are first admitted to the neonatal intensive care unit, before continuing their recovery in other specialised wards.

Innovations today and tomorrow

All our efforts are geared to ensuring that people across Russia have access to world-class medical services. MD Medical Group specialists not only stay abreast of international best practice, they also put in place their own developments in deploying state-of-the-art technologies and innovative treatments in all their day-to-day activities.

The healthcare market in Russia

15%

estimated CAGR of continuously growing IVF market in Russia for 2009—2015, where MDMG is already the recognised leader among private players

Private healthcare system overview

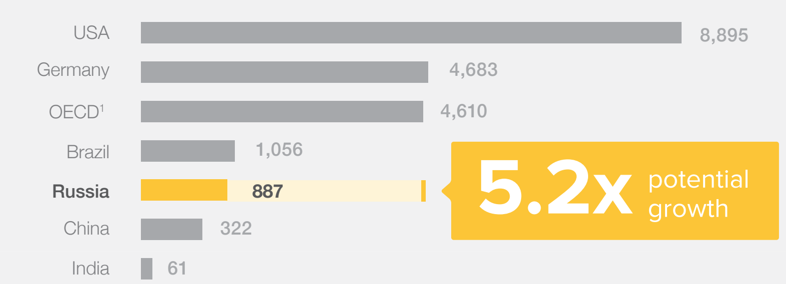
It is only in recent years that the private healthcare market in Russia has really started to develop. With reductions in the federal healthcare budget and underperformance of the public healthcare system, people are increasingly looking towards fee-for-service healthcare.

Whilst the number of private patients increases year upon year, as a percentage of the population this figure remains low in comparison with other countries. Prices are comparatively low.

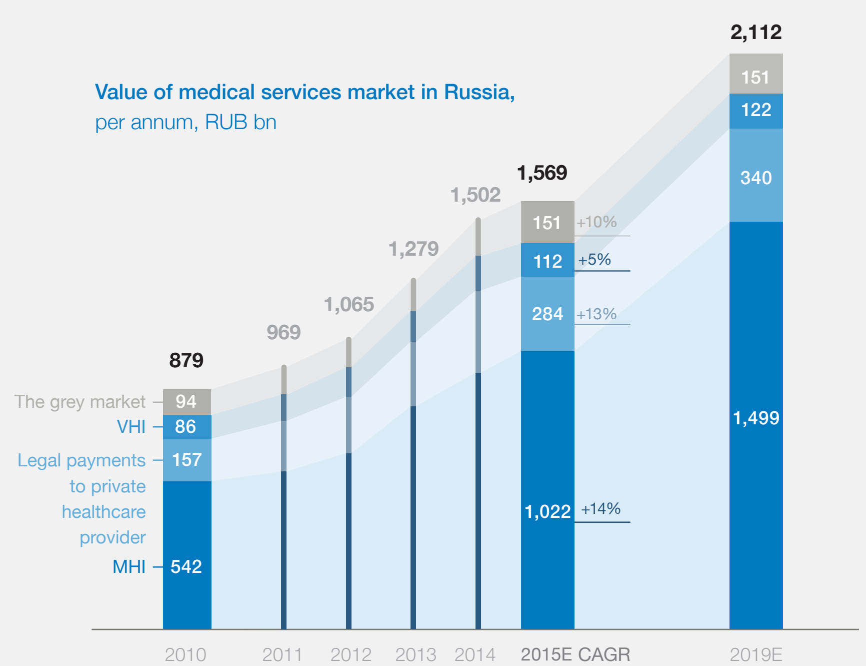
There are two types of public healthcare service in Russia:

- financed by the government (with Mandatory Health Insurance or "MHI");
- paid-for (either by Voluntary Health Insurance or "VHI" or by out-of-pocket payments);

The Russian healthcare system relies heavily on a public healthcare infrastructure. One third of all state medical facilities require major refurbishment, while qualified medical personnel are lacking. A programme for modernisation of the healthcare sector is underway involving a reduction in public hospitals in Moscow as well as reductions in in-patient beds and staff numbers. Total healthcare expenditure in Russia, measured as a percentage of GDP, is around half of the OECD average indicator. The difference is even greater when measured in USD per capita terms. Many factors including increased demand for healthcare services, higher costs of medical technologies and an aging population all contribute to ongoing growth in global healthcare expenditure.



[1] Member countries of the Organisation for Economic Co-operation and Development.



Source: BusinessStat 2014

In Russia, legal private medicine first appeared in the early nineties. Private benches of government health facilities were created and continued to develop very slowly until 2000.

The Russian private healthcare sector first emerged in the early nineties with the creation of separate multi-disciplinary clinics.

Funding sources

There are four principal sources of funding for medical services in Russia. According to a 2014 report by BusinessStat, the breakdown was as follows:

1. Voluntary Health Insurance ("VHI") — 8%
2. Mandatory Health Insurance ("MHI") — 63%
3. Legal payments to private healthcare providers — 20%
4. The "grey" market — 9%.

Currently, the self-pay market accounts for 94% of MD Medical Group's revenue. Voluntary health insurance makes up the remaining 6%.

94%

the share of the self-pay market in MD Medical Group's revenue

Consistent government support

As a result of challenges to the public healthcare sector, including widespread dissatisfaction and a decreased budget, the Russian government has taken measures to support the development of the private healthcare sector, relieving strain on the public system. Recent regulatory developments have included the following supportive measures:

- abolition of income tax for private organisations involved in healthcare provision, including all licensed medical care services;
- from 2015 MHI validity is extended to private medical care providers. This means that citizens can choose whether to go to a public or private clinic or hospital and claim reimbursement from the state following treatment;
- russian citizens are entitled to a tax deduction in respect of their and their family's healthcare expenditure of a sum up to 120,000 RUB.

High barriers to entry

There are significant barriers to entry in the private healthcare market in Russia. These include:

- high capital investment requirements;
- limited supply of skilled labour — both managerial and medical;
- importance of brand awareness and reputation (both of the establishment and the individual doctor).

"Private healthcare in Russia is still at its nascent stages and there is significant growth potential."

Private healthcare market drivers

Future growth of the Russian private healthcare services market will be underpinned by the following factors:

- High birth rates in Russia
- Increased disease incidence raising demands for medical care
- Growing health awareness among the Russian population and healthier lifestyles
- Government supportive measures to stimulate the private healthcare market
- Dissatisfaction with the public healthcare system
- Regional deficiencies in quality healthcare in Russia
- Investments from strategic financial investors given the market's high growth potential and attractive ROI.
- Gradual eradication of the grey market of healthcare services, leading to redirection of cash flow into legitimate channels (private and public)

MDMG is an established market player focused on women's and children's health, and in revenue terms is the leader in the private healthcare market overall.

- We are Russia's leading private healthcare provider with a focus on maternity and paediatric care.
- Our specific focus and excellent reputation set us apart from our competitors.
- We offer a wide and ever increasing range of medical services, including obstetrics and gynaecology, fertility and IVF treatment, paediatrics and more (family medical services, surgery, stem cell storage, laboratory testing and radiology diagnostics).
- We have a staff of highly-qualified medical personnel operating under the supervision of recognised medical experts and using equipment provided by leading international suppliers.
- We have a network of modern high-quality healthcare facilities that is well-established in the Moscow area and is now expanding to other regions.

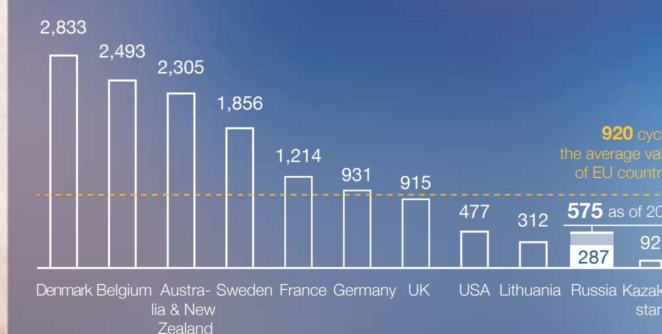
Case study:

IVF services in Russia remain a highly attractive segment of private healthcare services

The IVF market in Russia, where MDMG is already the recognised leader among private players, continues to grow with a CAGR for 2009—2015 of 15% according to Company estimates. Since 2012, the Government has started to fund not only IVF services provided in public facilities (through both federal and regional budgets), but also in private healthcare companies as well as through the MHI system. The overall trend includes the reduction of funding provided by federal and regional budgets (for public facilities only), and a growing share of MHI funding. This creates potential for private market players to receive more MHI patients for IVF services.

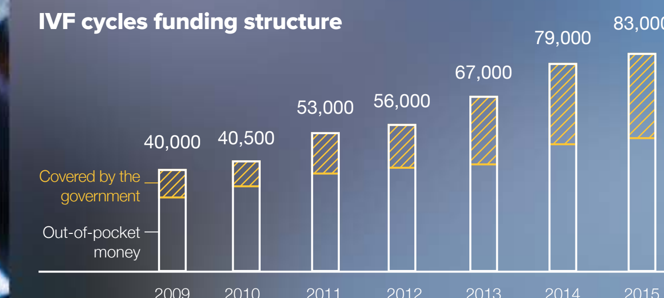
Currently, there is a significant lag between the amount of IVF cycles in more established IVF markets, for example in Denmark, Belgium, Australia, Sweden and Czech Republic, demonstrating clear potential for further growth in Russia over the coming years.

The number of IVF cycles, per 1 million people



Source: data for 2010; ESHRE (European Society of Human Reproduction and Embryology); Vademec.ru, Company estimates

IVF cycles funding structure



Source: Company estimates

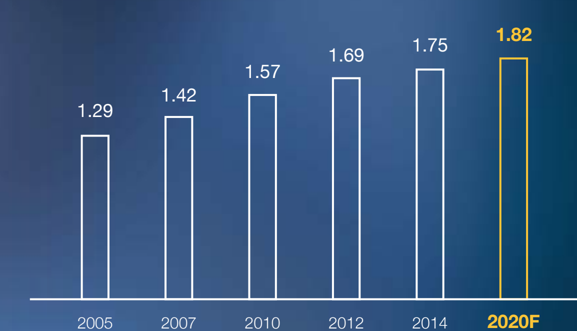
Case study:
Potential deliveries growth in Russia

While the UN Secretariat Department of Economic and Social Affairs Population Division indicates that global fertility rates are in decline, the opposite trend is seen in Russia.

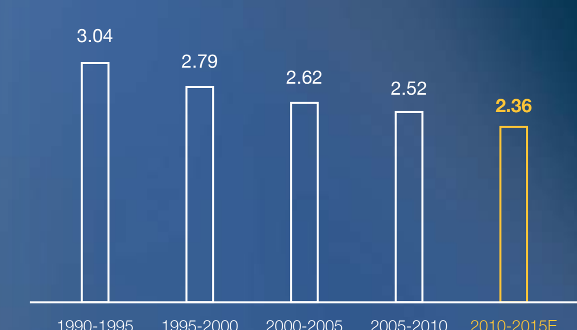
In fact, fertility has steadily grown in Russia over past years and is projected to increase further. For the period from 2006 to 2013 the total fertility rate in Russia increased by 30.8%. At the same time, there is still potential for Russia to improve fertility rates to the level of some other countries, including USA, China and France.

We have a strong presence in the regions with the best demographic indicators in Russia. In 2015, our total deliveries grew by 22%, while deliveries in Russia slightly declined by 0.2%.

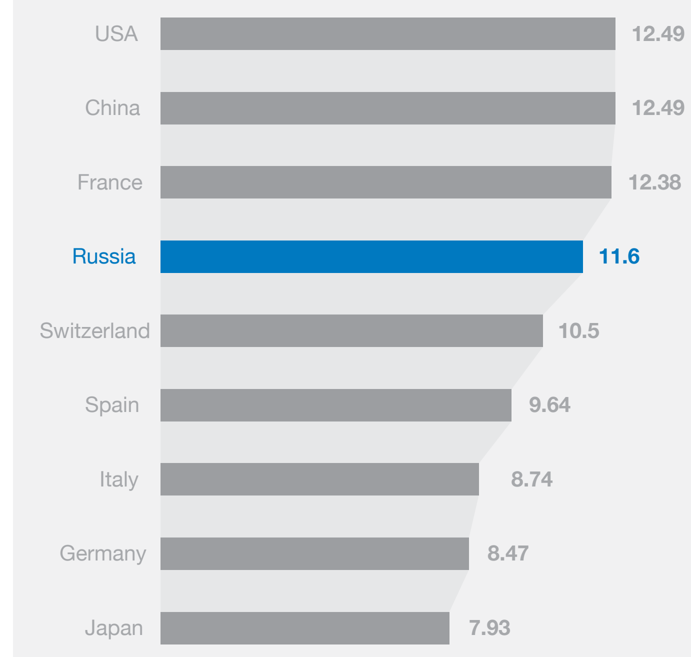
Total fertility rates in Russia



World fertility rates (1990-2015)



Estimates of 2015 birth rate per capita



Source: Central Intelligence Agency

“ Such positive dynamics along with other factors supports one of our core services. We also believe, that our care about women’s health, including our efforts in the field of IVF, should result in better delivery rates. ”

1.82

fertility rate in Russia by 2020

Our strategy

At least

25%

of net profit is paid out
in the form of dividends

Our values

Our mission

To make world-class health care and related services accessible to people in a growing number of Russian regions.

Our strategy

Our strategic goals are simple and clear: to do the best for our customers and run a successful business to the benefit of our shareholders. We believe that we have consistently demonstrated our ability to deliver on this strategy, to the benefit of all of our stakeholders.

“While we intend to maintain our focus on women's and children's health, we are selectively considering opportunities to widen our service offering where we have the opportunity and where we believe it makes commercial sense to do so.”

Bringing our strategic priorities to life:

1 Provide patients with the highest quality of care

We are constantly improving the professional skills of our already highly-trained specialists, and our aim is to continuously adopt the best available technologies. In February 2015, for example, we opened a new out-patient clinic in Ryazan, which became the first in the region to provide IVF services, meaning that local residents no longer need to travel to access this high-technology service.

We are deeply committed to maintaining the highest possible quality of our services, and we will continue to invest our time, funds and efforts into technology and the professional growth of our staff in order to ensure that we maintain our leading position in the market in terms of quality of service.

2 Invest in world-class facilities and medical talent

Continued modernisation and expansion, such as construction of a new, leading-edge wing of our hospital in Novosibirsk, means that our technology and facilities are always at the forefront of innovation in our sector.

We will continue to employ the best professionals in the market by offering competitive salaries as well as fantastic opportunities for career advancement.

3 Roll out our proven business model

With the recent acquisitions of Medica and ARTMedGroup, we have added 6 new clinics to our chain, including in new regions of Novokuznetsk, Krasnoyarsk, Omsk and Barnaul.

We also opened our first clinic in Ryazan in February 2015.

While maintaining a sharp focus on our current projects, we will continue expanding our network to encompass more and more of the Russian population.

We aim to expand both via organic growth as we plan to construct hospitals in Nizhny Novgorod and Samara and by purchasing attractive, value-accretive healthcare assets.

4 Deliver value to shareholders

Our financial results reflect successful implementation of our strategy, as well as our ability to deliver on our commitments to shareholders.

We continue to fulfill our aim of paying out at least 25% of net profit in the form of dividends.

Our long-term incentive plan, introduced in 2014, ensures that management remains focused on maximising shareholder returns.

We will continue to develop our network and expand in to new regions whilst realising further value from projects that we have already invested in.

5 Focus primarily on care for women and children

Healthcare for women and children remains our core priority, and our latest acquisitions of Medica and ARTMedGroup fit perfectly into our portfolio.

Looking ahead to new opportunities…

While we intend to maintain our focus on women's and children's health, we are selectively considering opportunities to widen our service offering where we have the opportunity and where we believe it makes commercial sense to do so. We will only pursue such expansion if and when we are sure that we can deliver such new services at the high level for which we are recognised.

Operational and financial review

73%

of revenue generated by core business OBGYN, deliveries, IVF and paediatrics.

Deliveries

In 2015 the total number of deliveries grew by 22% y-o-y to 5,535. On a LFL basis this represented an increase of 1% y-o-y to 4,616. Revenue from deliveries was up 21% in 2015 to 1,750 mln and represented 18% of the Group's total revenue. At the same time, the total number of deliveries in Russia and slightly decreased by 0.2%.

Ahead of growth dynamics in Russia and globally

MD Medical Group has consistently set a uniquely high standard in Russia for the level of quality, comfort and care in deliveries, which is what has allowed and will continue to allow us to increase the number of deliveries we perform year by year.

> “Safety of our patients is the core value at MD Medical Group, and our highly professional team has at their disposal the best available equipment.”

Pioneers in our market

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

- we were the first in Russia to offer women the opportunity to have the same doctor who supervised their pregnancy go on to conduct the delivery;
- we offer unique anaesthesiology resources and optimal pain relief for each period of labour;
- we provide a combination of classical obstetrics and advanced medical technologies;
- our patients benefit from individually tailored birthing programmes;
- we offer a unique “home birth in hospital” in our luxury in-hospital apartments.

