

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2018 to 30 June 2018

C O N T E N T S

	<u>Page</u>
Independent Auditors' Report on review of Condensed Consolidated Interim Financial Statements	3
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Interim Statement of Financial Position	5
Condensed Consolidated Interim Statement of Changes in Equity	6 & 7
Condensed Consolidated Interim Statement of Cash Flows	8 & 9
Notes to the Condensed Consolidated Interim Financial Statements	10 - 21



KPMG Limited
Chartered Accountants
11, June 16th 1943 Street, 3022 Limassol, Cyprus
P.O.Box 50161, 3601 Limassol, Cyprus
T: +357 25 869000, F: +357 25 363842

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

Introduction

We have reviewed the condensed consolidated interim statement of financial position of MD Medical Group Investments Plc and its subsidiaries ("the Group") as at 30 June 2018, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".


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

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street,
3022 Limassol,
Cyprus.

6 September 2018

Nicosia
P.O. Box 21121, 1502
T: +357 22 209000
F: +357 22 678200

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Polis Chrysochous
P.O. Box 69014, 8330
T: +357 26 322088
F: +357 26 322722

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 620060
F: +357 23 620064

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 January to 30 June

	Note	2018 <i>RUB'000</i>	2017 <i>RUB'000</i>
Revenue from contracts with customers	4	7 130 431	6 617 523
Cost of sales	5	<u>(4 608 203)</u>	<u>(4 139 090)</u>
Gross profit		<u>2 522 228</u>	<u>2 478 433</u>
Other income	8	12 016	105 810
Administrative expenses	6	(1 154 169)	(1 090 841)
Other expenses		<u>(22 761)</u>	<u>(10 294)</u>
Operating profit		<u>1 357 314</u>	<u>1 483 108</u>
Finance income	9	118 015	27 565
Finance expenses	9	(266 360)	(277 514)
Net foreign exchange transactions gain / (loss)	9	75 458	(19 291)
Net finance expenses	9	<u>(72 887)</u>	<u>(269 240)</u>
Profit before tax		<u>1 284 427</u>	<u>1 213 868</u>
Income tax (expense) / benefit	10	<u>(54 223)</u>	<u>11 259</u>
Profit for the period		<u>1 230 204</u>	<u>1 225 127</u>
Total comprehensive income for the period		<u>1 230 204</u>	<u>1 225 127</u>
Profit for the period attributable to:			
Owners of the Company		1 140 470	1 126 930
Non-controlling interests		<u>89 734</u>	<u>98 197</u>
		<u>1 230 204</u>	<u>1 225 127</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		1 140 470	1 126 930
Non-controlling interests		<u>89 734</u>	<u>98 197</u>
		<u>1 230 204</u>	<u>1 225 127</u>
Basic and fully diluted earnings per share (RUB)	11	<u>15,18</u>	<u>15,05</u>


The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 / 31 December 2017

	Note	30 June 2018 RUB'000	31 December 2017 RUB'000
ASSETS			
Property, plant and equipment		16 756 336	15 323 649
Intangible assets		2 300 283	2 335 477
Trade, other receivables and deferred expenses	14	582 244	889 933
Deferred tax assets		233 748	243 165
Total non-current assets		19 872 611	18 792 224
Inventories		534 113	525 356
Trade, other receivables and deferred expenses	14	421 710	421 203
Other assets		11 400	28 568
Cash and cash equivalents	15	1 966 036	2 504 602
Total current assets		2 933 259	3 479 729
Total assets		22 805 870	22 271 953
Equity			
Share capital	16	180 585	180 585
Share premium		5 243 319	5 243 319
Reserves		(659 896)	(659 896)
Retained earnings		9 401 411	9 377 710
Total equity attributable to the owners of the Company		14 165 419	14 141 718
Non-controlling interests		284 154	425 947
Total equity		14 449 573	14 567 665
Liabilities			
Loans and borrowings	17	4 134 921	3 585 213
Trade and other payables	18	436 477	277 320
Deferred tax liabilities		289 280	250 504
Contract liabilities	19	121 489	144 860
Total non-current liabilities		4 982 167	4 257 897
Loans and borrowings	17	816 905	985 234
Trade and other payables	18	1 386 740	1 332 364
Contract liabilities	19	1 170 485	1 128 793
Total current liabilities		3 374 130	3 446 391
Total liabilities		8 356 297	7 704 288
Total equity and liabilities		22 805 870	22 271 953

On 6 September 2018 the Board of Directors of MD Medical Group Investments Plc approved and authorised these condensed consolidated interim financial statements for issue.


