Delivering on Our Growth Strategy

Annual Report and Accounts 2014

MD MEDICAL GROUP

Boris Konoplev
Chief Doctor of Mother & Child Ufa

Alsu Nazyrova
CEO of Mother & Child Ufa

Delivering high-quality medical services throughout Russia

MD Medical Group is Russia's leading provider of private healthcare for women and children. We are committed to providing world-class medical care to an increasing number of people in Russia as we expand our business across the country's fastest growing regions.

Committed to providing world-class medical care to an increasing number of people

Baby born in Ufa hospital

Content

See our corporate website for more information on the company

http://www.mcclinics.com/

Continuing to deliver

Our strategy remains unchanged to deliver care of the highest quality and broaden MD Medical Group's reach and presence through organic growth supplemented by selective and carefully considered acquisitions. In 2014 we have made strong progress on our regional strategy, including the recent opening of our hospital in Ufa, as well as the acquisition of Avicenna, the leading player in the Novosibirsk region.

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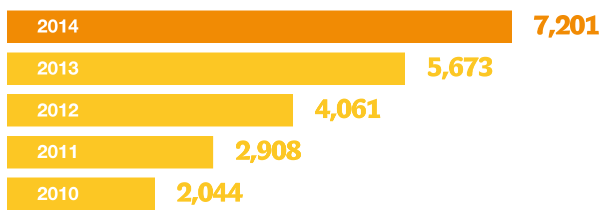
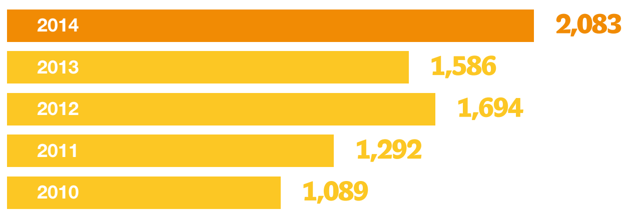
Financial KPIs

Revenue, RUB mln



+27%

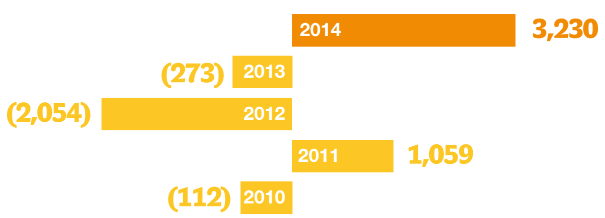
EBITDA[1], RUB mln



+31%

[1] EBITDA calculated as operating profit before depreciation and amortisation

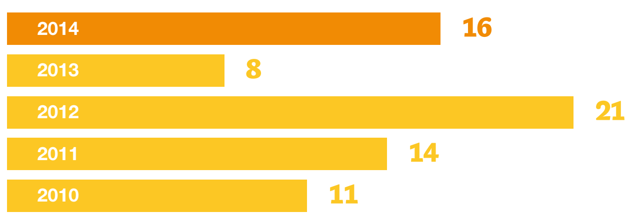
Net debt/(cash), RUB mln



1.6x

Net Debt/EBITDA

EPS (RUB/GDR)[2]