22%

growth of deliveries number in MDMG in 2015

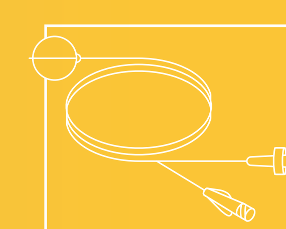
Wide choice of delivery options

We do everything possible to ensure that our clients can give birth naturally, even following surgery or caesarean section. We offer a wide range of different birth options for future mothers to choose from:

- physiologically natural childbirth;
- traditional or horizontal natural childbirth;
- vertical birth;
- water birth;
- “Home birth” in hospital in one of our luxury apartment chambers, furnished in the style of a home bedroom with an on hand medical team and equipment;
- partnership birth, allowing for loved ones to be present;
- natural birth after caesarean or previous gynaecological surgery;
- surgical birth via planned or emergency caesarean section.

State-of-the-art high-technology equipment

Safety of our patients is the core value at MD Medical Group, and our highly professional team has at their disposal the best available equipment, including:

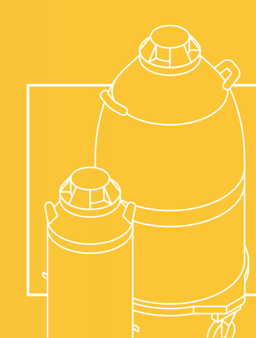


Temporary balloon occlusion of the internal iliac arteries

Avoids complications, preserves reproductive function and decreases blood loss in OBGYN practice, especially in case of placenta accrete in a Caesarean section scar

Dragger Caleot

Unique and new registered method of hypothermia applied for newborns with asphyxia. Allows to save lives of newborns who in most cases would die without unique treatment



Cryotop method in assisted reproductive treatment

Ensures 100% survival of embryo, high rate of implantation

Post-delivery services

- Neonatal intensive care unit;
- neonatal pathology unit;
- premature babies unit;
- ER unit with fleet of ambulances;
- 24/7 emergency labour service;
- breastfeeding support and assistance for patients suffering from lactostatis or hypogalactia;
- stem cell bank, with international standards in collection, testing, processing and storage of cord blood including transportation services even if the birth is at another centre;
- “Mothering School” providing assistance and birth guidance for future parents.

In vitro fertilisation

In 2015, the total number of IVF cycles increased 21% y-o-y to 9,289, representing a revenue increase of 36% y-o-y to 1,615 mln roubles. This was due to strong performance from clinics in Moscow and the regions, as well as the consolidation of clinics in Novosibirsk.

Strengthening still further our leading market position

MD Medical Group has further strengthened its position as the undisputed leader in the IVF market in Russia in 2015. In February, we opened our first clinic in Ryazan, which was the pioneer on the IVF market in the Ryazan region.

We have strengthened our position even further with the purchase of the Medica clinic in Novokuznetsk, as well as ARTMedGroup, a chain of five reproductive technology centres and one of Russia's top 5 IVF providers and the leader in Siberia in terms of IVF cycles completed.

High-technology services across Russia

We provide our customers with high quality fertility services including:

- diagnosis of possible causes of infertility within a family;
- preimplantation genetic diagnosis;
- effective treatment for one or both spouses;
- individually tailored programmes;
- achievement and maintenance of pregnancy;
- childbirth assistance;
- post-natal healthcare assistance for the child up to 16 years;
- a team of highly qualified experts in areas of reproduction, gynaecology, immunology etc., providing medical expertise for every situation;
- a range of alternative fertility services including auxiliary hatching, donor sperm insemination, ovulation stimulation etc.

A sophisticated and tailored approach

Our facilities use state-of-the-art specialised equipment in the provision of IVF services. Our individual approach to each patient ensures a high standard of service, as well as a high probability of success.

21%

IVF cycles growth (2015)

Plans for development

1. Consolidation of the recently purchased ARTMedGroup clinics in the four largest Siberian cities with overall annual IVF capacity of 3,800
2. Consolidation of the recently purchased Medica clinic in Novokuznetsk with annual IVF capacity of 800
3. Opening a new clinic at Mother & Child Khodynka with annual IVF capacity of 600 will significantly strengthen M&C position on Moscow IVF market

“We do not use ready-made solutions. Each fertility treatment is specially tailored as we take into account each case individually to help our patients become the proud parents of healthy children.”

In-patient treatments

In 2015, the total number of in-patient treatments increased by 42% to 51,014, representing a revenue increase of 44% y-o-y to 1,517 mln roubles. In-patient days made up 16% of the Group's revenue.

OBGYN

- Total number of OBGYN in-patient treatments increased by 16% y-o-y to 23,626.
- LFL patient days for OBGYN decreased 4%.
- Revenue for the segment increased 18%.
- Segment accounted for 9% of the total revenue.
- Drivers of growth were Ufa, Mother & Child Novosibirsk and Lapino.

Paediatrics

- Total number of paediatrics in-patient days increased by 34% y-o-y to 15,387.
- LFL patient days for paediatrics increased 11%.
- Revenue for the segment increased 32%.
- Segment accounted for 3% of the total revenue.
- Drivers of growth were Ufa, Mother & Child Novosibirsk and Lapino with PMC.

Other Medical Services

- The total number of other medical in-patient treatments (surgery and traumatology) has increased 192% y-o-y to 12,001.
- Revenue from other in-patient medical treatments is up by 2.7x on the back of growing numbers of patients in general surgery at Lapino, the consolidation of Mother & Child Novosibirsk, there is a big surgical department specialising in craniological, urological and oncological surgery, as well as results from Ufa's plastic surgery department.

OBGYN out-patient treatments	Paediatrics out-patient treatments	Other medical out-patient treatments
23,626	15,387	12,001

51,014 the total number of in-patient treatments

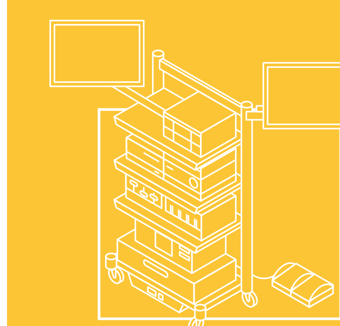
State-of-the-art equipment

- We use modern equipment provided by highly recognised suppliers, including Siemens, Drager, Storz, Olympus, Medcom, Braun, and Philips.
- All our hospitals are equipped with high-quality laboratories which conform to the highest international standards.
- Equipment manufacturers provide comprehensive regular equipment maintenance.
- We pursue an innovative approach with continuous adoption of new technologies.

→ Regular monitoring of all new equipment coming to the market.
→ Technical training for medical personnel.

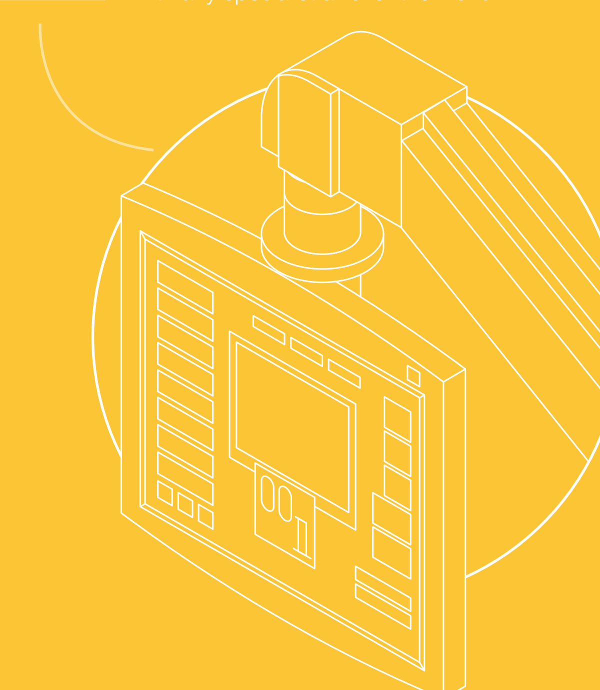
Some of the examples of unique and modern equipment we use:

Safety of our patients is the core value at MD Medical Group



Integrated operation room OR1™ by KARL STORZ

Best-in-class visualisation during laparoscopic operations. Provides an opportunity for online data transfer and consultations with any specialist all over the world.



Out-patient treatments

In 2015, the total number of out-patient treatments increased by 34% to 1,176,630, representing a revenue increase of 30% y-o-y to 3,340 mln roubles. Out-patient days made up 35% of the Group's revenue.

OBGYN

- Total number of OBGYN out-patient treatments increased by 18% y-o-y to 451,986.
- LFL patient days for OBGYN increased 4%.
- Revenue for the segment increased 19%.
- Segment accounted for 16% of the total revenue.
- Key triggers are growth at Lapino, first year of operations of Ufa hospital, Mother & Child Novosibirsk and clinic in Ryazan.

Paediatrics

- Total number of paediatrics out-patient treatments increased by 27% y-o-y to 347,003.
- LFL patient days for paediatrics increased 9%.
- Revenue for the segment increased 19%.
- Segment accounted for 11% of the total revenue.
- Key growth triggers are rapid growth in Ufa, full year of operations of Mother & Child Novosibirsk, strong results at Lapino and Samara clinics.

Other Medical Services

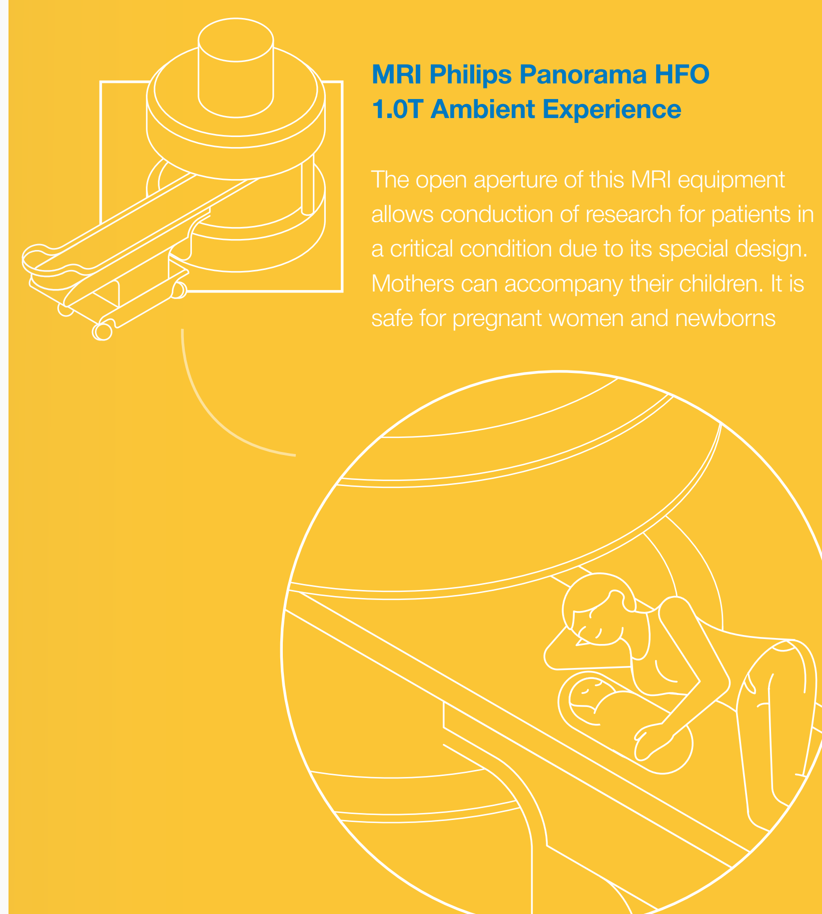
- The total number of other out-patient treatments has increased 68% y-o-y to 377,641.
- Growth was mainly generated by urologist, physiotherapist, dentist and cardiologist visits.
- The largest share in other medical outpatient growth was related to Mother & Child Novosibirsk, diagnostics centres at Lapino, Ufa and PMC as well as a number of rehabilitation treatments.

OBGYN out-patient treatments	Paediatrics out-patient treatments	Other medical out-patient treatments
451,986	347,003	377,641

1,176,630 the total number of out-patient treatments

Some of the examples of unique and modern equipment we use:

Safety of our patients is the core value at MD Medical Group



MRI Philips Panorama HFO 1.0T Ambient Experience

The open aperture of this MRI equipment allows conduction of research for patients in a critical condition due to its special design. Mothers can accompany their children. It is safe for pregnant women and newborns

> “Key growth triggers are rapid growth in Ufa, full year of operations of Mother & Child Novosibirsk, strong results at Lapino and Samara clinics.”

34% increase in the total number of out-patient treatments

M&A supporting our growth

M&A represents an important element of our regional development strategy, and is an effective complement to our organic growth.

We continually assess the market for new opportunities that meet our acquisition criteria, with a particular focus on well-established companies with relevant specialisations and run by highly professional teams.

Our most recent acquisitions include:

ARTMedGroup (AMG)

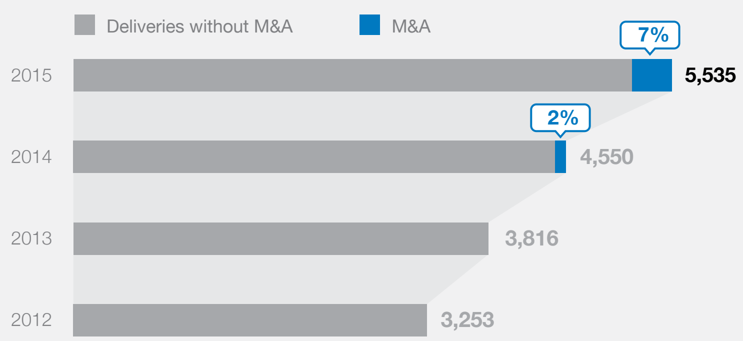
a chain of reproductive technology centres, one of Russia's top 5 largest healthcare companies and the leader in Siberia in terms of IVF cycles completed, which has been active on the reproductive medicine market for almost 20 years. The chain comprises five centres in Siberia's largest cities — Krasnoyarsk, Omsk, Novosibirsk and Barnaul — which specialise mainly in IVF, but also offer medical services in the field of women's and children's healthcare. The deal was closed in January 2016.

Medica

a clinic focused on women's and reproductive health, situated in Novokuznetsk (the Kemerovo region), established in 2009. The clinic includes an IVF department, outpatient clinic, an operative gynaecology unit, and a "one-day" in-patient unit. The deal was closed in December 2015.

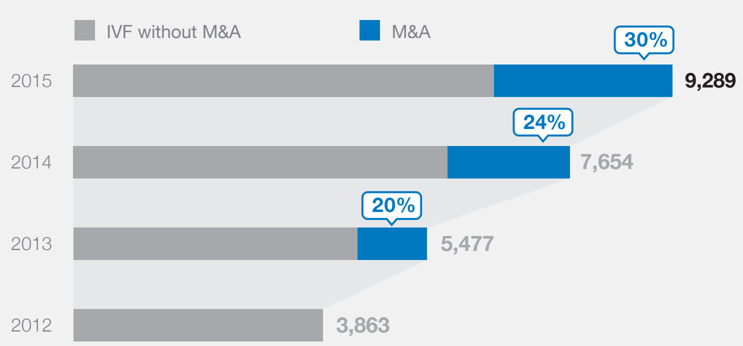
Deliveries

5,535 7% share of M&A*



IVF

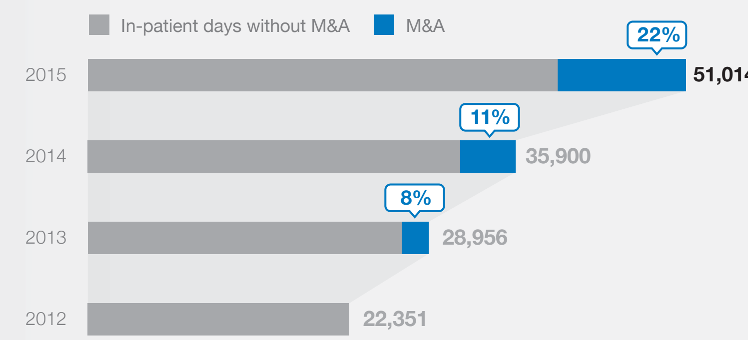
9,289 30% share of M&A*



> "Facilities in Novosibirsk, Irkutsk and the Samara region made a substantial contribution to our operating results in 2015. We expect that the recently acquired clinics of Medica and ARTMedGroup will have a solid impact on our results in 2016 and beyond."