Vladimir Mekler
Chairman of the Board of Directors


Mark Kurtser
Managing Director


Andrey Khoperskiy
Chief Financial Officer

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2018 to 30 June 2018

	Note	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premium	Other reserves	Retained earnings			
		RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	
Balance at 1 January 2018*		180 585	(4 544)	5 243 319	(655 352)	9 377 710	14 141 718	425 947	14 567 665
Adjustment on initial application of IFRS 9 (net of tax)	3B	-	-	-	-	(30 935)	(30 935)	(2 956)	(33 891)
Adjusted balance at 1 January 2018		180 585	(4 544)	5 243 319	(655 352)	9 346 775	14 110 783	422 991	14 533 774
Total comprehensive income									
Profit and total comprehensive income for the period		-	-	-	-	1 140 470	1 140 470	89 734	1 230 204
Contributions by and distributions to owners									
Acquisition of additional shares in subsidiaries		-	-	-	-	(619 539)	(619 539)	(170 692)	(790 231)
Other movements		-	-	-	-	(15 545)	(15 545)	-	(15 545)
Dividends	12	-	-	-	-	(450 750)	(450 750)	(57 879)	(508 629)
Total transactions with owners		-	-	-	-	(1 085 834)	(1 085 834)	(228 571)	(1 314 405)
Balance at 30 June 2018		180 585	(4 544)	5 243 319	(655 352)	9 401 411	14 165 419	284 154	14 449 573

Share premium is not available for distribution.

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 3.

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2017 to 30 June 2017

	Note	Attributable to owners of the Company					Non-controlling interests RUB'000	Total equity RUB'000	
		Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000			Total RUB'000
Balance at 1 January 2017		180 585	(18 737)	5 243 319	(655 352)	7 597 472	12 347 287	422 850	12 770 137
Total comprehensive income									
Profit and total comprehensive income for the period		-	-	-	-	1 126 930	1 126 930	98 197	1 225 127
Contributions by and distributions to owners									
Equity-settled share-based payment transaction		-	16 877	-	-	-	16 877	-	16 877
Acquisition of additional share in subsidiary		-	-	-	-	(40 383)	(40 383)	(12 617)	(53 000)
Dividends	12	-	-	-	-	(338 062)	(338 062)	(98 715)	(436 777)
Total transactions with owners		-	16 877	-	-	(378 445)	(361 568)	(111 332)	(472 900)
Balance at 30 June 2017		180 585	(1 860)	5 243 319	(655 352)	8 345 957	13 112 649	409 715	13 522 364

Share premium is not available for distribution.

MD MEDICAL GROUP INVESTMENTS PLC

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

	Note	2018 RUB'000	2017 RUB'000
Cash flows from operating activities			
Profit for the period		1 230 204	1 225 127
Adjustments for:			
Depreciation of property, plant and equipment		513 446	452 653
Equity-settled share-based payment transaction		-	16 877
Gain from the sale of property, plant and equipment		(4 021)	(1 738)
Write-off of property, plant and equipment		1 792	-
Amortisation of intangible assets		50 715	48 853
Finance income	9	(118 015)	(27 565)
Finance expenses (excluding impairment)	9	249 850	235 901
Gain under escrow agreement		-	(96 592)
Impairment of goodwill	9	-	14 352
Impairment of assets	9	16 510	27 261
Net foreign exchange transactions (gain) / loss	9	(75 458)	19 291
Income tax expense / (benefit)	10	54 223	(11 259)
		1 919 246	1 903 161
(Increase) / decrease in inventories		(8 757)	29 487
Increase in trade and other receivables		(33 540)	(75 595)
Increase in trade and other payables		28 235	68 968
Increase in deferred income		18 321	70 976
Cash flows from operations		1 923 505	1 996 997
Tax paid		(2 254)	(2 702)
Net cash flows from operating activities		1 921 251	1 994 295
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		(1 660 167)	(850 597)
Proceeds from disposal of property, plant and equipment		26 763	6 436
Payment for acquisition of intangible assets		(15 522)	(3 104)
Proceeds from escrow agreement		-	96 592
Interest received		28 890	27 565
Net cash flows used in investing activities		(1 620 036)	(723 108)