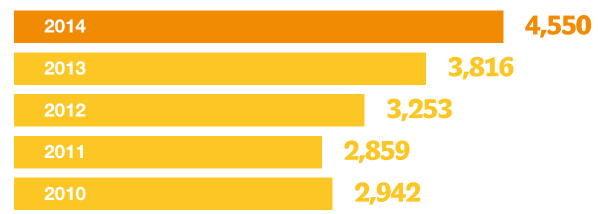


+100%

[2] 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

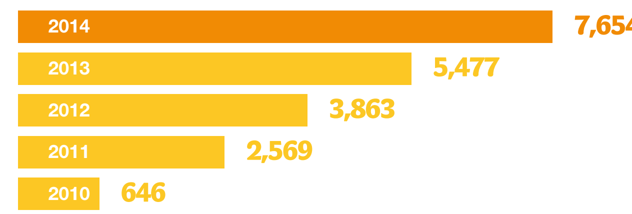
Operational KPIs

Number of deliveries



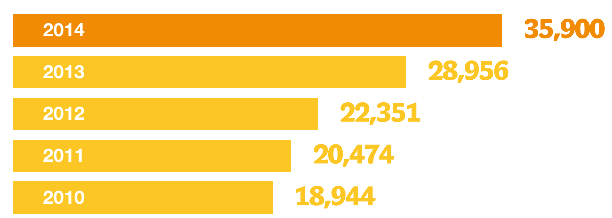
+19%

Number of IVF cycles



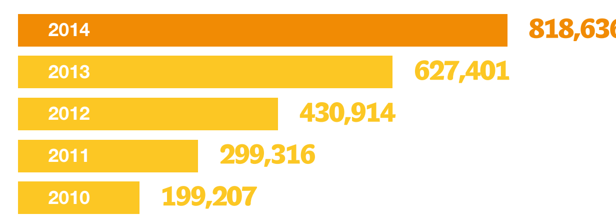
+40%

Number of in-patient treatments



+24%

Number of out-patient admissions



+30%

Chairman's statement

I am pleased to report that we had another successful year in 2014. We achieved record revenues for the year of 7.2 bn RUB and have further improved our already strong EBITDA margin through the continued ramp-up at Lapino and improved performance of existing clinics.

Dr Mark Kurtser
Chairman

7,201
mln RUB
Our reported revenue
+27 %

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We have delivered on our geographic diversification strategy, as the year was marked with the opening of our first regional hospital in Ufa and our largest acquisition to date – of the Avicenna facilities in Novosibirsk. And we have a number of additional potential projects in the pipeline, which should ensure our continued profitable growth for years to come.

Delivering on our growth strategy

Our core growth strategy remains unchanged. We strive for excellence in the medical care of women and children in Russia and are building our business through organic growth, reinforced by selective and carefully considered acquisitions. With our growing reputation for quality we are expanding the geographic reach of our facilities beyond Moscow, while also selectively adding new services in line with demand from our customers.

At the time of our initial public offering in 2012, we owned a single hospital and eight clinics. By the end of 2014, this had grown to four hospitals and eighteen clinics. We continue to increase capacity utilisation at our new facilities, largely driven by rising utilisation levels at our Lapino hospital, where, for example, the number of deliveries reached 61% capacity by the end of 2014, more than double the level at the beginning of 2013.

I am proud to report that in 2014 we completed the construction of our hospital in Ufa, the first private hospital of this scale in any region in Russia outside of Moscow. Ufa is the capital of the Bashkortostan region with a population of more than four million and a birth rate well above the national average. This greenfield project, financed out of the proceeds from our IPO, is an excellent example of our strategy in action. Ensuring the continued ramp-up at the hospital will be a key strategic priority for us in 2015.

We supplemented our organic growth with the strategic acquisition of Avicenna Medical Centre in Novosibirsk, the third largest city in Russia. Avicenna consists of one hospital and three clinics. Avicenna has been in business since 1996, during which time it has developed an excellent reputation for quality in maternity services. The acquisition will expand our maternity services capacity by approximately 10–15%.

Development of private healthcare in Russia

Private healthcare continues to expand rapidly in Russia. A growing number of people are turning to private health, and we expect this dynamic to continue over the short to medium term, including in our core area – women's and children's health. The market for fee-for-services medical care in Russia has been growing at over 10% per annum and we believe this growth rate will continue.

The Russian government recognises the important role that private healthcare can play in supplementing the state-funded healthcare system, and has created a favourable regulatory environment for the sector to develop.

Future outlook

2015 should be another positive year for us. We will see the benefit of the ramp-up at our hospital in Ufa, as well as the contribution from our newly acquired Avicenna facilities. We also continue to see growth at Lapino, and we will maintain our focus on increasing synergies and operational efficiencies across the Group.

Achieving a consistently high level of quality across all our operations at a time of rapid expansion is a challenge, although this is key to our success. To this end, we will continue to invest in training, education and enhanced management systems in order to uphold the quality of our offering and brand wherever we operate. We will also continue to seek to expand geographically and will be looking for attractive acquisition opportunities that would take us into regions where we are currently not represented.

We publish this report at a time of economic volatility in Russia. Irrespective of such volatility in the short-term, we have a robust business model and operate in a segment where demand for high-quality services should continue to outstrip supply for the foreseeable future. As the clear leaders in our space, we are confident that our business will continue to show strong results over the years to come. That said, we as a Board are clearly keeping a close eye on the macroeconomic situation to ensure that we are well placed to adapt to any changes in the market environment.