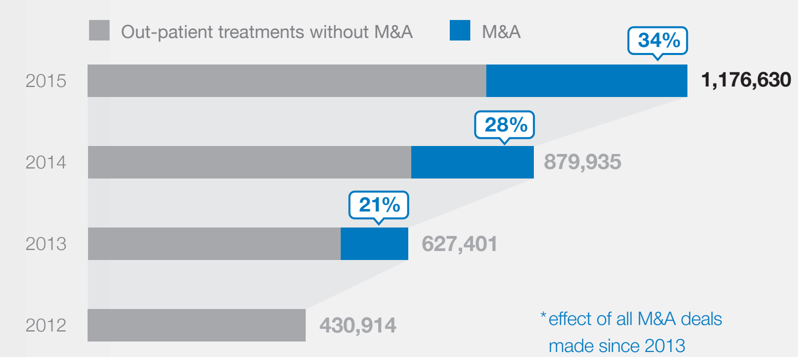
In-patient days

51,014 22% share of M&A*



Out-patient treatments

1,176,630 34% share of M&A*



*effect of all M&A deals made since 2013

Mother and Child Irkutsk

(85% stake), the only private reproduction centre in the Irkutsk region, specialising in IVF and gynaecology. The deal was closed in May-July 2013.

IDK Medical Company

a leading network of women's and children's health clinics located in the Samara region. IDK's network includes two medical centres, a children's polyclinic, a clinical diagnostics centre, two outpatient clinics in Tolyatti (Samara region's second largest city) and Novokuybyshevsk, and two pharmacies.

Mother and Child Novosibirsk (formerly Avicenna)

the largest private healthcare company in Russia outside of Moscow and St Petersburg, situated in Novosibirsk. The network includes three multi-disciplinary clinics with its own laboratory and a hospital with a maternity ward. The deal was closed in October 2014. In 2015, we started construction of a new wing to expand the hospital's capacity.

Avicenna offers a broad range of in- and out-patient services including deliveries, IVF, obstetrics and gynaecology, paediatrics, cardiology, radiation and ultrasound diagnostic, dentistry and neurosurgery, plastic surgery and urology, traumatology and orthopaedics.

Financial review

MD Medical Group's shares have been listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs) since 12 October 2012 under the ticker MDMG. Each GDR represents an interest in one ordinary share.

Revenue

Revenue increased by 32% to RUB 9,507 mln vs. RUB 7,201 mln in 2014 on the back of:

- continued ramp-up at Lapino;
- full year of operations and ramp-up of our hospital in Ufa which opened for business on October 31, 2014;
- full year of operations of M&C Novosibirsk (former "Avicenna") that was acquired in 2014 and consolidated in Q4'14;
- improving performance of our existing clinics.

EBITDA

EBITDA for the year amounted to RUB 2,675 mln. Group EBITDA increased by 28% year-on-year owing to:

- continued ramp-up of Lapino hospital;
- full year of operations of M&C Novosibirsk (formerly "Avicenna");
- improved performance of other Moscow and regional clinics;
- our hospital in Ufa became EBITDA positive in 2H 2015, although nevertheless made a minor negative contribution to our FY 2015 EBITDA.

EBITDA margin

EBITDA margin for the year was 28% while LFL EBITDA margin amounted to 31%. FY 2015 EBITDA margin was influenced by a negative contribution of our hospital in Ufa and dilution of the Group's margin by M&C Novosibirsk.

Revenue (mln RUB)	EBITDA (mln RUB)	EBITDA margin
9,507 +32%	2,675 +28%	28%

1,770 mln RUB profit for the year

CAPEX

- Start of construction of a new in-patient wing attached to the existing M&C Novosibirsk hospital
- Acquisition of Medica clinic in Novokuznetsk
- Maintenance
- Other projects

Debt

Debt decreased to RUB 3,454 mln. In 2015, the Group continued to repay its existing debt in line with the schedule and used RUB 215 mln from the new RUB 1.1 bln credit line for construction of a new hospital wing in Novosibirsk.

Net debt

The Company has strong balance sheet with Net Debt/EBITDA ratio of 0.6x

CAPEX (mln RUB)	Debt (mln RUB)	Net debt (mln RUB)
1,069	3,454	1,680

21.4 Basic and fully diluted earnings per share (RUB)

Corporate social responsibility

Human resources

Our leading market position would not be possible without our core asset — highly qualified and talented personnel across all areas of our business. We offer staff competitive compensation packages but our main focus is on wide ranging training and improvement opportunities and the chance to work in a dynamic and respected business.

Personnel

Our successful staff base can be attributed to our personnel training and development structure. The key targets of our HR policy are:

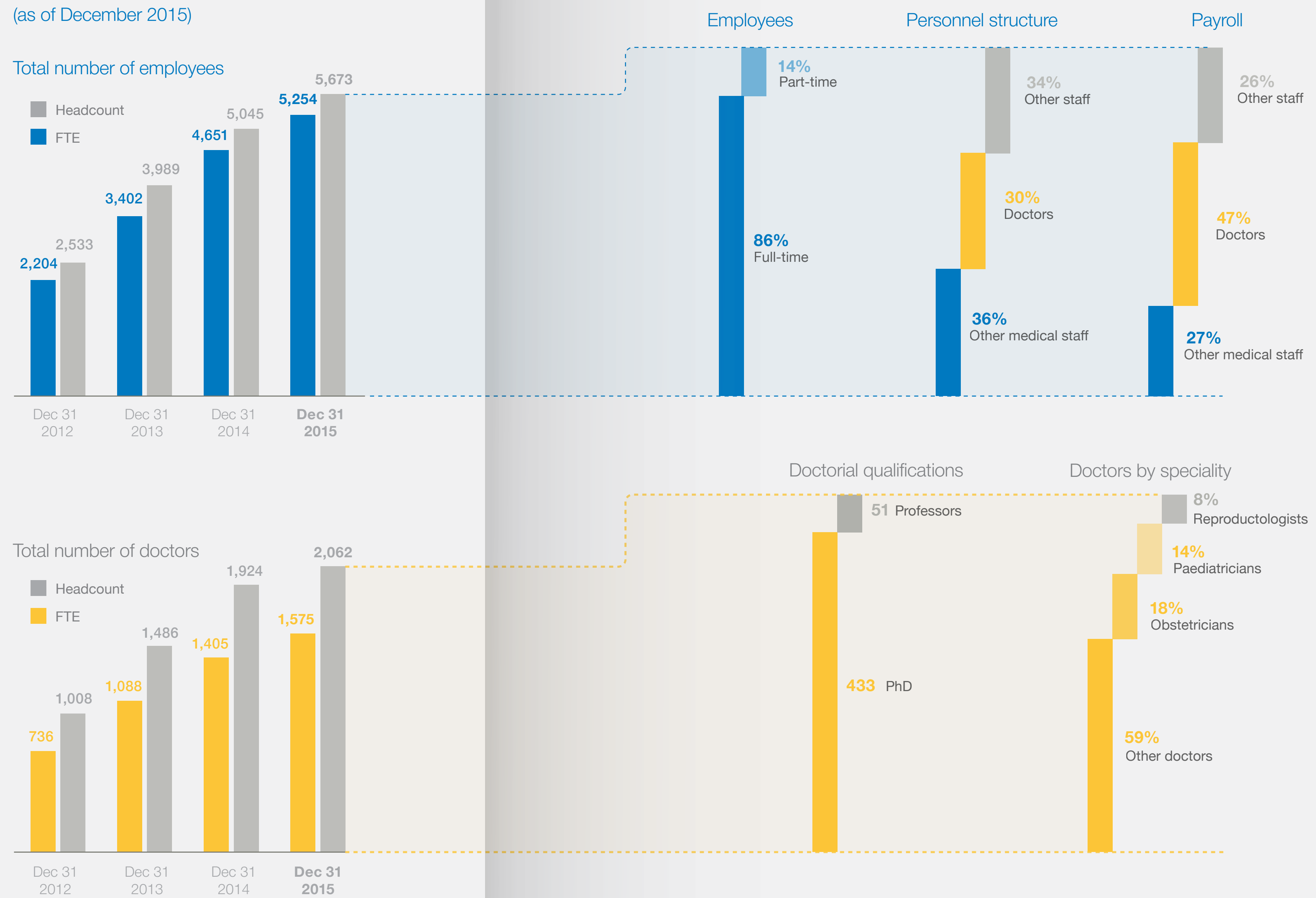
- retention of existing staff and addition of highly skilled employees;
- investment in employee development;
- selection of the most talented students for education in residence at PMC and Lapino, including 6 students in 2015;
- opportunities for personal and career growth;
- provision of most advanced technology and equipment;
- placing best staff in leading positions at the right time to maximise potential and encourage internal growth;
- provision of better working conditions to maintain low staff turnover;
- incentive programmes for employees;
- training programmes across various fields as part of corporate education system.

Among our training programmes we have provided staff with:

- webinars, featuring online training in most relevant topics;
- certification of medical personnel, with more than 200 specialists confirming their qualifications in public health institutions throughout 2015;
- corporate training for more than 200 managers, doctors and other specialists from Moscow, St Petersburg, Ufa, Ryazan, Perm and Yaroslavl on Leadership, Corporate Standards, Business Communications and Conflict Management during 2015;
- business trips for specialists from Moscow to further transition specialists in the region to lead regional hospitals;
- international exhibitions and symposiums;
- training centre: a system of improving soft skills and knowledge acquisition across different areas.

5,673 total number of our employees

Personnel figures
(as of December 2015)



Long-term incentive plan

In 2015 we implemented our long-term incentive plan for key staff members both from management and the medical team. The programme is aimed at achieving closer alignment of interests between management and shareholders and increasing management motivation to build sustainable shareholder value over the long-term.

> “It is thanks to the excellent and hard work of our team and their unique expertise that our customers receive the highest quality care and our business continues to grow.”

Corporate social responsibility

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

Our role as a responsible corporate citizen is important for us and we have already made significant contributions to our local communities, this is an area in which we can always do more, and we hope to continue sharing the benefits of our work with the people around us and our profession as a whole.

Our mission

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

Our people

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

Our technology

We aim to maximise efficiency while minimising patient stress by constantly updating our technology and using the most innovative procedures. Examples include occluding temporary balloons in the iliac arteries to avoid complications during OBGYN procedures and using the Cryotop method to increase the chances of embryo survival during assisted reproductive treatment.

Our communities

As we continuously expand our network throughout Russia and bring often unique services to new regions, we not only provide people with high-quality services near their homes, but also encourage every employee to be helpful to the community where they live and where we are present.

Our profession

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

Key CSR activities in 2015

October 2015

"Give Life to a Child" Sponsored Run

We organised simultaneous runs in Moscow, Ufa and Samara in cooperation with the Give Life Foundation to raise money for treatment of seriously ill children across Russia and put our core values into practice.

More than 400 of MD Medical Group's managers, doctors and representatives of the Group's shareholders and partners took part in a charity run to raise awareness of the strength and courage of those children who are forced to fight to survive right from the start. The birth of a child is the greatest gift anyone can receive, and the struggle for life is perhaps the most sacred part of a doctor's work.

> "Every life saved is a collective victory for the family and the team of doctors."

As a leading Russian healthcare company we also take the health of our employees and partners seriously. And we believe that a good run on a sunny day is a great way to stay fit.

We strongly believe that even a small distance can be a great victory.

October 2015

Blood Donor Day at Lapino

With the help of doctors and volunteers from the Moscow Station for Blood Transfusions, we held a 'Blood Donor Day' at our Lapino hospital. Many of our top doctors joined in and in total, our 60 donors produced 24 litres of blood, which exceeded our initial targets.

December 2015

Make a child's Christmas dream come true together with Lapino

Christmas and New Year is the time of magic and joy. However, not everyone has an opportunity to celebrate by opening presents with their family. So, to share the Christmas spirit with the most vulnerable, we organised a charity event for orphans in December 2015.

Children with neurological disorders from Moscow orphanage No 8 wrote their wishes on cards which we hung on a Christmas tree at the Lapino hospital. MDMG employees volunteered to make the children's dreams come true and purchased more than 100 presents — toys, games, electronics, etc. Doctors, administrative staff and other personnel also made donations for the purchase of warm winter clothes for the children.

Shortly before the feast, Father Christmas brought all the presents to the children, proving to them that miracles do happen.

Shareholder equity

MD Medical Group's shares are listed on the London Stock Exchange under ticker MDMG in the form of Global Depositary Receipts (GDRs) since 12 October 2012.

MD Medical Group has a free float of approximately 32.1%, with the remaining 67.9% owned by MD Medical Holding Limited, which is beneficially owned by Mark Kurtser. The investor portfolio is represented by a number of global institutional investors.

Each GDR represents an interest in one ordinary share.

75,125,010
The total number of shares outstanding

31.8%
a free float of MDMG

0.3%
shares held for long-term management incentive programme

Shareholders owning over 1% of the issued capital

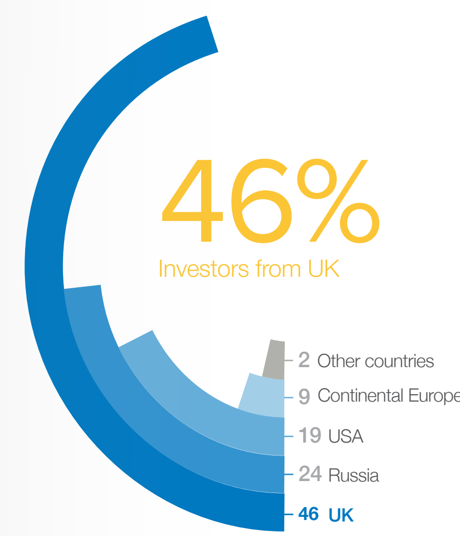
Name of the fund	Number of shares as of 2015	Share of shares outstanding (%)	Number of shares as of 2014	Share of shares outstanding (%)
Russian Direct Investment Fund*	4,166,667	5.55	4,166,667	5.55
Russia Partners	3,235,000	4.32	3,235,000	4.32
J.P. Morgan Asset Management (UK), LTD	2,318,944	3.10	1,742,493	2.33
BlackRock Investment Management (U.K.), LTD	2,059,731	2.75	2,059,731	2.75
M&G Investment Management, LTD	1,704,000	2.28	1,954,000	2.61
Prosperity	1,582,831	2.11	-	-
Baring Asset Management, LTD (U.K.)	1,093,869	1.46	1,093,869	1.46
Aberdeen Asset Managers, LTD (U.K.)	1,005,293	1.34	1,012,293	1.35
Comgest S.A.	764,600	1.02	640,600	0.85

* Shares managed by RDIF Managing company Llc., including co-investors' shares managed by RDIF Managing company Llc.

Source: IPREO BD Corporate as of February 2016; Company information

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

Our investors represent various geographies (%)



Source: IPREO BD Corporate as of February 2016; Company information

MD Medical Group's dividend history

	2012	2013	2014
Dividend approval by AGM	07.06.2013	23.05.2014	05.06.2015
Record date	07.06.2013	23.05.2014	05.06.2015
Payout date	12.06.2013	30.05.2014	03.07.2015
Total dividends paid, ths RUB	313,873	180,271	300,329
Dividends per share, RUB*	4.18	2.40	4.01

Analyst coverage

As of March 2016 MDMG was covered by equity research analysts representing leading banks such as Bank of America Merrill Lynch, Deutsche Bank, Goldman Sachs, HSBC and JP Morgan.

Dividends taxation

Since 1 January 2015, MD Medical Group Investments Plc. has been a Russian tax resident, and pays dividends in line with the Russian Tax Code, according to which dividends paid by Russian companies are generally subject to a tax rate of 15%. A reduced rate may be applied in the case of Russian tax residents and residents of foreign jurisdictions whose Governments have signed a double taxation treaty ("DTT") with the Government of Russia. MD Medical Group Investments Plc acts as a tax agent and withholds tax in order to transfer it to the Russian tax authorities when paying dividends. For a list of countries that have signed a DTT with Russia and terms for applying a reduced tax rate please see the Company's corporate website at www.mc-clinics.com/media/news/83.html

Corporate governance and risk management

Risk management

Potential impacts and mitigations

Medical Service Risk

By its nature, the medical sector will always carry some risk. This is particularly so in higher risk areas of medicine such as OBGYN, deliveries and surgery. This risk can potentially have a significant reputational impact on our business, which in turn can affect our financial performance.

→ To minimise this risk, we place a significant emphasis on ensuring that we hire medical staff of the highest professional standard, while also providing ongoing oversight of key medical processes and by conducting systematic reviews of all complex and non-routine cases. In complex medical cases, recommendations are carefully analysed and are presented to all key personnel responsible for medical service.

→ We apply the same high standards of medical care in all our institutions.

Political & Regulatory Risk

The political and regulatory environment with respect to the development of private medicine in Russia is currently relatively favourable. However, there is always a risk that governmental attitudes and policies with respect to private medicine could change.This could create difficulties for us in terms of realising our strategic objectives, including the implementation of our investment programme.

→ We have strong relations with the government at both a federal and regional level, and work continually to strengthen these relations further. We participate in a variety of public committees on relevant health issues including the development of the Russian healthcare sector as a whole. We also actively support the authorities and provide expert advice on relevant laws, and at times we actively advocate for laws aimed at supporting the continued development of the medical sector.

Macroeconomic Risk

There is a risk that the macroeconomic environment in Russia can deteriorate.