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
For the period from 1 January to 30 June

	Note	2018 RUB'000	2017 RUB'000
Cash flows from financing activities			
Proceeds from loans and borrowings		1 050 947	400 299
Repayment of loans and borrowings		(653 970)	(544 030)
Finance expenses paid		(256 073)	(231 972)
Increase in ownership in subsidiary		(768 234)	(53 000)
Proceeds from reimbursed VAT		307 043	-
Repayment of reimbursed VAT		(64 338)	(53 205)
Dividends paid to the owners of the Company		(494 339)	(327 935)
Dividends paid to non-controlling interests		(57 879)	(98 715)
Net cash flows used in financing activities		(936 843)	(908 558)
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents as at the beginning of the period	15	2 504 602	1 642 944
Effect of exchange rate changes on cash and cash equivalents		97 062	(27 992)
Cash and cash equivalents as at the end of the period	15	1 966 036	1 977 581

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

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

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

Name	Country of incorporation	Activities	30 June	31 December
			2018	2017
			Effective holding	Effective holding
			%	%
CJSC MD PROJECT 2000	Russian Federation	Medical services	95	95
LLC Khaven	Russian Federation	Medical services	100	100
LLC Velum	Russian Federation	Medical services	90	64
LLC Capital Group	Russian Federation	Pharmaceutics retail	95	80
LLC FimedLab	Russian Federation	Medical services	90	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services	80	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	95	80
LLC Mother and Child Ufa	Russian Federation	Medical services	95	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	85	70
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	90	60
LLC MD Service	Russian Federation	Pharmaceutics retail	95	95
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services	100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services	100	100
LLC Mother and Child Tyumen	Russian Federation	Medical services	100	100
CJSC MK IDK	Russian Federation	Medical services	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	100	100
LLC CSR	Russian Federation	Medical services	100	100
LLC MD Assistance	Russian Federation	Assistance services	100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services	80	80
LLC Mother and Child Kostroma	Russian Federation	Medical services	80	80
LLC Mother and Child Vladimir	Russian Federation	Medical services	80	80
LLC MD Management	Russian Federation	Management company	100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services	100	100
LLC Mother and Child Kazan	Russian Federation	Medical services	100	100
Ivicend Holding Ltd	Cyprus	Holding of investments	100	100
CJSC MC Avicenna	Russian Federation	Medical services	100	100
LLC H&C Medical Group	Russian Federation	Medical services	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	100	100

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Name	Country of incorporation	Activities	30 June 2018 Effective holding %	31 December 2017 Effective holding %
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	100
LLC Krasnoyarskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Novosibirskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Omskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Barnaulskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Nika	Russian Federation	Holding of land	100	100
LLC Stroy Vector Pluss	Russian Federation	Rental services	100	100
LLC Mother and Child Vladivostok	Russian Federation	Medical services	100	100
LLC Irkutsk Clinical Hospital	Russian Federation	Medical services	100	100
LLC Mother and Child Volga	Russian Federation	Management company	100	-
LLC Siberia service company	Russian Federation	Service company	-	-
LLC TechMedCom	Russian Federation	Service company	-	-
LLC Service Hospital Company	Russian Federation	Service company	-	-
LLC Elleprof	Russian Federation	Service company	-	-
LLC Medtechnoservice	Russian Federation	Service company	-	-

As at 30 June 2018, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr. Mark Kurtser. The 32.1% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at 31 December 2017 and for the year then ended.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

(b) Basis of measurement

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

(c) Use of estimates and judgements

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

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

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

2. BASIS OF PREPARATION (continued)

(c) Use of estimates and judgements (continued)

The significant judgements made by the management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

(d) Functional and presentation currency

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are consistent with those followed in the Group's consolidated financial statements as at 31 December 2017 and for the year then ended.