The Group now employs more than 5,000 employees and I must pay tribute to their achievements in 2014. The finest facilities and equipment would be of little use without the medical expertise to deliver a premium-quality service to our patients. The sustained efforts of our staff to deliver the highest quality of medical care for women and children have helped to create our position as the undisputed leader in this field.

For a business such as ours, with the quality of people that we have, staff retention is critical. To this end we have a very competitive compensation scheme, and in 2014 we introduced a long-term incentive plan for key staff members. In addition to supporting our retention efforts, this also served to align more closely interests of key personnel within the Group with the interests of our shareholders.

With that, let me say that I am grateful for the continued confidence of our investors who have supported us since our public offering in 2012. Life as a public company has not been without its challenges. But looking forward, we have a very clear idea of how we will continue to develop as a company. We are fully committed to maximising value for all of our shareholders, and to reward them for the confidence they have placed in us.

We are fully committed to maximising value for all of our shareholders, and to reward them for the confidence they have placed in us

Chief Executive Officer's statement

We are very pleased with our performance in 2014. We achieved solid growth in our operational results, with rising capacity utilisation levels driving a further increase in our margins, and we successfully executed on our regional development strategy.

Dr Elena Mladova
Chief Executive Officer

2,083
mln RUB
Our EBITDA
+31 %

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Strong operating performance

2014 saw continued improvement in our operational performance. We achieved strong growth in the numbers of deliveries and IVF procedures, helped by the ongoing ramp-up at Lapino, and also a continued increase in both in-patient and out-patient procedures throughout the Group. Further details can be found in the Operational Review section on page 36–37.

Regional expansion

To date, we remain the only player in the private healthcare sector in Russia to have a clear regional development strategy, and a proven ability to execute on it. This is a key differentiator for us. While we are confident that the market in Moscow will continue to grow and we expect further gains in our market share, the real longer-term growth potential for businesses such as ours is in Russia's regions where the provision of private medical care is still significantly undeveloped.

In August, we announced the acquisition the Avicenna Medical Centre, the largest private healthcare company in Russia outside of Moscow and Saint Petersburg. Avicenna, acquired for 1.8 bn RUB in October, has three clinics and a hospital with a maternity ward. It is situated in the strategically attractive region of Novosibirsk, which has a population of 2.7 million and a birth rate that is higher than the national average. We expect the Avicenna acquisition to add 9% to our total deliveries, 18% to the number of IVF cycles, 15% to the number of in-patient days and 36% to the number of out-patient treatments.

We are also delighted to have completed the construction of our new world-class hospital in Ufa. This 192-bed hospital was a major development project, entailing an investment of 4.3 bn RUB over one and a half years, and it will build on our existing presence in the region. We have had a clinic in Ufa since 2011, which has already established our reputation for quality with the local population. The ramp-up at our new Ufa hospital, which will be spread over several years, will be a significant driver of operational growth in 2015.

In addition, already in early 2015 we have expanded into Ryazan, with the opening of a new out-patient clinic. The clinic is the first medical facility in the region to provide IVF services, further reinforcing our position as the pioneers of IVF in Russia.

Operating growth delivers superior financial performance

Once again our strong operational dynamics have allowed us to deliver excellent revenue growth. Our reported revenue rose to 7,201 mln RUB, representing year-on-year growth of 27%. The main growth driver was the continued ramp-up at Lapino, as well as contributions from the IDK clinics in Samara and consolidation of Avicenna.

Strong revenue growth, combined with strict control of operating expenses has allowed us to deliver a further improvement in our EBITDA margin to 29% against 28% in 2013, resulting in a 2014 EBITDA of 2,083 mln RUB, an increase of 31%.

Capital expenditure in 2014 was 3,134 mln RUB. This included 2,6 bn RUB in respect of the completion of construction of our new hospital in Ufa. Our net debt position at the end of 2014 was 3,230 mln RUB against a net cash position at the end of 2013 of 273 mln RUB. With a year-end net debt to EBITDA ratio of 1.6x we believe that we have ample financial capacity to fund future growth over the short to medium term.