→ We monitor very closely the situation in the Russian and global economic environment, and continually assess our ability to deliver on our strategies. Our strategy has been designed to allow us to adapt it as needed in order to be responsive to changes in the general economic environment.

Control & Efficiency Risk

The rapid development of our business, the integration of new legal entities and an increase in the number of employees increase the challenge of effective monitoring of operations throughout our Group. This can negatively impact our ability to maintain previous levels of efficiency as we continue our rapid growth.

→ We are constantly seeking ways to enhance our efficiency, in terms of monitoring business processes and internal controls. We have successfully centralised the most significant business functions, such as budgeting, financial control, treasury, accounting, purchasing, legal support, personnel administration, security and IT. We have established a clear division of responsibilities for all key business processes.

→ We have also created special committees that report to the CEO, covering key areas of our activity, including investment, operations and medical services.

> “We are continuously improving our risk management systems, which enable us to quickly identify potential risks to our operations and find the most efficient ways to mitigate them.”

Investment Project Execution Risk

Our growth depends on acquisitions of existing healthcare facilities, as well as the construction of new hospitals and clinics.

Our strategy is based on geographical expansion of our network throughout the regions of Russia. We are pioneers in the field of regional expansion, and the effectiveness of expansion of private medicine into the regions is still to be fully measured and proven. It can be challenging to forecast with precision the return on investment that can be achieved, and the likely pay-back periods due to a lack of reliable information on the potential number of private patients in any given region. If expansion projects are not implemented effectively, projects can either have an extremely long pay-back period or may even fail to deliver a profit.

→ We have a number of small clinics in regions across Russia. These operations give us an opportunity to understand the local market dynamics, including average ticket size and overall level of demand, before undertaking a major project such as the construction of a new hospital or a sizeable acquisition. We prioritise those regions where we already have out-patient clinics, and/or Russia's largest regions where we can have a higher degree of certainty about the local market. We also benefit from a relative lack of competition in the regions, as currently we are practically the only sizeable provider of high-quality private medical services that is targeting regional expansion.

Recruitment Risk

Our strategy, which is based in large part on building new hospitals and clinics in the regions, involves the risk of not being able to find a sufficient number of medical employees whose qualifications and experience are consistent with the high standards of service we have set for ourselves. This risk is compounded by the general standard of medical education in Russia, which can often fall short of the standards set by private clinics, whose reputation depends heavily on the quality of services they provide.

→ We are very focused on and invest in programmes to raise the level of qualifications of medical personnel in Russia. We focus particularly on students at the leading medical universities, helping to develop their skills further from the outset. We place a considerable emphasis on our recruitment process and liaise actively with the heads of departments at the top universities, as we endeavour to hire the best available talent. We also provide significant on-the-job training and continuing medical education, including specialist training programmes, which we conduct in Moscow for new regional hires. Ongoing enhancement of our HR function and practices is one of our key strategic priorities.

Government Relations Risk

The current government environment is comparatively open and friendly to the development of the private medical sector of the Russian economy. But there is always a risk that the direction of governmental strategy could be changed. This could potentially lead to substantial difficulties in implementing the strategic objectives of the Group, including implementation of its investment programmes.

→ MD Medical Group's management is constantly engaged in building relationships with government authorities at different levels, including regional government representatives.

→ Management actively participates in the various public committees and commissions concerning the development of the medical sector of the Russian economy. Additionally, management is actively involved in various stages of the development of applicable law, in some cases acting as an initiator of changes.

Chairman's introduction to corporate governance

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

Dr Mark Kurtser
Chairman of the Board of Directors

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

Corporate governance and control structure

General Meeting of Shareholders	
Board of Directors	Board Committees
CEO	Audit (> Internal auditor)
CEO's Deputies	Nomination
	Remuneration

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

Board Committees

Audit committee

As of 31 December 2015, the Audit committee was made up of Independent Non-Executive Director Liubov Malyarevskaya (chair), Non-Executive Director Kirill Dmitriev and Independent Non-Executive Director Simon Rowlands.

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.

4

board committees take part in general meeting of shareholders

Nomination committee

As of 31 December 2015, the Nomination committee consisted of Mark Kurtser (chair), Independent Non-Executive Director Simon Rowlands and Executive Director Elena Mladova.

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 Simon Rowlands (chair), Mark Kurtser and Vladimir Mekler. 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:

- 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.

Board of Directors

Dr Mark Kurtser, Professor,
Chairman of the Board of Directors

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 in the Obstetrics and Gynaecology Department of the Pirogov Medical University. From 1994 to 2012, Dr Kurtser was Head of the Family Planning and Reproduction Centre, part of the Health Department of Moscow, the largest public obstetrics hospital in Moscow. From 2003 to 2013, Dr Kurtser was the Chief Obstetrician and Gynaecologist of the City of Moscow. He holds a degree in medicine from Pirogov Medical University as well as a postdoctoral degree in medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

Dr Elena Mladova,
CEO and Member of the Board of Directors

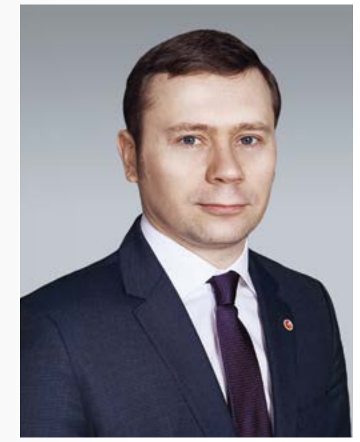
Dr Elena Mladova joined the Board of Directors in August 2012, having been appointed as Chief Executive Officer earlier in the year. She joined the Group in 2008 as Head of the Department for Infertility Treatment and IVF at PMC, where she was responsible for the introduction of various infertility and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

Mr Simon Rowlands,
Independent Member of the Board of Directors

Mr Simon Rowlands was appointed as an independent non-executive director in September 2012. His other current appointments include nonexecutive directorships at Spire Healthcare and Avio. 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 those of General Healthcare Group, Spire Healthcare and Classic Hospitals in the UK, USP in Spain and Generale de Sante 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.

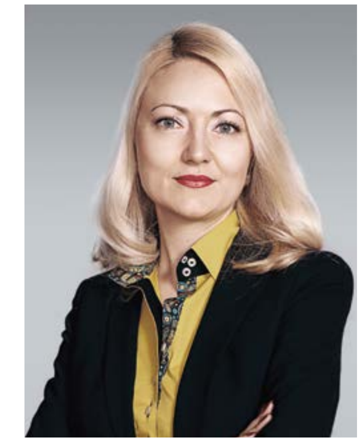
Mr Kirill Dmitriev,
Member of the Board of Directors

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. Mr Dmitriev is Deputy Chairman of the Investment Council under the Chairman of the State Duma of Russia, Vice President of the Russian Union of Industrialists and Entrepreneurs and was appointed by the President of Russia as a member of the BRICS and the APEC business councils. He also serves as a member of the boards of directors of Rostelecom, Gazprombank, Prominvestbank. Prior to joining RDIF, he was president of Icon Private Equity and co-managing partner and CEO of Delta Private Equity Partners. Dmitriev previously worked as 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.



Mr Vitaly Ustimenko, PhD,
Member of the Board of Directors

Mr Vitaly Ustimenko joined the Group as Chief Financial Officer in 2012. He was elected to the Board of Directors in February 2015. Mr Ustimenko has more than ten years of experience in finance. Previously he was the Head of Strategic and Business Planning at 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.



Mrs Liubov Malyarevskaya,
Independent Member of the Board of Directors

Mrs Liubov Malyarevskaya was appointed as Independent Non-Executive Director in February 2015. She has been a Chief Financial Officer at Russian Media Group since 2016. Earlier, from 2014 to 2016 was a Project Director in Sberbank Russia, from 2011 to 2014, Mrs Malyarevskaya was a partner and head of the Corporate Finance Department of BDO. From 2001 through 2010 she worked at PricewaterhouseCoopers and Deloitte, including as senior manager at Deloitte Touche Tomatsu Ltd. Mrs Malyarevskaya holds a Russian Statutory Accountant Certificate as well as a certificate from the Association of Chartered Certified Accountants (ACCA). Mrs. Malyarevskaya graduated from the Plekhanov Russian Academy of Economics (diploma cum laude).

Mr Vladimir Mekler,
Member of the Board of Directors

Mr Mekler was appointed as Non-Executive Director in February 2015. He is a senior and managing partner of Mekler&Partners. Mr Mekler specializes in corporate law, including supporting and structuring complex and cross-border contracts; creating systems of corporate governance; legal structuring development; optimization of criminal and antitrust legislation; legal support of mergers and acquisitions; settling corporate disputes; organizing and coordinating legal representation and defence in repeat economic and property crimes. Mr Mekler has been a member of the Moscow City Bar since 1980 and is listed in the Moscow Bar's Book of Honours. He also acted as Vice-chairman of the Presidium of the Moscow City Bar Association from 2003 to 2010. He graduated from the Lomonosov Moscow State University.

Changes in the composition of the Board of Directors in 2015

The structure of the Board of Directors changed in February 2015 as a result of the Company becoming a Russian tax resident following changes to Russian tax legislation that took effect as of 1 January 2015. The Board passed a resolution on 19 February 2015, which introduced a new Board composition, and these changes were approved by the AGM on 5 June 2015. Below is a description of what changed:

Three new Board members were elected: Group CFO Vitaly Ustimenko, Non-Executive Director Vladimir Mekler, and Independent Non-Executive Director Liubov Malyarevskaya.

Five members of the Board agreed to resign from their posts of non-executive directors: Mr Apollon Athanasiades, Ms Elia Nicolaou, Mr Marios Tofaros, Mr Angelos Paphitis, Mr Andreas Petrides.

Board of Directors activity in 2015

Participation of the Directors in the Board meetings during 2015

Board member	Number of Board Meetings
Mark Kurtser	8/9
Simon Rowlands	8/9
Kirill Dmitriev	6/9
Elena Mladova	9/9
Vitaly Ustimenko*	7/7
Liubov Malyarevskaya*	7/7
Vladimir Mekler*	6/7
Nikolay Ishmetov**	8/9
Andreas Petrides***	1/1
Elia Nicolaou***	1/1
Marios Tofaros***	1/1
Angelos Paphitis***	1/1
Apollon Athanasiades***	1/1

meetings held for the period as a Board member
meetings attended

9 meetings held

43 agenda items were discussed

Remuneration paid to Members of the Board in 2015

Board member	Annual remuneration
Simon Rowlands	GBP 90,000
Liubov Malyarevskaya*	RUB 862,069

* Appointed on 19 February 2016
** Alternate director for Kirill Dmitriev
*** Resigned on 18 February 2016

Senior management

Dr Elena Mladova —
CEO

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 Department for Infertility Treatment and IVF 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 Lomonosov Moscow State University with a degree in primary care medicine.

Mr Vitaly Ustimenko, PhD —
Deputy CEO
for Economics and Finance

Mr Vitaly Ustimenko joined the Group as Chief Financial Officer in 2012. He was elected to the Board of Directors in February 2015. Mr Ustimenko has more than ten years of experience in finance. Previously he was the Head of Strategic and Business Planning at 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.

Mr Vadim Sigutin —
Deputy CEO
for Operations

Mr Vadim Sigutin joined the Group as Deputy CEO for operations in April 2014. Mr Sigutin has ten years of experience in the medicine field as both a doctor and a manager. Prior to joining the Group, Mr Sigutin was Operational Director for the South West and West regions of Moscow at Family Doctor Group. He holds a degree in medicine from the Smolensk State Medical University.

Mr Andrey Khoperskiy —
Director for Finance

Mr Andrey Khoperskiy joined the Group as Head of Finance controlling and Treasury in 2013, he was appointed to a position Director for Finance of the Group in 2016. Previously, Andrey worked for Rusagro Group and Sukhoi Aviation Holding Company as a Finance manager and earlier he was an Auditor in BDO Russia. Mr Khoperskiy graduated from Moscow State University of Economics, Statistics and Informatics with a degree in Taxes. Holds ACCA Advanced Diploma in Accounting and Business and ACCA Diploma in International Financial Reporting.

Dr Yulia Kutakova, PhD —
Medical Director

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

Mrs Ekaterina Larina —
Head of Legal

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

Mr Mikhail Melnikov —
Head of Corporate
Governance

Mr Mikhail Melnikov joined the Group as Head of Corporate and Legal Affairs in January 2015. In total he has 13 years of legal experience. Previously, Mikhail has held positions as Manager of BDO Russia's legal consultation group, as a senior lawyer at the Investment and Finance Corporation, and as a lawyer in the Corporate Department of Freshfields Bruckhaus Deringer. Mr Melnikov graduated from the Moscow State Law University with a degree in Civil Law.

Mr Anton Grigorenko —
Head of Marketing

Mr Anton Grigorenko joined the Group as Head of the Marketing and Advertising Department in June 2014. In total he has over 12 years of advertising experience. Before joining the Group he was Head of Marketing at the Family Doctor network of clinics, having earlier led the marketing departments of a number of real estate, manufacturing and trade companies in Moscow. Mr Grigorenko graduated from the Moscow State Technical University and holds a degree in Marketing from the State University of Management.

Senior management

Mr Alexey Mladov —
Head of Information Technology

Mr Alexey Mladov joined the Group in 2009. Prior to that, he was the Head of IT at Specialized Depository Company Garant. He has over 16 years of IT experience, with the majority of that time in management. Mr Mladov holds a degree in Automated Information Processing and Management Systems from the Moscow State Mining University.

Ms Elena Romanova —
Head of Investor Relations

Ms Elena Romanova joined the Group as Head of Investor Relations in February 2014. Prior to this, she was IR Senior Manager at Norilsk Nickel. She also worked as an auditor at Ernst & Young and CTC Media. Ms Romanova holds a degree in Financial Management from the Financial University under the Government of the Russian Federation.

Mrs Larisa Tkachenko —
Patient Experience Director

Mrs Larisa Tkachenko joined the Group in July 2014. Previously, she worked at KPMG in Advisory Services for 7 years, working her way up from Senior Consultant to Project Manager, specialising in Service Quality and Service Process Optimisation. Previously she also served as Head of the Strategy Division at Maxus (part of the Svyaznoy Group), and as Deputy Branch Manager/Branch Service Manager at Citibank. Mrs Tkachenko graduated from the Moscow State University of Economics, Statistics and Informatics.

Mr Boris Ivakhnenko —
Procurement Director

Mr Boris Ivakhnenko has been with the Group since 2011. Prior to joining, he served as Deputy Medical Director for Finance at the Family Planning and Reproduction Centre. Mr Ivakhnenko earned a degree in Engineering from the Nakhimov Higher Naval Institute and a degree in Finance and Credit from the Russian Presidential Academy of National Economics and Public Administration.

Mr Rafail Sitdikov —
Head of Internal Control

Mr Rafail Sitdikov joined the Group in 2011. Previously, he held a variety of management positions in the departments for combating economic crimes in the Central Internal Affairs Directorate of Moscow and the Russian Interior Ministry. At the end of his career there he held the rank of Police Colonel. Mr Sitdikov graduated from the Moscow Aviation Institute as a mechanical engineer in 1987. He also holds a degree in Law from the Moscow State University of Economics, Statistics and Informatics from 2006.

Mr Alexander Rayt —
Head of Finance Department (2012 — Jan 2016)

Mr Alexander Rayt joined the Group as the Head of the IFRS Department in April 2012 and was promoted to Head of the Finance Department in April 2014. He was Deputy Head of the IFRS Department at Russian Helicopters from 2010 to 2012, and before that worked for BDO Russia as an auditor. Mr Rayt graduated from the Finance and Credit faculty of the Academy of Economic Studies of Moldova.

Mrs Elena Opanasyuk —
Deputy CEO for Regional Development (2014 — Feb 2016)

Mrs Elena Opanasyuk joined the Group as Deputy CEO for regional development in June 2014. Elena Opanasyuk is responsible for managing the Group's regional clinics and the regional development of the Company. Mrs Opanasyuk has more than ten years of experience in the IVF business. Previously, she worked for Schering Plough, a part of Organon Agencies B.V., as an IVF Franchise Manager. She holds a degree from the Russian State Medical University.

MD Medical Group
Investments Plc

Audited financial statements

For the year ended 31 December 2015

MD Medical Group
Investments Plc

Consolidated financial statements

For the year ended 31 December 2015

Officers, professional advisors and registered office

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

Board of 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 2015.

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. Please refer to note 4 for more detailed information about the services provided by the Group's medical centres.

Financial results

The Group's financial results for the year ended 31 December 2015 and its financial position at that date are set out in the consolidated Statement of Comprehensive income on page 87 and in the consolidated Statement of Finantial position on page 88 of the consolidated financial statements.

The profit for the year ended 31 December 2015 amounted to RUB 1,770,469 thousand (2014: RUB 1,319,667 thousand). The total assets of the Group as at 31 December 2015 were RUB 17,207,810 thousand (2014: RUB 16,074,241 thousand) and the net assets were RUB 11,509,414 thousand (2014: RUB 10,136,594 thousand).