The changes in accounting policies described in Note 2 will be reflected in the Group's consolidated financial statements as at 31 December 2018 and for the year then ended.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

The effect of initially applying these standards is mainly attributed to the following:

- allocation of financing component from stem cells contracts (see A below);
- increase of impairment losses over financial assets (see B below).

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Under IFRS 15, revenue is recognised in the moment when the service is provided to the customer. Determining the timing of the services rendering – at a point in time or over time – requires judgement. The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's services are set out below.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. IFRS 15 Revenue from Contracts with Customers (continued)

Type of product/service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Rendering of services (except storage of stem cells)	Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the actual service provided.	IFRS 15 did not have a significant impact on the Group's accounting policies.
Sales of goods	Sales of goods are recognised when control over 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.	IFRS 15 did not have a significant impact on the Group's accounting policies.
Storage of stem cells	Nature of service is long-term safekeeping of biological materials comprising stem cells concentrate. Standard terms of contract include predetermined period of contract from 1 to 31 years paid in advance by the customer in full amount. Revenue from contract consists of two parts – revenue from blood collection and stem cells isolation (charged at the moment of the appropriate services rendered) and revenue from storage of stem cells. Inflated revenue from storage is accrued monthly during the whole period of contract duration, with recognition of interest expenses and net-off of advances received, receivables from revenue recognised and payables from interest expenses accrual in the moment of the contract closure.	Previously revenue from stem cells contracts was accrued on straight-line basis. Advances received from customers were recognised as short-term and long-term deferred income, depending of their maturity. With adoption of IFRS 15 approach was amended: advances received from customers are inflated to current date using effective interest rate, dividing financing component of contract and recognised as contract liabilities. As a result, at the moment of first adoption, advances received as at that date divided into contract liabilities to customers and financial liabilities, representing this financing component of the contract. Revenue for each period following the first adoption moment is inflated to recognise both additional financial expense for active contracts and additional revenue for keeping, showing effect of inflation for reporting period.

The standard did not have a material impact on the Group's consolidated financial position, consolidated financial results and consolidated cash flows as at 1 January 2018.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings and non-controlling interests (for a description of the transition method see ((iii)) below).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2018 to 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial Instruments (continued)

	Impact of adopting IFRS 9 as at 1 January 2018
	<i>RUB'000</i>
Retained earnings	
Recognition of expected credit losses under IFRS 9	(32 436)
Related tax	1 501
Impact at 1 January 2018	(30 935)
Non-controlling interests	
Recognition of expected credit losses under IFRS 9	(2 956)
Related tax	-
Impact at 1 January 2018	(2 956)

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			<i>RUB'000</i>	<i>RUB'000</i>
Trade and other receivables	Loans and receivables	Amortised cost	305 563	270 171
Cash and cash equivalents	Loans and receivables	Amortised cost	2 504 602	2 504 602
Total financial assets			2 810 165	2 774 773

Group classified financial assets as measured at amortised cost, as their contractual cash flows give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows.

An increase of RUB35,392 thousand in the allowance for impairment over trade and other receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2018 to 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial Instruments (continued)

Trade receivables and contract assets

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past two years. The Group performed the calculation of ECL rates separately for patients, legal entities and insurance companies, meanwhile ECL rates for the insurance companies were calculated based on their ratings (please see below).

The following table provides information about the exposure to credit risk and ECLs for trade receivables for patients as at 1 January 2018.

	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
		<i>RUB'000</i>	<i>RUB'000</i>	
0-30 days past due	14%	8 402	1 160	partly
31-60 days past due	27%	2 214	596	partly
61-90 days past due	32%	2 153	698	partly
more than 91 days past due	85%	70 695	60 331	partly
TOTAL		83 464	62 785	

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables for legal entities except insurance companies as at 1 January 2018.

	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
		<i>RUB'000</i>	<i>RUB'000</i>	
0-30 days past due	3%	26 058	892	partly
31-60 days past due	17%	10 325	1 774	partly
61-90 days past due	50%	3 297	1 649	partly
more than 91 days past due	85%	28 481	24 198	partly
TOTAL		68 161	28 513	

Based on the analysis of the historical data for accounts receivable from insurance companies no provision is accrued.

As at 1 January 2018 no impairment provision for insurance companies was accrued.