Our greatest asset is our people

Our successful growth is above all a tribute to the quality of our unrivalled medical team. We need to achieve not only optimal medical outcomes but also superior quality of treatment to ensure that our patients enjoy their time with us and recommend our services to others. This culture of excellence can only be delivered by well-trained people.

Our target is to recruit the best physicians and medical personnel in the country and to provide them with the finest facilities and equipment with which to work. Once they join the Group, we invest heavily in training and continuing medical education in order to ensure that best medical practice is promulgated throughout the Group.

2015 and beyond

Two key strategic priorities for us in 2015 will be ensuring the continued ramp-up at our new hospital in Ufa as well as the effective integration of the Avicenna facilities in Novosibirsk.

We will continue to seek additional growth opportunities, as we look to expand further our regional network, both through acquisitions and organic growth.

Although we as a Group have come so far already, we believe the private healthcare market opportunity in Russia is still largely unsatisfied. And we know that we are increasingly well placed to satisfy it.

We will continue to seek additional growth opportunities, as we look to expand further our regional network, both through acquisitions and organic growth

At the forefront of medicine

Delivering best-in-class healthcare services across a growing network

- We aim to deliver unparalleled quality of healthcare to women and children throughout Russia
- This unique niche focus on maternity care and paediatrics has allowed us to develop and maintain a standard of excellence that cannot be matched by competitors offering more general medical care services
- We recruit highly-qualified medical staff who receive additional ongoing training from our team of leading clinicians
- We deliver an unrivalled breadth of clinical services throughout our network of modern and high-quality healthcare facilities equipped with state-of-the-art equipment, including pioneering medical technologies
- We are committed to strategic geographical expansion by building our network beyond Moscow. As examples, in October we completed our first regional self-constructed hospital, in Ufa, while the acquisition of Avicenna Medical Centre takes us into Novosibirsk, Russia's third largest city
- We are leading the way in terms of private medical care in Russia, providing a truly distinct level of patient-centric care

Moscow…

MD Medical Group has two hospitals in Moscow: the 250-bed Perinatal Medical Centre (PMC), opened in 2006 as Moscow's first private maternity centre, and the 182-bed Lapino hospital, opened in 2012. We were able to increase significantly capacity utilisation rates across both hospitals over the past year. In addition, we have five dedicated Mother & Child clinics.

…and the rest of Russia

Our strategy has been to expand our network of hospitals and clinics beyond Moscow, into Russia's largest and fastest growing regions. A notable example of this strategy in action in 2014 was the completion of our first self-constructed regional hospital, in Ufa. This 192-bed hospital was opened in October 2014.

Our 4.3 bn RUB investment will enable us to provide in-patient services in a region, where we know there is strong demand, and where we have already achieved strong brand recognition through our existing out-patient clinic, in operation since 2009.

In addition, in August we announced the acquisition of Avicenna Medical Centre in Novosibirsk, which was completed at the end of October. We paid 1.8 bn RUB to purchase Avicenna, the largest private healthcare company in Russia outside Moscow and St Petersburg with 2014 revenues of 815 mln RUB. Roughly 40% of Avicenna's revenues are currently generated by obstetrics & gynaecology, IVF and paediatrics. Part of the purchase consideration will be retained in escrow against new hospital becoming operational. The cost of construction of the new hospital is being funded by a third party, from whom MD Medical Group will lease the facility.

We continue actively to seek further attractive opportunities for geographical expansion, either with new-build hospitals and clinics or by acquisition where we can find suitable high-quality facilities.

Our focused service offering

Obstetrics and gynaecology

- Pregnancy management
- Delivery services
- Gynaecology

Paediatrics

- Treatment of paediatric diseases
- Immunization shots
- Home visits

Fertility and IVF treatment

- Surgical management of fertility related problems
- Reproductive technologies

Other services

- Laboratory services
- Stem cell storage
- Dental care
- Trauma
- Rehabilitation
- Surgery
- Other services

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State-of-the-art facilities

Today, we operate a growing network, consisting of 23[1] modern high-quality facilities for women's and children's healthcare. We offer both in-patient care hospitals and out-patient care clinics, allowing us to provide the optimal solution for all patients.