Dividends

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

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

On 27 April 2015 the Board of Directors declared a final dividend for the year 2014 amounting to RUB300,329 thousand (USD5,461 thousand), which corresponds to RUB4.01 (USD0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 05 June 2015. The dividend was paid on 03 July 2015.

The Board of Directors recommends the payment of RUB 500,000 thousand as final dividend for the year 2015 which correspond to RUB 6.66 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 consolidated financial statements is considered satisfactory.

During the 2015 year the Company has acquired 100% share in LLC Medica 2. The details for this acquisition are given in note 14 of the consolidated financial statements.

Principal risks and uncertainties

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are given in notes 23 and 25 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.

Future developments

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

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, optimizing the benefits for patients and the Group as a whole.

Share capital

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

Board of directors

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

The members of the Board of Directors who served as at the date of signing of these consolidated financial statements, are presented on page 80.

The members of the Board of Directors who served during the year 2015 and as at 31 December 2015 were as follows:

- Mark Kurtser — Chairman
  Vitaly Ustimenko (appointed as an Alternate director to Mark Kurtser)
- Vitaly Ustimenko (appointed on 19 February 2015)
- Elena Mladova
- Kirill Dmitriev
- Nikolay Ishmetov (appointed as an Alternate director to Kirill Dmitriev)
- Vladimir Mekler (appointed on 19 February 2015)
- Simon Rowlands
- Liubov Malyarevskaya (appointed on 19 February 2015)
- Apollon Athanasiades (resigned on 18 February 2015)
- Elia Nicolaou (resigned on 18 February 2015)
- Angelos Paphitis (resigned on 18 February 2015)
- Andreas Petrides (resigned on 18 February 2015)
- Marios Tofaros (resigned on 18 February 2015)

The board committees

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

Audit Committee

The Audit Committee comprises of three non-executive directors, two of whom are independent. The Audit Committee is chaired by independent non-executive director Liubov Malyarevskaya since 19 February 2015 (during 2014 and up to 18 February 2015 the Committee was chaired by independent non-executive director Mr. Simon Rowlands). Mr. Kirill Dmitriev and Mr. Simon Rowlands are the other members.

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

- the reliability and appropriateness of disclosures in the financial statements and external financial communication;
- the maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system;
- preparation of recommendations to the shareholders for approval in General Meetings in relation to the appointment, reappointment and removal of the external 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 Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendation to the Board of Directors on actions needed to address the issues or to make improvements.

Nomination Committee

The Nomination Committee comprises of one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive directors Dr. Mark Kurtser (Mr. Kurtser from September 2015, acting as executive director based on power of attorney from MDMG with full range of authorities of managing director.) and Mr. Simon Rowlands and executive director Dr. Elena Mladova since 04 September 2015 (during 2014 and up to 04 September 2015 Mr. Vladimir Mekler served as a member of the Committee).

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

Remuneration Committee

The Remuneration Committee comprises of three non-executive directors. The Remuneration Committee is chaired by an independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Mr. Vladimir Mekler since 04 September 2015 (during 2014 and up to 04 September 2015 Dr. Elena Mladova served as a member of the Committee).

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

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

Branches

In 2015 the Company opened a branch in Moscow.

Treasury shares

During the year ended 31 December 2015 the Company did not acquire any treasury shares.

Events after the reporting period

In the end of January 2016 the Company acquired five entities from an unrelated third party. All these entities are registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB 485,000 thousand and contingent remuneration related with targeted net debt in amount of RUB 15,000 thousand, for 100% of the outstanding share capital of each entity.

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

The company established the new entity LLC M&C Kostroma. This entity is located in Kostroma and will be oriented on providing medical services related with IVF.

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,
Moscow, 18 March 2016

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 the 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 the going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; and
- the Board of Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Mark Kurtser	Chairman, non-executive director
Vitaly Ustimenko	Executive director
Elena Mladova	Executive director
Kirill Dmitriev	Non-executive director
Vladimir Mekler	Non-executive director
Simon Rowlands	Non-executive independent director
Liubov Malyarevskaya	Non-executive independent director

Independent auditors' report

to the members of MDMG Investments Plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of MD Medical Group Investments Plc (the "Company") and its subsidiaries (together with the Company, referred to as "the Group") on pages 87 to 126 which comprise the consolidated statement of financial position as at 31 December 2015, 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 consolidated financial statements

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

Independent 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 of 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 2015, 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 additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as it appears from our examination of those books.
- The 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 81 to 83 is consistent with the consolidated 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 Laws of 2009 and 2013 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 to.

Zakis E. Hadjizacharias, CA,
Certified Public Accountant and Registered Auditor for and on behalf of KPMG Limited Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street
3022 Limassol, Cyprus

18 March 2016

Consolidated statements

Comprehensive income (RUB'000)

For the year ended 31 December 2015

	Note	2015	2014
Revenue	4	**9,506,801**	**7,200,931**
Cost of sales	5	(5,918,210)	(4,230,153)
Gross profit		**3,588,591**	**2,970,778**
Other income		17,732	9,221
Administrative expenses	6	(1,792,787)	(1,432,956)
Other expenses		(38,492)	(11,167)
Operating profit		**1,775,044**	**1,535,876**
Finance income		230,312	41,662
Finance expenses		(459,483)	(386,698)
Net foreign exchange transactions gain		259,068	203,958
Net finance income / (expenses)	8	**29,897**	**(141,078)**
Profit before tax		**1,804,941**	**1,394,798**
Taxation	9	(34,472)	(75,131)
Profit for the year		**1,770,469**	**1,319,667**
Total comprehensive income for the year		**1,770,469**	**1,319,667**
Profit for the year attributable to:			
Owners of the Company		1,603,530	1,195,693
Non controlling interests		166,939	123,974
		1,770,469	**1,319,667**
Total comprehensive income for the year attributable to:			
Owners of the Company		1,603,530	1,195,693
Non controlling interests		166,939	123,974
		1,770,469	**1,319,667**
Basic and fully diluted earnings per share (RUB)	10	**21.41**	**15.94**

The notes on pages 93 to 126 are an integral part of these consolidated financial statements.

Financial position (RUB'000)

As at 31 December 2015

	Note	31 December 2015	31 December 2014
Assets			
Property, plant and equipment	12	12,364,449	12,540,172
Intangible assets	13	2,144,818	1,981,089
Trade, other receivables and deferred expenses	15	184,344	104,557
Investments		2,403	2,705
Deferred tax assets	9	99,282	4,415
Total non current assets		**14,795,296**	**14,632,938**
Inventories		327,365	267,896
Trade, other receivables and deferred expenses	15	257,889	229,383
Non-current assets held for sale		45,778	45,778
Current income tax asset		7,170	7,695
Cash and cash equivalents	16	1,774,312	890,551
Total current assets		2,412,514	1,441,303
Total assets		**17,207,810**	**16,074,241**
Equity			
Share capital	17	180,585	180,585
Reserves	18	10,906,097	9,573,693
Total equity attributable to owners of the Company		11,086,682	9,754,278
Non controlling interests		422,732	382,316
Total equity		**11,509,414**	**10,136,594**
Liabilities			
Loans and borrowings	19	2,292,567	3,251,060
Obligations under finance leases		7,359	-
Trade and other payables	20	243,045	33,638
Deferred tax liabilities	9	107,337	6,690
Deferred income	21	106,295	90,405
Total non current liabilities		**2,756,603**	**3,381,793**

	Note	31 December 2015	31 December 2014
Loans and borrowings	19	1,161,339	869,081
Obligations under finance leases		1,196	450
Trade and other payables	20	873,443	898,692
Deferred income	21	885,622	786,246
Current income tax liability	9	20,193	1,385
Total current liabilities		**2,941,793**	**2,555,854**
Total liabilities		**5,698,396**	**5,937,647**
Total equity and liabilities		**17,207,810**	**16,074,241**

On 18 March 2016 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
Director

Changes in equity (RUB'000)

For the year ended 31 December 2015

	Note	Attributable to owners of the Company							
		Share capital	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2015		**180,585**	**5,243,319**	**(73,086)**	**(655,352)**	**5,058,812**	**9,754,278**	**382,316**	**10,136,594**
Comprehensive income									
Profit and total comprehensive income for the year		-	-	-	-	1,603,530	1,603,530	166,939	1,770,469
Contributions by and distributions to owners									
Equity-settled share-based payment	30	-	-	29,335	-	-	29,335	-	29,335
Dividends	11	-	-	-	-	(300,329)	(300,329)	(134,628)	(434,957)
Total transactions with owners		**-**	**-**	**29,335**	**-**	**(300,329)**	**(270,994)**	**(134,628)**	**(405,622)**

	Note	Attributable to owners of the Company							
	Note	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Changes in ownership interests									
Non-controlling interests in newly consolidated entities		-	-	-	-	-	-	7,973	7,973
Decrease in ownership in subsidiary		-	-	-	-	(132)	(132)	132	-
Total change in ownership interests		**-**	**-**	**-**	**-**	**(132)**	**(132)**	**8,105**	**7,973**
Balance at 31 December 2015		**180,585**	**5,243,319**	**(43,751)**	**(655,352)**	**6,361,881**	**11,086,682**	**422,732**	**11,509,414**
Balance at 1 January 2014		**180,585**	**5,243,319**	**-**	**(655,352)**	**4,041,662**	**8,810,214**	**398,944**	**9,209,158**
Comprehensive income									
Profit and total comprehensive income for the year		-	-	-	-	1,195,693	1,195,693	123,974	1,319,667
Contributions by and distributions to owners									
Dividends	11	-	-	-	-	(180,271)	(180,271)	(138,872)	(319,143)
Acquisition of treasury shares	18	-	-	(73,086)	-	-	(73,086)	-	(73,086)
Total transactions with owners		**-**	**-**	**(73,086)**	**-**	**(180,271)**	**(253,357)**	**(138,872)**	**(392,229)**
Changes in ownership interests									
Acquisition of additional share in subsidiary		-	-	-	-	1,728	1,728	(1,730)	(2)
Total change in ownership interests		-	-	-	-	1,728	1,728	(1,730)	(2)
Balance at 31 December 2014		**180,585**	**5,243,319**	**(73,086)**	**(655,352)**	**5,058,812**	**9,754,278**	**382,316**	**10,136,594**

Share premium is not available for distribution.

The notes on pages 93 to 126 are an integral part of these consolidated financial statements.

Cash flows (RUB'000)

For the year ended 31 December 2015

	Note	**2015**	**2014**
Cash flows from operating activities			
Profit for the year		**1,770,469**	**1,319,667**
Adjustments for:			
Depreciation	12	787,187	513,098
Equity-settled share-based payment transaction		29,335	-
Gain from the sale of property, plant and equipment		(782)	(286)
Amortisation	13	93,493	33,718
Interest income	8	(230,312)	(41,662)
Finance expense (excluding impairment)	8	457,823	363,923
Impairment of property, plant and equipment	12	19,113	-
Impairment of trade and other receivables	8	1,660	22,775
Net foreign exchange transactions gain	8	(259,068)	(203,958)
Taxation	9	34,472	75,131
Cash flows from operations before working capital changes		**2,703,390**	**2,082,406**
Increase in inventories		(57,088)	(118,852)
Increase in trade and other receivables		(12,870)	(49,444)
Increase in trade and other payables		79,211	71,017
Increase in deferred income		115,266	199,405
Cash flows from operations		**2,827,909**	**2,184,532**
Tax paid		(9,691)	(78,013)
Net cash flows from operating activities		**2,818,218**	**2,106,519**
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(779,840)	(3,125,622)
Proceeds from disposal of property, plant and equipment		782	1,137
Payment for acquisition of intangible assets		(7,862)	(8,807)
Net cash outflow on disposal of a subsidiary		-	(3,402)
Acquisition of subsidiaries, net cash outflow on acquisition		(280,881)	(1,797,412)
Loans granted		-	(1,671)
Interest received		47,358	41,662
Net cash flows used in investing activities		**(1,020,443)**	**(4,894,115)**

	Note	2015	2014
Cash flows from financing activities			
Proceeds from loans and borrowings		215,015	1,360,257
Repayment of loans and borrowings		(949,368)	(517,949)
Repayment of obligations under finance leases		(600)	(2,588)
Acquisition of treasury shares	18	-	(73,086)
Finance expenses paid		(458,377)	(361,504)
Increase in ownership in subsidiary		-	(2)
Proceed from reimbursed VAT	20	466,374	-
Dividends paid to the owners of the Company		(300,329)	(180,271)
Dividends paid to non controlling interests		(134,628)	(138,872)
Net cash flows (used in) / from financing activities		**(1,161,913)**	**85,985**
Net increase / (decrease) in cash and cash equivalents		**635,862**	**(2,701,611)**
Cash and cash equivalents at the beginning of the year		890,551	3,273,342
Effect of exchange rate changes on cash and cash equivalents		247,899	318,820
Cash and cash equivalents at the end of the year	16	**1,774,312**	**890,551**

The notes on pages 93 to 126 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

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 consolidated financial statements for the year ended 31 December 2015 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. Please refer to note 4 for more detailed information about the services provided by the Group's medical centers.

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

Name	Country of incorporation	Activities	Notes	31 December 2015 Effective Holding %	31 December 2014 Effective Holding %
CJSC MD Project 2000	Russian Federation	Medical services		95	95
LLC Khaven	Russian Federation	Medical services		100	100
LLC Velum	Russian Federation	Medical services		54	54
LLC Capital Group	Russian Federation	Renting of property, retail		80	80
LLC FimedLab	Russian Federation	Medical services		60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	1	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services		60	60
LLC Ivamed	Russian Federation	Medical services		100	100
LLC Dilamed	Russian Federation	Medical services		100	100
CJSC Listom	Russian Federation	Service company		100	100
LLC Ustic ECO	Russian Federation	Medical services		70	70

Name	Country of incorporation	Activities	Notes	31 December 2015 Effective Holding %	31 December 2014 Effective Holding %
LLC Mother and Child Perm	Russian Federation	Medical services		80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	2	80	80
LLC Mother and Child Saint Petersburg	Russian Federation	Medical services	2	60	60
LLC MD PROJECT 2010	Russian Federation	Medical services		100	100
LLC Mother and Child Yugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	95	98
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services		100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services		100	100
LLC TechMedCom	Russian Federation	Service company	5	-	-
LLC Service Hospital Company	Russian Federation	Service company	5	-	-
Vitanostra Ltd	Cyprus	Holding of investments		100	100
LLC NPC MIR	Russian Federation	Holding of investments	6	100	100
LLC MK IDK	Russian Federation	Medical services	6	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	6	100	100
LLC CSR	Russian Federation	Medical services	6	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	7	85	85
LLC MD Assistance	Russian Federation	Assistance services		100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services		80	80
LLC MD Management	Russian Federation	Management company		100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services		100	100
Shelly Management ltd	BVI	Holding of investments		100	100
Ivicend Holding Ltd	Cyprus	Holding of investments		100	100
CJSC MC Avicenna	Russian Federation	Medical services	7	100	100
LLC H&C Medical Group	Russian Federation	Medical services	7	100	100
LLC Elleprof	Russian Federation	Service company	5	-	-
LLC Medtechnoservice	Russian Federation	Service company	5	-	-
LLC Medica 2	Russian Federation	Medical services	3,7	100	-

Notes:

1. 1% of the charter capital of this entity is directly owned by the Company and 99% of the charter capital of this entity is indirectly owned through LLC Khaven.

2. These entities are indirectly owned through LLC Khaven.

3. This entity was acquired in December 2015 (note 14).

4. 95% of the charter capital of the entity is directly owned by the Company, 5% of the charter capital, previously owned by LLC Clinica Zdorovia was sold in March 2015.

5. These entities, although not legally owned by the Group, are controlled by the Group since most of their activities are carried out on behalf of the Group.

6. These entities are indirectly owned through Vitanostra Ltd.

7. These entities are indirectly owned through Ivicend Holding Ltd.

As at 31 December 2015, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 31.8% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders. The remaining 0.3% of the Company's share capital is owned by the Company (note 18).

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 18 March 2016.

(b) Basis of measurement

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

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2015, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2015. The Company does not plan to adopt these Standards early.

(I) Standards and Interpretations adopted by the EU

- Amendments to IAS 27 "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 "Accounting for acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 41 "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).

(II) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 12: Recognition of Deferred Tax Assets on Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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 judgements

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

- 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 and property, plant and equipment

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

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

- Equity-settled share-based arrangements

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

(e) Functional and presentation currency

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

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

3. Significant accounting policies

The accounting policies applied in these consolidated financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2014 and for the year then ended.

Several new standards and amendments apply for the first time in 2015. However, they do not impact these consolidated financial statements 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). The Group controls an entity when it is expected to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, even if the Group does not have legal ownership in the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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 Financial Instruments: Recognition and Measurement, 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 basis:

- Rendering of services

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the actual service provided.