Cash and cash equivalents

Based on the analysis of the historical data for cash and cash equivalents in the credit institutions with the rating of Ba3 (per Moody's Investors Service Ltd.) and more, no provision is accrued.

As at 1 January 2018 no impairment provision for cash and cash equivalents was accrued.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial Instruments (continued)

(iii) Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and non-controlling interest as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

C. IFRS 16 Leases

The standard will be effective for annual periods beginning on or after 1 January 2019. The application of the standard will have the effect on the consolidated financial statements of the Group. The effect is now evaluated by the Group's management.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The nature and effect of initial application IFRS 15 on the Group's condensed consolidated interim financial statements are disclosed in Note 3. The information about the contract liabilities is disclosed in Note 19.

	30 June 2018	30 June 2017
	<i>RUB'000</i>	<i>RUB'000</i>
In vitro fertilisation (IVF)	1 592 431	1 523 911
Deliveries	1 070 534	1 068 727
Obstetrics and gynaecology out-patient treatments	892 139	871 866
Other out-patient medical services	741 834	574 580
Other medical services	634 678	560 447
Paediatrics out-patient treatments	653 666	638 980
Other in-patient medical services	498 484	400 802
Obstetrics and gynaecology in-patient treatments	502 163	480 504
Paediatrics in-patient treatments	253 502	219 749
Sales of goods	144 719	145 894
Storage of stem cells	67 148	65 874
Other income	79 133	66 189
	<u>7 130 431</u>	<u>6 617 523</u>

Disaggregation of revenue

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

The majority of the Group's customers are physical persons (88% of total revenue); some services are rendered to the governmental and non-governmental insurance companies and legal entities. All the contracts are fixed-price and short-term except for the contracts for the storage of stem cells.

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

5. COST OF SALES

	30 June 2018	30 June 2017
	<i>RUB'000</i>	<i>RUB'000</i>
Payroll and related social taxes	2 573 808	2 294 102
Materials and supplies used	1 183 214	1 088 362
Depreciation	445 632	387 238
Medical services	122 861	120 808
Energy and utilities	91 705	73 971
Property tax	65 879	64 994
Repair and maintenance	60 042	47 954
Other expenses	65 062	61 661
	<u>4 608 203</u>	<u>4 139 090</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

6. ADMINISTRATIVE EXPENSES

	30 June 2018	30 June 2017
	<i>RUB'000</i>	<i>RUB'000</i>
Payroll and related social taxes	657 465	608 718
Utilities and materials	126 033	119 422
Other professional services	120 856	108 917
Depreciation	67 814	65 415
Advertising	48 596	63 516
Amortisation	50 715	48 853
Communication costs	16 278	15 114
Independent auditors' remuneration	3 537	4 872
Other expenses	62 875	56 014
	1 154 169	1 090 841

7. STAFF COSTS

	30 June 2018	30 June 2017
	<i>RUB'000</i>	<i>RUB'000</i>
Wages and salaries	2 518 044	2 270 296
Social insurance contributions and other taxes	713 229	632 524
	3 231 273	2 902 820

8. OTHER INCOME

During the period ended 30 June 2017 the Group received other income of RUB105,810 thousand. This income arose mostly from the Escrow Deed approved on 26 September 2014, under which the Company received USD1,575 thousand (RUB96,592 thousand) in March 2017 from Escrow Agent.

9. NET FINANCE EXPENSES

	30 June 2018	30 June 2017
	<i>RUB'000</i>	<i>RUB'000</i>
<i>Interest income</i>		
Bank interest received	28 741	27 139
Interest from loans to third parties	149	426
Financial income on initial recognition of other payables to tax authorities	89 125	-
Finance income	118 015	27 565
<i>Interest expense</i>		
Interest on bank loans	(161 197)	(144 296)
Unwinding of discount on other payables to tax authorities	(17 427)	(29 673)
Other interest expenses	(3 691)	(120)
<i>Other finance expense</i>		
Bank charges	(67 535)	(61 508)
Impairment of trade and other receivables	(5 502)	(304)
Other impairment provision	(11 008)	(41 613)
Finance expenses	(266 360)	(277 514)
Net foreign exchange transactions gain / (loss)	75 458	(19 291)
Net finance expenses	(72 887)	(269 240)

10. TAXATION

The Group recognized tax expense of RUB54,223 thousand in the reporting period mostly due to the temporary differences relating to property, plant and equipment (especially differences on the new hospital located in Samara).