We invest in the best available technology as we continue to set the standard for our industry

Denis Holtobin, PhD
Head of Urology Department
Avicenna

[1] As of February 2015

Moscow

In Moscow we currently operate 2 hospitals and 5 out-patient clinics. These high-quality facilities are all equipped with world-class medical equipment from leading international suppliers. We aim to optimise the care of mothers and children in all situations, both planned treatments and in the case of medical emergencies. In 2014 we expanded our Mother & Child Clinic Yugo-Zapad in order to meet growing demand for services at the clinic.

Hospitals

1. Perinatal Medical Centre
   - 250 beds
   - 3,500 deliveries
   - 27,600 sq m
2. Lapino
   - 182 beds
   - 3,000 deliveries
   - 42,000 sq m

Clinics

1. Mother & Child Kuntsevo – 800 sq m
2. Mother & Child Yugo-Zapad – 335 sq m
3. Mother & Child Savelovskaya – 2,048 sq m
4. Mother & Child Sokol – 150 sq m
5. Mother & Child Novogereevo – 410 sq m

Regions

With the recent completion of our hospital in Ufa and the acquisition of Avicenna in Novosibirsk, we currently operate two hospitals and 14 clinics across the regions of Russia outside Moscow. We are now represented in a number of regions where high-quality private care has not previously been available, which represents a significant opportunity for us. We are committed to regional expansion and our long-term target is to be represented in all cities in Russia with a population of 1 million or above and appropriate disposable incomes.

These regional hospitals and clinics are constructed and operated to exactly the same standards as our Moscow facilities, so every patient treated throughout the MD Medical Group can expect to benefit from our renowned quality of care.

Hospitals

1. Ufa
   - 192 beds
   - 3,000 deliveries
   - 33,000 sq m
2. Avicenna
   - 19 beds
   - 540 deliveries
   - 1,800 sq m

Clinics

1. Mother & Child St Petersburg – 700 sq m
2. Mother & Child Perm – 800 sq m
3. Mother & Child Ufa – 800 sq m
4. Mother & Child IDK Samara – 4,093 sq m (5 clinics)
5. Mother & Child Irkutsk – 600 sq m
6. Mother & Child Yaroslavl – 800 sq m
7. Avicenna – 4,200 sq m (3 clinics)
8. Mother & Child Ryazan[2] – 1,400 sq m

[2] Opened in February 2015

Franchises in Kiev, Ukraine

Three clinics in Kiev operate under franchise agreements. These clinics specialise in reproductive technologies, obstetrics and gynaecology. The results of these franchise clinics are not consolidated into the Group's accounts.

Our investment proposition

We are undisputed leaders in the field of women's and children's health.
Below are our key competitive strengths that make us a uniquely attractive investment proposition.

1 Leaders in women's and children's health

- We are Russia's leading provider of full-service private maternity and paediatric healthcare.
- In 2014 we undertook 4,550 deliveries.
- Deliveries at our facilities increased by 19% in 2014.
- We offer a full cycle of maternity-focused medical services including obstetrics and gynaecology, fertility and IVF treatment, paediatrics and other associated medical services such as family medical care, dental care, stem cell storage, laboratory testing and radiology diagnostics.
- We are also the largest provider of assisted reproductive technology in Russia, with 7,654 IVF cycles performed in 2014, a year-on-year increase of 40%.

2 Operating in a highly attractive growth market

- Private healthcare in Russia is at a relatively early stage in its development, with strong untapped demand for services by Russia's growing middle class.
- This population group, already over 30 million (yet only around 20% of the Russian population), has relatively high disposable incomes and recognises the advantages of the private healthcare system in terms of service quality and level of comfort. A key obstacle for them to access such services is often one of limited supply, rather than an inability to pay for them.
- 2014 saw significant cuts to the federal healthcare budget with 2015 expected to see a further decrease in government expenditure.
- At the same time, the Russian government is favourably disposed to private healthcare in order to help relieve the pressures on the federal system. Supportive government policies include tax benefits for qualifying healthcare providers, increased scope of a mandatory health insurance system and direct incentives for users of private healthcare such as income tax deductions.
- Although private healthcare expenditures in Russia have risen sharply since 2000, national healthcare expenditure has still only reached 20% of OECD levels in per capita terms, demonstrating substantial potential for further increases.
- The Russian fee-for-services healthcare market in 2013 was 1.2 trillion RUB, according to BusinesStat. A forecast in 2013 foresaw continued growth at over 10% per annum for at least the next three years.
- Despite these favourable industry prospects, there are significant entry barriers to this market. These include the need for high capital expenditures, limited availability of highly qualified medical personnel and strict licensing requirements and industry regulation. In addition brand recognition and reputation are important in terms of competitive advantage.