- 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.

- Rental income

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

Finance income

Finance income include:

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

Finance expenses

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

Foreign currency translation

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

Tax

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it

relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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

Dividends

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 are measured at cost less accumulated depreciation and impairment losses.

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

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

	Years
Freehold buildings	50
Leasehold improvements	10–20
Plant and equipment	5–10

No depreciation is provided on land.

Assets under construction are not depreciated until they are completed and brought into use, at 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. For the purpose of impairment testing goodwill is allocated to cash generating units that are expected to benefit from the synergies of the combinations.

(II) Patents and trademarks

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

(III) Web site costs

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use 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) 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 amortization 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.

(III) 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.

(IV) 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.

(V) Trade payables

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

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.

Inventories

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

Share capital

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

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

Treasury shares

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

Equity-settled share-based payment arrangements

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

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

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

Earnings per share

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

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.

4. Revenue (RUB'000)

	2015	2014
Deliveries	1,750,287	1,443,684
IVF	1,615,456	1,186,982
Obstetrics and Gynaecology out-patient treatments	1,515,666	1,275,739
Pediatrics out-patient treatments	1,016,725	852,896
Obstetrics and Gynaecology in-patient treatments	810,346	684,600
Pediatrics in-patient treatments	271,338	205,336
Other out-patient medical services	807,260	445,607
Other in-patient medical services	435,661	163,008
Other medical services	877,026	640,569
Sales of goods	279,672	195,518
Other income	127,364	106,992
	9,506,801	7,200,931

Other medical services include but are not limited to laboratory examinations, diagnostics, dental care and surgery. The significant increase of medical services was mostly due to the increase of utilisation of Lapino and Ufa hospitals and full 2015 year operating of Avicenna (in 2014 due to acquisition in September only 3 months' results were consolidated).

5. Cost of sales (RUB'000)

	2015	2014
Payroll and related social taxes	3,289,756	2,439,513
Materials and supplies used	1,423,571	928,228
Depreciation	683,132	441,519
Medical services	172,951	135,506
Energy and utilities	118,147	86,772
Property tax	98,490	74,873
Repair and maintenance	70,714	32,808
Other expenses	61,449	90,934
	5,918,210	4,230,153

6. Administrative expenses (RUB'000)

	2015	2014
Payroll and related social taxes	981,671	718,409
Other professional services	183,670	166,120
Utilities and materials	183,540	248,578
Advertising	121,580	80,339
Depreciation	104,055	71,579
Amortisation	93,493	33,718
Communication costs	24,892	22,368
Independent auditors' remuneration	21,795	29,357
Other expenses	78,091	62,488
	1,792,787	1,432,956

The consulting services provided by the audit company, providing audit of the consolidated financial statements, for the year 2015 was nil (RUB 2,962 thousand in 2014).

7. Staff costs (RUB'000)

	2015	2014
Wages and salaries	3,397,948	2,561,721
Social insurance contributions and other taxes	873,479	596,201
	4,271,427	3,157,922

The average number of employees of the Group during the year ended 31 December 2015 was 5,128 (31 December 2014: 3,772), which was calculated in proportion to the hours worked.

8. Net finance expenses (RUB'000)

	2015	2014
Finance income		
Interest income		
Bank interest received	46,768	41,242
Interest from loans to third parties	590	420
Other finance income		
Other financial income on discounting (note 20)	178,134	-
Bad debts recovered	4,820	-
	230,312	41,662
Finance expenses		
Interest expense		
Interest on bank loans	(367,082)	(291,846)
Interest on loans from third parties	(299)	(242)
Finance leases interest	(150)	(148)
Other finance expense		
Bank charges	(90,292)	(71,687)
Impairment of trade and other receivables	(1,660)	(19,884)
Other impairment provision	-	(2,891)
	(459,483)	(386,698)
Net foreign exchange transaction gain	259,068	203,958
Net finance income / (expense)	29,897	(141,078)

9. Taxation

The majority of the Group companies, that are offering medical services and are operating in the Russian Federation, apply 0% corporate income tax rate till 2020. Since 2020 and going forward enacted corporate profit tax rate becomes 20%. Other Group companies apply standard income tax rate of 20%. The Group's consolidated effective income tax rate for the year ended 31 December 2015 was 2% (31 December 2014: 5%). The change in the effective tax rate was caused mainly by the increase of the non-taxable profits of the Russian subsidiaries of the Company.

As at 31 December 2015 deferred tax assets of RUB 82,781 thousand was recognized relating to LLC MD PROJECT 2010, which is taxable at 20% corporate income tax rate and incurred tax losses. According to Russian tax rules such tax losses will expire within 10 years.

Deferred tax liabilities of RUB 100,923 thousand were recognized as at 31 December 2015 on temporary differences relating to property, plant and equipment. These temporary differences are expected to be utilized after 1 January 2020 at 20% corporate income tax rate when the currently enacted tax concession with 0% corporate income tax rate will expire.

At 31 December 2015, there were temporary differences (before calculating tax effect) of RUB 2,670,405 thousand (31 December 2014: RUB 2,638,827 thousand) related to investments in subsidiaries. Deferred tax liabilities related to these temporary differences were not recognised because the Group controls the dividend policy of its subsidiaries and, therefore, controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

10. Earnings per share

	2015	2014
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	1,603,530	1,195,693
Weighted average number of ordinary shares in issue during the year	74,895,010	75,032,300
Basic and fully diluted earnings per share (RUB)	21.41	15.94

11. Dividends

On 27 April 2015 the Board of Directors declared a final dividend for the year 2014 amounting to RUB 300,329 thousand (USD 5,461 thousand), which corresponds to RUB 4.01 (USD 0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 05 June 2015. The dividend was paid on 03 July 2015.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to RUB 180,271 thousand (USD 5,259 thousand), which corresponds to RUB 2.40 (USD 0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 May 2014. The dividend was paid on 23 May 2014.

According to agreements concluded for bank loans distribution of dividends, in excess of 30% of the Group's IFRS profit for the year requires a written consent of the banks.

12. Property, plant and equipment (RUB'000)

	Freehold land and buildings	Property under construction	Plant and equipment	Total
2015				
Cost				
Balance at 1 January	10,166,726	130,789	3,987,349	14,284,864
Acquisitions through business combinations	38,180	-	67,203	105,383
Additions	111,921	161,709	257,563	531,193
Disposals	-	-	(17,902)	(17,902)
Impairment loss	-	(19,113)	-	(19,113)
Transfer from construction in progress	23,057	(110,268)	87,211	-
Balance at 31 December	10,339,884	163,117	4,381,424	14,884,425
Depreciation				
Balance at 1 January	512,819	-	1,231,873	1,744,692
Depreciation during the year	218,737	-	568,450	787,187
On disposals	-	-	(11,903)	(11,903)
Balance at 31 December	731,556	-	1,788,420	2,519,976
Carrying amounts				
Balance at 31 December	9,608,328	163,117	2,593,004	12,364,449

	Freehold land and buildings	Property under construction	Plant and equipment	Total
2014				
Cost				
Balance at 1 January	6,616,802	1,410,570	2,416,232	10,443,604
Acquisitions through business combinations	205,771	70,079	306,546	582,396
Additions	52,789	3,053,425	201,496	3,307,710
Disposals	-	-	(3,068)	(3,068)
Transfer from construction in progress	3,297,052	(4,363,195)	1,066,143	-
Transfer to assets held for sale	(5,688)	(40,090)	-	(45,778)
Balance at 31 December	10,166,726	130,789	3,987,349	14,284,864
Depreciation				
Balance at 1 January	361,865	-	871,947	1,233,812
Depreciation during the year	150,954	-	362,144	513,098
On disposals	-	-	(2,218)	(2,218)
Balance at 31 December	512,819	-	1,231,873	1,744,692
Carrying amounts				
Balance at 31 December	9,653,907	130,789	2,755,476	12,540,172

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB 5,560,245 thousand as at 31 December 2015 (31 December 2014: RUB 6,142,450 thousand).

13. Intangible assets (RUB'000)

	Goodwill	Patents and trademarks	Software and web site	Total
2015				
Cost				
Balance at 1 January	1,438,268	564,698	24,967	2,027,933
Acquisitions through business combinations	248,250	60	1,056	249,366
Additions	-	25	8,391	8,416
Disposals	-	-	(316)	(316)
Balance at 31 December	**1,686,518**	**564,783**	**34,098**	**2,285,399**
Amortisation				
Balance at 1 January	-	39,974	6,870	46,844
Amortisation during the year	-	84,752	8,741	93,493
Disposals	-		244	244
Balance at 31 December	-	124,726	15,855	140,581
Carrying amounts				
Balance at 31 December	**1,686,518**	**440,057**	**18,243**	**2,144,818**

	Goodwill	Patents and trademarks	Software and web site	Total
2014				
Cost				
Balance at 1 January	383,547	68,975	12,971	465,493
Acquisitions through business combinations	1,055,593	497,000	1,582	1,554,175
Additions	-	-	10,419	10,419
Disposals	(872)	(1,277)	(5)	(2,154)
Balance at 31 December	1,438,268	564,698	24,967	2,027,933
Amortisation				
Balance at 1 January	-	10,768	2,814	13,582
Amortisation during the year	-	29,662	4,056	33,718
Disposals	-	(456)	-	(456)
Balance at 31 December	-	39,974	6,870	46,844
Carrying amounts				
Balance at 31 December	1,438,268	524,724	18,097	1,981,089

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

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 (RUB'000):

	31 December 2015	31 December 2014
Subsidiaries acquired in 2011	29,179	29,179
Vitanostra Ltd acquired in March 2013	211,303	211,303
LLC Centre of Reproductive Medicine acquired in May 2013	142,193	142,193
Ivicend Holding Ltd acquired in October 2014	1,055,593	1,055,593
LLC Medica 2 acquired in December 2015	248,250	-
	1,686,518	1,438,268

Goodwill has been allocated for impairment testing purposes to 5 groups of cash generating units.

The recoverable amount of each CGU group is based on the sum of the enterprise values of the subsidiaries included in each CGU. The calculation of the enterprise values of each subsidiary is based on the current and estimated future pre-tax profitability. The management has projected cash flows for the period of the five years based on the approved financial forecasts. The growth rate in terminal period is estimated to be 4%. Discount rates applied to the cash flow projections are in the range of 16% to 19%. Additional details for determination of fair values of net assets are disclosed in note 24 of the consolidated financial statements.

No impairment was recognised in 2015. 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 materially.

14. Acquisition of subsidiaries

In the end of December 2015 the Company acquired LLC Medica 2, a Russian company which provide different medical services in various disciplines such as Gynaecology, Fertility and In-Vitro Fertilisation ("IVF") Treatment. This entity is located in the Russian city of Novokuznetsk. The purpose of the acquisition was the geographical expansion of the Group's activities.

Goodwill arising on consolidation:

	RUB'000
Consideration transferred – cash	277,100
Contingent consideration	5,000
Less: Fair value of the net assets acquired	(33,850)
Goodwill arising on consolidation	248,250

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

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

	RUB'000
Intangible assets	1,116
Property, plant and equipment	105,383
Inventories	2,374
Trade, other receivables and deferred expenses	2,716
Cash and cash equivalents	4,047
Loans and borrowings	(68,823)
Trade and other payables	(12,961)
Net assets	33,850

The gross contractual amounts to be received equal to the carrying amount at fair value. All contractual amounts are expected to be received. The fair value of property, plant and equipment, patents and trademarks recognised as a result of the business combinations was measured using the following valuation techniques:

- the market approach for the buildings and certain equipment. Fair values based on the market approach were calculated by using prices generated by market transactions involving comparable property, plant and equipment.
- the average amount of the cost approach and the market approach for the rest of equipment. Fair values based on the market approach were calculated by using prices generated by market transactions involving identical or comparable equipment. Fair values based on cost approach were calculated by using current replacement cost. Current replacement cost reflects an amount that is required to replace the service capacity of equipment.
- the income approach for patents and trademarks. Fair values based on the income approach were calculated based on discounted cash flows expected to be derived from the use of these assets.

Net cash outflow on acquisition of subsidiaries

	RUB'000
Consideration paid in cash	277,100
Cash and cash equivalents acquired	(4,047)
	273,053

Contribution to the Group results

The amount of revenue that would have been contributed to the Group as though the acquisition date occurred at the beginning of the period is approximately RUB 150 million. The disclosure of the amount of profit that would have been contributed to the Group is impracticable to estimate accurately since the acquired company has not reported financial information under IFRS.

15. Trade, other receivables and deferred expenses (RUB'000)

	31 December 2015	31 December 2014
CAPEX prepayments	184,344	104,557
Trade receivables	152,230	111,394
Advances paid to suppliers	72,766	60,834
Deferred expenses	13,715	15,936
Other receivables	19,178	41,219
	442,233	**333,940**
Non current portion	184,344	104,557
Current portion	257,889	229,383
	442,233	**333,940**

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

Ageing analysis of trade receivables (RUB'000):

Trade receivables:	Gross amount 31 December 2015	Impairment 31 December 2015	Gross amount 31 December 2014	Impairment 31 December 2014
Not past due	152,230	-	111,394	-
Past due	18,557	(18,557)	22,276	(22,276)
	170,787	**(18,557)**	**133,670**	**(22,276)**

CAPEX prepayments:	Gross amount 31 December 2015	Impairment 31 December 2015	Gross amount 31 December 2014	Impairment 31 December 2014
Recoverable	184,344	-	104,557	-
Nonrecoverable	1,695	(1,695)	1,695	(1,695)
	186,039	**(1,695)**	**106,252**	**(1,695)**

Currency:	31 December 2015	31 December 2014
Russian Rouble	418,971	312,797
United States Dollar	4,761	10,109
Euro	18,501	11,034
	442,233	**333,940**

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

16. Cash and cash equivalents (RUB'000)

Cash balances are analysed as follows:

	31 December 2015	31 December 2014
Cash at bank and in hand	402,335	181,325
Bank deposits with maturity less than 3 months	1,371,977	709,226
	1,774,312	**890,551**
Currency:	**31 December 2015**	**31 December 2014**
Russian Rouble	639,499	371,869
Euro	2,366	487
United States Dollar	1,132,447	518,195
	1,774,312	**890,551**

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

17. Share capital

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

18. 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.

Treasury shares

During the year ended 31 December 2014, the Company has acquired 230,000 own shares (0.31% of total shares issued) at total cost of RUB 73,086 thousand. As at 31 December 2015, these shares were owned by the Company.

Retained earnings

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

Other reserves

Other reserves include common control transactions reserve and capital contribution reserve.

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. Common control transactions reserve amounted to RUB 682,873 thousand on 31 December 2015 (31 December 2014: RUB (682,873) thousand).

Capital contribution reserve includes contributions made by the shareholders. 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. Capital contribution reserve amounted to RUB 27,521 thousand on 31 December 2015 (31 December 2014: RUB 27,521 thousand).

19. Loans and borrowings (RUB’000)

	31 December 2015	31 December 2014
Long term liabilities		
Bank loans	2,292,567	3,251,060
Short term liabilities		
Bank loans	1,092,516	869,081
Other loans	68,823	-
	1,161,339	869,081
Maturity of loans and borrowings:		
Within one year	1,161,339	869,081
Between one and five years	2,217,710	3,251,060
More than 5 years	74,857	
	3,453,906	4,120,141

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

As at 31 December 2015, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of last payment	31 December 2015		31 December 2014	
				Face value RUB’000	Carrying amount RUB’000	Face value RUB’000	Carrying amount RUB’000
Securedbankloan	RUB	9%	2018	1,588,634	1,588,634	2,140,353	2,140,353
Securedbankloan	RUB	10.8%	2019	753,165	753,165	800,000	800,000
Securedbankloan	RUB	10.8%	2019	500,845	500,845	500,000	500,000
Securedbankloan	RUB	9%	2018	284,446	284,446	372,647	372,647
Unsecuredbankloan	RUB	11.9%	2022	213,875	213,875	-	-
Unsecuredotherloan	RUB	16%	2016	68,823	68,823	-	-
Unsecuredbankloan	RUB	14.2%	2019	44,118	44,118	49,461	49,461
Securedbankloans	RUB	20%	2018	-	-	158,613	158,613
Unsecuredbankloan	RUB	9.1%	2015	-	-	40,087	40,087
Otherbankloans	RUB	10%	2015	-	-	58,980	58,980
				3,453,906	3,453,906	4,120,141	4,120,141

The exposure of the Group to interest rate and liquidity risk in relation to loans and borrowings is reported in note 23 of the consolidated financial statements.