The Group recognises income tax expense based on management's best estimate of the weighted average annual income tax rate 4% expected for the full financial year applied to the pre-tax income of the interim period.

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

11. EARNINGS PER SHARE

	30 June 2018	30 June 2017
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	1 140 470	1 126 930
Weighted average number of ordinary shares in issue during the period	<u>75 110 710</u>	<u>74 895 010</u>
Basic and fully diluted earnings per share (RUB)	<u><u>15,18</u></u>	<u><u>15,05</u></u>

12. DIVIDENDS

On 16 March 2018 the Board of Directors declared a final dividend for the year 2017 attributable to the owners of the Company amounting to RUB450,750 thousand (USD7,905 thousand), which corresponds to RUB6 (USD0,11) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 17 April 2018. The dividend was paid on 22 May 2018.

On 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB338,062 thousand (USD5,804 thousand), which corresponds to RUB4,5 (USD0,08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

13. PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the period ended 30 June 2018 are mostly related to the finished construction of a hospital in Samara and the construction of the hospital in Tyumen. The amount of additional cost of property, plant and equipment during the period equals to RUB1,974,556 thousand.

The amount of borrowing costs capitalised during the period ended 30 June 2018 was RUB75,661 thousand (RUB28,714 thousand for the period ended 30 June 2017). Capitalisation rate for loans varied from 9,45% to 10,15% for the period ended 30 June 2018 (from 10,15% to 11,75% for the period ended 30 June 2017).

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB7,528,508 thousand as at 30 June 2018 (31 December 2017: RUB7,866,555 thousand).

14. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	30 June 2018	31 December 2017
	<i>RUB'000</i>	<i>RUB'000</i>
Trade receivables	254 270	287 140
CAPEX prepayments	582 244	889 933
Advances paid to suppliers	97 436	87 311
Deferred expenses	14 085	8 061
Other receivables	<u>55 919</u>	<u>38 691</u>
	<u>1 003 954</u>	<u>1 311 136</u>
Non-current portion	582 244	889 933
Current portion	<u>421 710</u>	<u>421 203</u>
	<u>1 003 954</u>	<u>1 311 136</u>

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2018 to 30 June 2018

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

Ageing analysis of trade receivables:

	Gross amount 30 June 2018	Impairment 30 June 2018	Gross amount 31 December 2017	Impairment 31 December 2017
	<i>RUB'000</i>	<i>RUB'000</i>	<i>RUB'000</i>	<i>RUB'000</i>
Not past due	256 455	(2 185)	287 140	-
Past due	91 020	(91 020)	55 906	(55 906)
	347 475	(93 205)	343 046	(55 906)

15. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
	<i>RUB'000</i>	<i>RUB'000</i>
Cash at bank and in hand	625 484	350 827
Bank deposits with maturity less than 3 months	1 340 552	2 153 775
	1 966 036	2 504 602

Currency:

	30 June 2018	31 December 2017
	<i>RUB'000</i>	<i>RUB'000</i>
RUB	1 827 215	1 559 268
EUR	1 061	1 021
USD	137 760	944 313
	1 966 036	2 504 602

16. 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 ordinary shares	75 125 010	0,08	180 585	6 010

17. LOANS AND BORROWINGS

	Note	30 June 2018	31 December 2017
		<i>RUB'000</i>	<i>RUB'000</i>
Long-term liabilities			
Bank loans		4 134 921	3 585 213
Short-term liabilities			
Bank loans		814 367	985 234
Other loans	20	2 538	-
		4 951 826	4 570 447

Maturity of loans and borrowings:

	30 June 2018	31 December 2017
	<i>RUB'000</i>	<i>RUB'000</i>
Within one year	816 905	985 234
Between one and five years	3 694 965	3 071 796
More than 5 years	439 956	513 417
	4 951 826	4 570 447

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2018 to 30 June 2018

17. LOANS AND BORROWINGS (continued)

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in note 13. As additional collateral the Company has pledged the shares of JSC MD Project 2000 and LLC Khaven and the rights to the leasing of the land plots in JSC MD Project 2000, LLC MD Project 2010 and LLC M&C Tyumen.