20. Trade and other payables (RUB'000)

	31 December 2015	31 December 2014
CAPEX payables	14,695	205,181
Accruals	246,207	204,517
Payables to employees	182,443	161,959
Trade payables	214,831	194,739
Taxes payable	138,617	122,364
Other payables to tax authorities	288,239	-
Other payables	31,456	43,570
	1,116,488	932,330
Non current portion	243,045	33,638
Current portion	873,443	898,692
	1,116,488	932,330
Currency:		
Russian Rouble	1,101,574	742,051
United States Dollar	151	95,056
Euro	4,442	77,126
UK pound sterling	10,321	18,097
	1,116,488	932,330

In June 2015 the tax authorities reimbursed RUB 466,374 thousand of input-VAT to the Group relating to the construction of the hospital in Ufa. As the hospital's activity is predominantly non-taxable, it is expected that most of this amount would need to be returned to the authorities. In line with the Russian tax regulation, this amount shall be returned to the authorities during the following 9 years based on the proportion of VAT-taxable and VAT-non-taxable revenue for the coming years.

As a result of this, management has recorded the reimbursed input-VAT as other payables to tax authorities. As most part of the amount is non-current, the liability has been discounted over the 9 year period resulting in a RUB 178,134 thousand income as a result of discounting the liability upon initial recognition and subsequent unwinding of the discounting (see Note 8). A discount rate of 14% p.a. was applied based on an assessment of current market interest rates.

21. Deferred Income (RUB'000)

	31 December 2015	31 December 2014
Patient advances	991,917	876,651
Deferred income after more than one year	106,295	90,405
Deferred income within one year	885,622	786,246
	991,917	876,651

Deferred income that relates to long term client advances represents money received from patients on stem cells storage contracts lasting from 1 to 20 years.Deferred income that relates to short term client advances represents money received from patients on stem cells storage contracts, childbirth management contracts lasting from 1 to 9 months, and children care contracts valid for a specified period of time.

22. Related party transactions

The following transactions were carried out with related parties:

22.1 Key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2015 was RUB 40,542 thousand (31 December 2014: RUB 32,945 thousand). The key management personnel involved in the equity-settled share-based arrangements with total 27,600 shares to be granted in 2018 if target conditions will be met.

The rent expenses under agreement with a member of the key management personnel for the year ended 31 December 2015 was nil (31 December 2014: RUB 920 thousand).

The company received legal services from the key management personnel for the year ended 31 December 2015 amounted to RUB 868 thousand (for the year ended 31 December 2014: nil).

22.2 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2015 and 31 December 2014 and as at the date of signing these consolidated financial statements are as follows:

Name	Type of interest	Effective interest, %
Mark Kurtser	Indirect ownership of shares	67.90
Kirill Dmitriev	Indirect interest in shares	5.55
Simon Rowlands	Direct ownership of shares	0.33

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

The calculation of effective interest is based on the total amount of issued and fully paid shares (note 17), including treasury shares acquired by the Company (note 18).

23. 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.

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 2015 RUB'000	31 December 2014 RUB'000
Investments	2,403	2,705
Trade and other receivables	178,404	159,659
Cash and cash equivalents	1,774,312	890,551
	1,955,119	1,052,915

Trade and other receivables

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

Cash and cash equivalents

The Group held cash at bank of RUB 1,766,372 thousand at 31 December 2015 (31 December 2014: RUB 882,029 thousand) which represents its maximum credit exposure on these assets.

The credit quality of cash and cash equivalents is as follows (RUB'000):

Rating	Agency	31 December 2015	31 December 2014
Baa1	Moody's Investors Service	-	481,268
Baa2	Moody's Investors Service	1,104,062	158,805
Ba2	Moody's Investors Service	18,991	-
Ba1	Moody's Investors Service	629,904	232,846
Ba3	Moody's Investors Service	6,246	1,974
B2	Moody's Investors Service	-	814
B3	Moody's Investors Service	2,715	-
Caa1	Moody's Investors Service	-	2,569
Caa3	Moody's Investors Service	-	697
B	S&P	396	-
Other	*	4,058	3,057
Cash in hand		7,940	8,522
		1,774,312	890,551

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

(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 objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets. The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2015	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	3,453,906	4,049,244	301,588	1,140,955	1,280,536	1,243,249	82,916
Obligations under finance leases	8,555	9,540	245	1,223	1,468	4,403	2,201
CAPEX payables	14,695	14,695	7,381	3,094	4,220	-	-
Trade payables	214,831	214,831	214,831	-	-	-	-
Other payables and accrued expenses	886,962	1,051,775	452,919	234,705	51,188	159,246	153,717
	4,578,949	5,340,085	976,964	1,379,977	1,337,412	1,406,898	238,834

31 December 2014	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	4,120,141	5,009,000	194,178	1,058,544	1,414,905	2,341,373	-
Obligations under finance leases	450	506	84	422	-	-	-
CAPEX payables	205,181	205,180	93,650	81,899	23,772	5,859	-
Trade payables	194,739	194,739	194,739	-	-	-	-
Other payables and accrued expenses	532,410	532,410	363,051	165,179	4,180	-	-
	5,052,921	5,941,835	845,702	1,306,044	1,442,857	2,347,232	-

As disclosed in note 19, the Group has bank loans which contain debt covenants. The breach of covenants may require the Group to repay the loans earlier than indicated in the above table.

(III) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 (RUB'000):

	2015	2014
Fixed rate instruments		
Financial assets	1,374,380	711,931
Financial liabilities	(3,462,461)	(4,120,591)
	(2,088,081)	(3,408,660)

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

Currency risk

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

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

	31 December 2015			31 December 2014		
	USD'000	EUR'000	GBP'000	USD'000	EUR'000	GBP'000
Assets						
Cash at bank	15,538	30	-	9,211	7	-
Other receivables	-	-	-	68	-	-
Liabilities						
CAPEX payables	(1)	(30)	-	(1,536)	(981)	-
Trade and other payables and accruals	(1)	(26)	(96)	(152)	(148)	(207)
Net exposure	15,536	(26)	(96)	7,591	(1,122)	(207)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	**2014**	**2015**	**2014**
USD	60.9579	38.4217	72.8827	56.2584
EURO	67.7767	50.8150	79.6972	68.3427
GBP	93.2634	63.0926	107.9830	87.4199

Sensitivity analysis

A 10% strengthening of the Russian Roubles 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 Roubles against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss		Equity	
	2015 RUB'000	**2014 RUB'000**	**2015 RUB'000**	**2014 RUB'000**
USD	(113,231)	(42,706)	(113,231)	(42,706)
EURO	207	7,668	207	7,668
GBP	1,037	1,810	1,037	1,810
	(111,987)	**(33,228)**	**(111,987)**	**(33,228)**

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

The Group's capital is analysed as follows (RUB'000):

	2015	**2014**
Total loans and borrowings	3,462,461	4,120,591
Less: Cash and cash equivalents	(1,774,312)	(890,551)
Net debt	1,688,149	3,230,040
Total equity	11,509,414	10,136,594
Net debt to equity ratio	14.67%	31.87%

24. Fair values

As at 31 December 2015 and 31 December 2014 the Group had no significant financial assets or liabilities measured at fair value.

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

25. Contingent liabilities

(a) Insurance

As per current legislation in 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 some property, plant and equipment. Until the Group obtains adequate insurance coverage, there is a risk of material adverse effect on operations and statement of financial position.

(b) Russian business environment

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

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

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

(c) Russian tax environment

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

In addition, a number of new laws introducing changes to the Russian tax legislation have been adopted and are effective since 1 January 2015. In particular, those changes are aimed at regulating transactions with offshore companies and their activities which may potentially impact the Group's tax position.

(d) Cyprus economic environment

The current economic environment in Cyprus is not expected to have a significant impact on the Company as the Company has no operations in Cyprus and does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Company's management has concluded that no additional 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.

26. Non-controlling interests (RUB'000)

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

	2015	2014
Revenue	2,748,895	2,597,808
Profit and total comprehensive income	1,163,322	1,111,523
Profit and total comprehensive income		
allocated to non-controlling interests	58,166	55,576
Dividends paid to non-controlling interests	**60,000**	**55,000**
Non-controlling interests percentage	5%	5%
Non-current assets	3,078,286	3,018,707
Current assets	805,268	792,722
Non-current liabilities	(106,295)	(90,405)
Current liabilities	(607,529)	(514,616)
Net assets	3,169,730	3,206,408
Carrying amount of non-controlling interests	**158,487**	**160,320**

27. Operating leases (RUB'000)

Historically, the Group has developed business in own premises. However, in 2015 and 2014 the Group has acquired and incorporated some new entities that lease their premises.

The future minimum lease payments under non-cancellable leases are payable as follows.

	2015	2014
Within one year	51,526	44,066
Between one and five years	72,216	74,651
More than five years	44,989	60,868
	168,731	**179,585**

28. Capital commitments (RUB'000)

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

	31 December 2015	31 December 2014
Property, plant and equipment	77,862	48,238
Construction contracts	703,045	58,565
	780,907	106,803

29. Segment reporting

The Group has one primary reporting segment: provision of medical services. The Group evaluates the performance and makes investments and strategic decisions based upon a review of profitability for the Group as a whole.

30. Equity-settled share-based payment arrangements

In 2015 the Group established an equity-settled share-based program that entitle key management, other management and key medical personnel to receive shares in the Company. Under this program, employees are entitled to receive shares subject to work in the Group for three years starting from 1 January 2015, earnings per share targets and future development projects' targets. Shares will be transferred to employees in 2018.

At the grant date being 31 December 2015 the fair value of shares was measured as a market share price multiplied by number of the shares of the program (230,000 shares) and amounted to RUB 88,005 thousand.

As at 31 December 2015 it was assumed that the target conditions will be met in 2018, one-third of the fair value, or RUB 29,335 thousand, was recognized in staff costs as employee remuneration with corresponding reduction in treasury shares within equity.

31. Events after the reporting period

In the end of January 2016 the Company acquired five entities from an unrelated third party. All these entities are registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB 485,000 thousand and contingent remuneration related with targeted net debt in amount of RUB 15,000 thousand, for 100% of the outstanding share capital of each entity. The Company is in the process of fair value measurement of net assets acquired.

The acquisition is consistent with MDMG's strategy for regional expansion and the development of a high quality network of out-patient clinics focusing on IVF, obstetrics, gynecology and pediatrics.

The company established the new entity LLC M&C Kostroma. This entity is located in Kostroma and will be oriented on providing medical services related with IVF.

MD Medical Group
Investments Plc

Parent company financial statements

For the year ended 31 December 2015

Officers, professional advisors and registered office

Board of Directors	• Mark Kurtser — Chairman (Vitaly Ustimenko, Alternate director to Mark Kurtser) • Vitaly Ustimenko • Elena Mladova • Kirill Dmitriev (Nikolay Ishmetov, Alternate director to Kirill Dmitriev) • Vladimir Mekler • Simon Rowlands • Liubov Malyarevskaya
Secretary	Menustrust Limited
Secretary assistant	Mikhail Melnikov
Independent Auditors	KPMG Limited
Registered Office	Dimitriou Karatasou 15, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus

Board of 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 2015.

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.

Financial results

The Company's financial results for the year ended 31 December 2015 and its financial position as at that date are set out in the Statement of Comprehensive Income on page 137 and in the Statement of Financial Position on page 138 of the financial statements.

The profit for the year ended 31 December 2015 amounted to RUB 1,254,351 thousand (2014: RUB 1,648,005 thousand). The total assets of the Company as at 31 December 2015 were RUB 9,307,594 thousand (2014: RUB 8,319,159 thousand) and the net assets were RUB 9,257,495 thousand (2014: RUB 8,274,138 thousand).

Dividends

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

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

On 27 April 2015 the Board of Directors declared a final dividend for the year 2014 amounting to RUB 300,329 thousand (USD 5,461 thousand) which corresponds to RUB 4.01 (USD 0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 05 June 2015. The dividend was paid on 03 July 2015.

The Board of Directors recommends the payment of RUB 500,000 thousand as final dividend for the year 2015 which correspond to RUB 6.66 per share.

Examination of the development, position and performance of the activities of the company

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

During the year, the Company indirectly acquired through its subsidiary Ivicend Holding Limited 100% of the share capital of LLC Medica 2. The details for this acquisition are given in note 8.

Principal risks and uncertainties

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are given in notes 14 and 17 of the financial statements.

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

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

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

Board of directors

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

The members of the Board of Directors, who served as at the date of signing of these financial statements, are presented on page 130.

The members of the Board of Directors who served during the year 2015 and as at 31 December 2015 were are as follows:

- Mark Kurtser — Chairman
  Vitaly Ustimenko (appointed as an Alternate director to Mark Kurtser)
- Vitaly Ustimenko (appointed on 19 February 2015)
- Elena Mladova
- Kirill Dmitriev
- Nikolay Ishmetov (appointed as an Alternate director to Kirill Dmitriev)
- Vladimir Mekler (appointed on 19 February 2015)
- Simon Rowlands
- Liubov Malyarevskaya (appointed on 19 February 2015)
- Apollon Athanasiades (resigned on 18 February 2015)
- Elia Nicolaou (resigned on 18 February 2015)
- Angelos Paphitis (resigned on 18 February 2015)
- Andreas Petrides (resigned on 18 February 2015)
- Marios Tofaros (resigned on 18 February 2015)

The board committees

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

Audit Committee

The Audit Committee comprises of three non-executive directors, two of whom are independent. The Audit Committee is chaired by independent non-executive director Liubov Malyarevskaya since 19 February 2015 (during 2014 and up to 18 February 2015 the Committee was chaired by independent non-executive director Mr. Simon Rowlands). Mr. Kirill Dmitriev and Mr. Simon Rowlands are the other members.

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

- the reliability and appropriateness of disclosures in the financial statements and external financial communication;
- the maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system;
- preparation of recommendations to the shareholders for approval in General Meetings in relation to the appointment, reappointment and removal of the external 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 Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendation to the Board of Directors on actions needed to address the issues or to make improvements.

Nomination Committee

The Nomination Committee comprises of one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive directors Dr. Mark Kurtser (Mr. Kurtser from September 2015, acting as executive director based on power of attorney from MDMG with full range of authorities of managing director.) and Mr. Simon Rowlands and executive director Dr. Elena Mladova since 04 September 2015 (during 2014 and up to 04 September 2015 Mr. Vladimir Mekler served as a member of the Committee).

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

Remuneration Committee

The Remuneration Committee comprises of three non-executive directors. The Remuneration Committee is chaired by an independent non-executive director Mr. Simon Rowlands. The two other members are Dr. Mark Kurtser and Mr. Vladimir Mekler since 04 September 2015 (during 2014 and up to 04 Semptember 2015 Dr. Elena Mladova served as a member of the Committee).

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 important policies and procedures.

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

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

Branches

In 2015 the Company opened a branch in Moscow.

Treasury shares

During the year ended 31 December 2015 the Company did not acquire any treasury shares.

Events after the reporting period

In the end of January 2016 the Company indirectly acquired through its subsidiary Ivicend Holding Limited five entities from an unrelated third party. All these entities are registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB 485,000 thousand and contingent remuneration related with targeted net debt in amount of RUB 15,000 thousand, for 100% of the outstanding share capital of each entity.

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

The company established the new entity LLC M&C Kostroma. This entity is located in Kostroma and will be oriented on providing medical services related with IVF.

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,
Moscow, 18 March 2016

Directors' responsibility statement

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

- the financial statements, prepared in accordance with IFRS as adopted by EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the adoption of the going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Company;
- the Board of Directors' report includes 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 responsible for reporting as at the date of this announcement are set out below:

Mark Kurtser	Chairman, non-executive director
Vitaly Ustimenko	Executive director
Elena Mladova	Executive director
Kirill Dmitriev	Non-executive director
Vladimir Mekler	Non-executive director
Simon Rowlands	Non-executive independent director
Liubov Malyarevskaya	Non-executive independent director

Independent auditors' report

to the members of MDMG 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 137 to 155 which comprise the statement of financial position as at 31 December 2015, the 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 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 controls as the Board of Directors determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent 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 of the 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 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 2015, 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 additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as it appears from our examination of those books.
- 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 131 to 133 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 Laws of 2009 and 2013 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 to.

We report separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

Zakis E. Hadjizacharias, CA,
Certified Public Accountant and Registered Auditor for and on behalf of KPMG Limited Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street
3022 Limassol, Cyprus

18 March 2016

Comprehensive income (RUB'000)

For the year ended 31 December 2015

	Note	2015	2014
Dividend income		1,220,979	1,144,168
Gain on disposal of subsidiaries		-	333,067
Gross profit		**1,220,979**	**1,477,235**
Other income		2,533	-
Administrative expenses	4	(109,438)	(85,293)
Operating profit		**1,114,074**	**1,391,942**
Finance income		1,229	5,180
Finance expenses		(1,907)	(12,408)
Net foreign exchange gain		153,548	321,945
Net finance income	5	152,870	314,717
Profit before tax		1,266,944	1,706,659
Taxation	6	(12,593)	(58,654)
Profit for the year		**1,254,351**	**1,648,005**
Total comprehensive income for the year		**1,254,351**	**1,648,005**

The notes on pages 142 to 155 are an integral part of these consolidated financial statements.