As at 30 June 2018 the terms and debt repayment schedule of loans is as follows:

Type as at 30 June 2018	Currency	Effective interest rate	Maturity	30 June 2018		31 December 2017	
				Face value RUB'000	Carrying amount RUB'000	Face value RUB'000	Carrying amount RUB'000
Secured bank loan	RUB	8.45%	2023	2 511 297	2 511 297	2 075 780	2 075 780
Secured bank loan	RUB	8.25%	2022	1 153 153	1 153 153	1 050 350	1 050 350
Secured bank loan	RUB	9.15%	2024	966 488	966 488	351 664	351 664
Secured bank loan	RUB	9%	2018	-	-	393 369	393 369
Unsecured bank loan	RUB	8.45%	2019	283 464	283 464	658 446	658 446
Unsecured bank loan	RUB	9.15%	2020	19 980	19 980	19 980	19 980
Unsecured bank loan	RUB	14.20%	2019	14 906	14 906	20 858	20 858
Unsecured other loan	RUB	7.50%	2019	2 538	2 538	-	-
				4 951 826	4 951 826	4 570 447	4 570 447

18. TRADE AND OTHER PAYABLES

	30 June 2018 RUB'000	31 December 2017 RUB'000
Accruals	423 637	353 487
Other payables to tax authorities	523 120	336 061
Trade payables	246 960	318 727
Payables to employees	252 246	291 555
Taxes payable	168 438	142 301
CAPEX payables	129 645	125 306
Income tax liability	25 232	21 879
Other payables	53 939	20 368
	1 823 217	1 609 684
Non-current portion	436 477	277 320
Current portion	1 386 740	1 332 364
	1 823 217	1 609 684

19. CONTRACT LIABILITIES

Contract liabilities that relate to long term client advances represents money received from patients on stem cells storage contracts lasting from 1 to 30 years. Contract liabilities that relate 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 up to 1 year.

20. RELATED PARTY TRANSACTIONS

20.1. Operatons with key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the six months ended 30 June 2018 was RUB25,514 thousand (for the six months ended 30 June 2017: RUB20,008 thousand).

The remuneration of the members of the key management personnel which remained unpaid as at 30 June 2018 was RUB5,619 thousand (31 December 2017: RUB2,908 thousand).

MD MEDICAL GROUP INVESTMENTS PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the period from 1 January 2018 to 30 June 2018

20. RELATED PARTY TRANSACTIONS (continued)

20.2. Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 30 June 2018, 31 December 2017 and as at the date of signing these condensed consolidated financial statements are as follows:

<u>Name</u>	<u>Type of interest</u>	<u>Effective interest %</u>
Mark Kurtser	Indirect control of shares	67.90
Kirill Dmitriev	Indirect ownership in shares	5.55
Alsou Nazyrova	Direct ownership of shares	0.01
Simon Rowlands	Direct ownership of shares	0.33

Indirect ownership 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.

20.3. Dividends declared to related parties

During the period ended 30 June 2018 dividends declared to the parent company MD Medical Holding Limited for the year 2017 amounted to RUB306,140 thousand (period ended 30 June 2017: RUB229,605 thousand for the year 2016).

20.4. Borrowings received from related parties

	Note	30 June 2018 RUB'000	31 December 2017 RUB'000
Borrowings received from related parties	17	2 538	-

21. CAPITAL COMMITMENTS

Capital commitments mostly comprise of the obligations under construction contracts in the amount of RUB4,274,220 thousand as at 30 June 2018 (31 December 2017: RUB2,020,427 thousand).

22. EVENTS AFTER THE REPORTING PERIOD

During the period from 1 July 2018 till the date of approval of these condensed consolidated interim financial statements the Group received an additional transfer under the existing loan facility in the amount of RUB358 mln. related to the construction of a hospital in Tyumen.

In August 2018 the Group negotiated a contract for repair and construction works in one of the existing Group hospitals amounted to RUB265 mln.

After the reporting date the Group pledged the buildings and land of JSC MC Avicenna with a book value of RUB840 mln.

In August 2018 the Group opened a new clinic in Volgograd.