Financial position (RUB'000)

As at 31 December 2015

	Note	31 December 2015	31 December 2014
Assets			
Property, plant and equipment		1,505	-
Deferred tax assets		6,743	-
Investments in subsidiaries	8	8,809,686	7,831,312
Total non-current assets		**8,817,934**	**7,831,312**
Inventories		397	-
Trade and other receivables	15	57,856	2,941
Cash and cash equivalents	9	431,407	484,906
Total current assets		489,660	487,847
Total assets		**9,307,594**	**8,319,159**
Equity			
Share capital	10	180,585	180,585
Share premium	11	5,243,319	5,243,319
Reserves	11	3,833,591	2,850,234
Total equity		**9,257,495**	**8,274,138**
Liabilities			
Trade and other payables	12	30,745	44,718
Current income tax liability		19,354	303
Total current liabilities		**50,099**	**45,021**
Total equity and liabilities		**9,307,594**	**8,319,159**

On 18 March 2016 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
Director

The notes on pages 142 to 155 are an integral part of these consolidated financial statements.

Changes in equity (RUB'000)

For the year ended 31 December 2015

	Note	Share capital	Treasury shares	Share premium	Retained earnings	Other reserves	Total
Balance at 1 January 2014		**180,585**	**-**	**5,243,319**	**1,147,635**	**307,951**	**6,879,490**
Comprehensive income							
Profit for the year		-	-	-	1,648,005	-	1,648,005
Contributions by and distributions to owners							
Dividends	7	-	-	-	(180,271)	-	(180,271)
Acquisition of treasury shares	11	-	(73,086)	-	-	-	(73,086)
Total transactions with owners		**-**	**(73,086)**	**-**	**(180,271)**	**-**	**(253,357)**
Balance at 31 December 2014		**180,585**	**(73,086)**	**5,243,319**	**2,615,369**	**307,951**	**8,274,138**
Balance at 1 January 2015		**180,585**	**(73,086)-**	**5,243,319**	**2,615,369**	**307,951**	**8,274,138**
Comprehensive income							
Profit for the year		-	-	-	1,254,351	-	1,254,351
Contributions by and distributions to owners							
Equity-settled share-based payment	18	-	29,335	-	-	-	29,335
Dividends	7	-	-	-	(300,329)	-	(300,329)
Total transactions with owners		**-**	**29,335**	**-**	**(300,329)**	**-**	**(270,994)**
Balance at 31 December 2015		**180,585**	**(43,751)**	**5,243,319**	**3,569,391**	**307,951**	**9,257,495**

Share premium and other reserves are not available for distribution.

The notes on pages 142 to 155 are an integral part of these consolidated financial statements.

Cash flows (RUB'000)

For the year ended 31 December 2015

	2015	2014
Cash flows from operating activities		
Profit for the year	**1,254,351**	**1,648,005**
Adjustments for:		
Gain on disposal of subsidiaries	-	(333,067)
Equity-settled share-based payment transaction	29,335	-
Dividend income	(1,220,979)	(1,144,168)
Interest income	(1,229)	(5,180)
Finance expense	1,907	12,408
Net exchange gain	(153,548)	(321,944)
Taxation	12,593	58,654
Cash flows from operations before working capital changes	**(77,570)**	**(85,292)**
(Increase) / Decrease in trade and other receivables	(5,162)	1,102
Increase in inventories	(397)	-
(Decrease) / Increase in trade and other payables	(17,296)	14,749
Cash flows used in operations	**(100,425)**	**(69,441)**
Dividends received	1,170,979	1,144,168
Tax paid	(324)	(58,351)
Net cash flows from operating activities	**1,070,230**	**1,016,376**
Cash flows from investing activities		
Capital contributions to subsidiaries	(978,374)	(1,623,998)
Acquisition of subsidiaries	-	(1,805,056)
Disposal of subsidiaries	-	500,150
Payment for acquisition/construction of property, plant and equipment	(1,505)	-
Interest received	1,702	4,714
Net cash flows used in investing activities	**(978,177)**	**(2,924,190)**
Cash flows from financing activities		
Proceeds from borrowings	-	500,000
Repayment of borrowings	-	(500,000)
Acquisition of treasury shares	-	(73,086)
Finance expenses paid	(1,921)	(12,408)
Increase in ownership in subsidiary	-	(2)
Dividends paid	(300,329)	(180,271)
Net cash flows used in financing activities	**(302,250)**	**(265,767)**
Net increase in cash and cash equivalents	**(210,197)**	**(2,173,581)**
Cash and cash equivalents at the beginning of the year	484,906	2,326,560
Effect of exchange rate changes on cash and cash equivalent	156,698	331,927
Cash and cash equivalents at the end of the year	**431,407**	**484,906**

The notes on pages 142 to 155 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Incorporation and principal activities

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

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

2. Basis of preparation

(a) Statement of compliance

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 2015 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 2015. This adoption did not have a material effect on the accounting policies 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 significant effect on the financial statements of the Company.

(d) Use of estimates and judgments

The preparation of 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 deviate 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 discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

- Equity-settled share-based arrangements

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

(e) Functional and presentation currency

The financial statements are presented in Russian Rouble (RUB'000) which is the functional currency of the Company. Financial information presented in Russian Rouble 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.

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

Finance expenses

Finance expenses include bank charges and interest expense. Interest expense is recognised in profit or loss using the effective interest method. Bank charges are recognized in profit or loss in the period in which they incurred.

Foreign currency translation

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

Tax

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

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

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

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

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

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

Dividends

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 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.

(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 issue price of the shares 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.

Treasury shares

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

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.

Equity-settled share-based payment arrangements

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

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

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

Comparatives

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

4. Administrative expenses (RUB'000)

	2015	2014
Consulting fees	39,453	55,068
Payroll and related social taxes	38,891	-
Independent auditors' remuneration	18,020	27,095
Other expenses	13,074	3,130
	109,438	85,293

5. Net finance income and expenses (RUB'000)

	2015	2014
Finance income		
Bank interest received	1,229	5,180
Finance expenses		
Bank charges	(1,907)	(3,679)
Interest on bank loans	-	(8,729)
	(1,907)	(12,408)
Net foreign exchange transaction gain	**153,548**	**321,945**
Net finance income	**152,870**	**314,717**

6. Taxation (RUB'000)

	2015	2014
Overseas tax on dividends received	-	57,094
Special contribution for the year	-	1,560
Income tax	12,593	-
Charge for the year	**12,593**	**58,654**

Reconciliation of tax based on the taxable income and tax based on accounting profits (RUB'000):

	2015	2014
Accounting profit before tax	**1,266,944**	**1,706,659**
Tax calculated at the applicable tax rates	253,389	213,332
Recognition of tax effect of previously unrecognized deferred tax assets	(3,343)	10,469
Tax effect of allowances and income not subject to tax	(244,196)	(225,545)
Temporary difference on accruals	6,743	-
Tax effect of loss for the year	-	1,744
Special contribution	-	1,560
Overseas tax in excess of credit claim used during the year	-	57,094
Tax as per statement of comprehensive income — charge	**12,593**	**58,654**

The corporation tax rate is 20% (2014: 12.5%).

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

7. Dividends

On 27 April 2015 the Board of Directors declared a final dividend for the year 2014 amounting to RUB300,329 thousand (USD5,461 thousand), which corresponds to RUB4.01 (USD0.07) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 05 June 2015. The dividend was paid on 03 July 2015.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to USD5,259 thousand (RUB180,271 thousand), which corresponds to USD0.07 (RUB2.40) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 23 May 2014. The dividend was paid on 23 May 2014.

8. Investments in subsidiaries (RUB'000)

	2015	2014
Balance at 1 January	**7,831,312**	**4,569,339**
Additions	978,374	3,429,056
Disposals	-	(167,083)
Balance at 31 December	**8,809,686**	**7,831,312**

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Notes	31 December 2015 Effective Holding %	31 December 2014 Effective Holding %
CJSC MD PROJECT 2000	Russian Federation	Medical services		95	95
LLC Khaven	Russian Federation	Medical services		100	100
LLC Velum	Russian Federation	Medical services		54	54
LLC Capital Group	Russian Federation	Renting of property, retail		80	80
LLC FimedLab	Russian Federation	Medical services		60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	1	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services		60	60
LLC Ivamed	Russian Federation	Medical services		100	100
LLC Dilamed	Russian Federation	Medical services		100	100
CJSC Listom	Russian Federation	Service Company		100	100
LLC Ustic ECO	Russian Federation	Medical services		70	70
LLC Mother and Child Perm	Russian Federation	Medical services		80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	2	80	80
LLC Mother and Child Saint Petersburg	Russian Federation	Medical services	2	60	60
LLC MD PROJECT 2010	Russian Federation	Medical services		100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	3	95	98
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services		100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services		100	100
Vitanostra Ltd	Cyprus	Holding of investments		100	100
LLC NPC MIR	Russian Federation	Holding of investments	4	100	100
LLC MK IDK	Russian Federation	Medical services	4	100	100

Name	Country of incorporation	Principal activities	Notes	31 December 2015 Effective Holding %	31 December 2014 Effective Holding %
LLC Apteka IDK	Russian Federation	Pharmaeutics retail	4	100	100
LLC CSR	Russian Federation	Medical services	4	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	5	85	85
LLC MD Assistance	Russian Federation	Assistance services		100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services		80	80
LLC MD Management	Russian Federation	Management company		100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services		100	100
Shelly Management ltd	BVI	Holding of investments		100	100
Ivicend Holding Ltd	Cyprus	Holding of investments		100	100
CJSC MC Avicenna	Russian Federation	Medical services	5	100	100
LLC H&C Medical Group	Russian Federation	Medical services	5	100	-
LLC Medica 2	Russian Federation	Medical services	5,6	100	-

Notes:

1. 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.
2. These entities are indirectly owned through LLC Khaven.
3. 95% of the charter capital of the entity is directly owned by the Company, 5% of the charter capital, previously owned by LLC Clinica Zdorovia was sold in March 2015.
4. These entities are indirectly owned through Vitanostra Ltd.
5. These entities are indirectly owned through Ivicend Holding Ltd.
6. This entity was acquired in December 2015.

9. Cash and cash equivalents (RUB'000)

	31 December 2015	31 December 2014
Cash at bank and in hand	45,129	29,213
Bank deposits with maturity less than 3 months	386,278	455,693
	431,407	**484,906**

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 14 of the financial statements.

10. Share capital

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

11. 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.

Treasury shares

During the year ended 31 December 2014, the Company has acquired 230,000 own shares (0.31% of total shares issued) at total cost of RUB73,086 thousand. As at 31 December 2015, these shares were owned by the Company.

Retained earnings

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

Other reserves

Exchange differences relating to the translation of the net assets of the Company from its functional currency to the presentation currency before changing the functional currency from US Dollars to Russian Rouble were recognised directly in other comprehensive income and accumulated in the other reserves.

12. Trade and other payables (RUB'000)

	31 December 2015	31 December 2014
Accruals	14,369	13,560
Other payables	16,376	31,158
	30,745	**44,718**

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 14 of the financial statements.

13. Related party transactions

As at 31 December 2015, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 31.8% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders. The remaining 0.3% of the Company's share capital is owned by the Company (note 11).

The transactions and balances with related parties are as follows:

13.1 Directors' remuneration

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2015 was RUB14,166 thousand (31 December 2014: RUB6,433 thousand). The key management personnel involved in the equity-settled share-based arrangements with total 27,600 shares to be granted in 2018 if target conditions will be met.

The rent expenses under agreement with a member of the key management personnel for the year ended 31 December 2015 was nil (31 December 2014: RUB920 thousand).

13.2 Transactions with subsidiary companies (RUB'000)

	2015	2014
Dividends received	1,220,979	1,144,168
Gain on disposal of subsidiary	-	333,081
	1,220,979	**1,477,249**

13.3 Outstanding balances with subsidiary companies (RUB'000)

	2015	2014
Dividend receivable	50,000	-
	50,000	**-**

13.4 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2015 and 31 December 2014 and as at the date of signing these financial statements are as follows:

Name	Type of interest	Effective interest, %
Mark Kurtser	Indirect ownership of shares	67.90
Kirill Dmitriev	Indirect interest in shares	5.55
Simon Rowlands	Direct ownership of shares	0.33

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

The calculation of effective interest is based on the total amount of issued and fully paid shares (note 10), including treasury shares acquired by the Company (note 11).

14. 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. Cash balances are held with various financial institutions.

Exposure to credit risk

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

	31 December 2015 RUB'000	31 December 2014 RUB'000
Trade and other receivables	57,856	2,941
Cash and cash equivalents	431,407	484,906
	489,263	**487,847**

Cash and cash equivalents

The Company held cash at bank of RUB431,407 thousand at 31 December 2015 and RUB484,906 thousand at 31 December 2014 which represents its maximum credit exposure on these assets.

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

Rating	Agency	2015 RUB'000	2014 RUB'000
Baa1	Moody's Investors Service	-	481,267
Ba1	Moody's Investors Service	-	371
Baa2	Moody's Investors Service	421,635	-
B3	Moody's Investors Service	2,715	-
Caa1	Moody's Investors Service	-	2,569
Ba2	Moody's Investors Service	7,057	-
Caa3	Moody's Investors Service	-	699
		431,407	**484,906**

(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, including estimated interest payments (RUB'000):

	Carrying amounts	Contractual cash flows	2 months or less	Between 2 -12 months	Between 1-5 years	Over than 5 years
31 December 2015						
Trade and other payables	30,745	30,745	30,745	-	-	-
31 December 2014						
Trade and other payables	44,718	44,718	44,718	-	-	-

(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.

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

	2015 RUB'000	2014 RUB'000
Fixed rate instruments		
Financial assets	386,278	455,693

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

Currency risk

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

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

	USD'000	EUR'000	GBP'000
31 December 2015			
Assets			
Cash at bank	5,485	8	-
Other receivables	-	-	-
	5,485	**8**	**-**
Liabilities			
Other payables and accruals	-	(10)	(142)
Net exposure	5,485	(2)	(142)
31 December 2014			
Assets			
Cash at bank	8,610	1	-
Liabilities			
Other payables and accruals	(152)	(136)	(207)
Net exposure	8,458	(135)	(207)

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD	60.9579	38.4217	72.8827	56.2584
EURO	67.7767	50.8150	79.6972	68.3427
GBP	93.2634	63.0926	107.9830	87.4199

Sensitivity analysis

A 10% strengthening of the Russian Rouble against the following currencies at 31 December 2015 would have increased/(decreased) 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 Rouble against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2015 RUB'000	2014 RUB'000	2015 RUB'000	2014 RUB'000
USD	(39,976)	(47,583)	(39,976)	(47,583)
EUR	16	936	16	936
GBP	1,533	1,810	1,533	1,810
	(38,427)	**(44,837)**	**(38,427)**	**(44,837)**

Capital management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns 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.

15. Trade, other receivables and deferred expenses

	31 December 2015	31 December 2014
Dividends receivable	50,000	-
Other receivables	7,856	2,941
	57,856	**2,941**

16. Fair values

As at 31 December 2015 and 31 December 2014 the Company had no financial assets or liabilities measured at fair value.

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date except the investments in subsidiaries which are presented at cost.

17. 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 some property, plant and equipment. Until the Group obtains adequate insurance coverage, there is a risk of material adverse effect on operations and statement of financial position.

(b) Russian business environment

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

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit.

In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

(c) Russian tax environment

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

In addition, a number of new laws introducing changes to the Russian tax legislation have been adopted and are effective since 1 January 2015. In particular, those changes are aimed at regulating transactions with offshore companies and their activities which may potentially impact the Group's tax position.

(d) Cyprus economic environment

The current economic environment of Cyprus is not expected to have a significant impact on the Company as the Company does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Company's management has concluded that no additional 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.

18. Equity-settled share-based payment arrangements

In 2015 the Group established equity-settled share-based program that entitle key management, other management and key medical personnel to receive shares in the Company. Under this program, employees are entitled to receive shares subject to work in the Group for three years starting from 1 January 2015, earnings per share targets and future development projects' targets. Shares will be transferred to employees in 2018.

At the grant date being 31 December 2015 the fair value of shares was measured as a market share price multiplied by number of the shares of the program (230,000 shares) and amounted to RUB88,005 thousand.

As at 31 December 2015 it was assumed that the target conditions will be met in 2018, one-third of the fair value, or RUB29,335 thousand, was recognized in staff costs as employee remuneration with corresponding reduction in treasury shares within equity.

19. Events after the reporting period

In the end of January 2016, the Company indirectly acquired through its subsidiary Ivicend Holding Limited five entities from an unrelated third party. All these entities registered under Russian laws and located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul. The acquisition was for a cash consideration of RUB485,000 thousands and contingent remuneration related with targeted net debt in amount of RUB15,000 thousands, for 100% of the outstanding share capital of each entity.

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

The company established the new entity LLC M&C Kostroma. This entity is located in Kostroma and will be oriented on providing medical services related with IVF.

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