3 Expanding network of high-quality healthcare facilities across Russia

- Our growing network of high quality healthcare facilities is expanding into several of the most economically developed regions of Russia, where demand for private healthcare is robust.
- All of our facilities are built and operated to the same high standards. Our well-established reputation for quality not only helps to attract new patients but also promotes long-term loyalty amongst existing patients.
- We are the only private healthcare provider in Russia delivering 'full-cycle' healthcare services for women and children.
- With the opening of our new hospital in Ufa and the recent Avicenna acquisition, we now have four purpose-built, high-quality hospitals across Russia.
- We have a project pipeline that targets the largest Russian regions in terms of gross regional product. Our long-term aim is to have a hospital in every city with a population of one million or greater and appropriate disposable incomes.
- A new out-patient clinic in Ryazan, a new region for us, commenced operations in February 2015.

4 Offering services of unparalleled quality

- Our over-riding ambition is to provide the highest possible quality of care to a continually growing number of patients in Russia. This not only includes clinical outcomes but also the level of treatment and services provided to patients under our care.
- To achieve this, we aim to attract the best and most-qualified medical teams, supported by the latest equipment and technology.
- We provide extensive training and education for our staff.
- At the end of 2014 this consisted of 1,405 FTE physicians and 1,190 other medical professionals who are fully certified. Over 23% of our physicians have advanced qualifications including PhD and post-doctoral degrees.
- We have an outstanding staff retention rate. The average annual turnover rate of our medical professional staff is less than 10%. We attribute this to our policy of providing competitive compensation packages, excellent professional development opportunities and favourable working conditions.
- Most members of our management team are themselves qualified and practising physicians. Our operations benefit from their deep understanding of the business.

5 Delivering strong operational and financial performance

- We have continually demonstrated excellent financial and operational results.
- We have sustained rapid revenue growth in recent years, accompanied by strong cash flow generation.
- We continue to expand our capacity and offering at our existing healthcare facilities, as we look to capitalise on growing demand.
- We have supplemented our organic growth with carefully considered acquisitions offering an attractive return on investment.
- We have an excellent execution track record in terms of M&A. We have been very successful in effectively integrating newly acquired entities into the Group, and ensuring that they confirm with Group standards, while also maximising synergies and efficiencies from new acquisitions.
- Our strong cash flow and low leverage mean that we have ample capacity to fund new growth-enhancing investments, where we are confident that these investments can deliver an attractive rate of return.

The market we operate in

Private healthcare in Russia is at an early stage of its development and there is still substantial potential for further growth.

As clear market leaders, we are well placed to capitalise on the growth opportunity in women's and children's healthcare

Irina Mikhailova
Obstetrician-gynaecologist
Lapino hospital

- We are the leading private healthcare provider in Russia focused on women's health and paediatrics
- This niche focus and our deserved reputation for the quality of our treatment differentiates us from our competitors offering broader medical services
- We offer a wide and growing range of medical services. These include obstetrics and gynaecology, fertility and IVF treatment, paediatrics and other services (family medical services, dental care, stem cell storage, laboratory testing and radiology diagnostics)
- We employ highly-qualified medical personnel supervised by recognised medical experts and using equipment provided by leading international and domestic suppliers
- Our network of modern high-quality healthcare facilities is well-established in the Moscow region and is now expanding across other regions of Russia

Private healthcare system overview

Legal private medicine appeared in Russia in the early nineties with the creation of private branches of government health facilities, which developed very slowly until 2000. The sector for private healthcare in Russia experienced its first sustained growth in the early nineties when separate multi-disciplinary clinics and network projects were created.

That said, private healthcare in Russia is still at an early stage of its development and there is still considerable scope for growth. To date the numbers of private patients remain very low (especially as a percentage of the population) when compared with other countries. Also, prices are still comparatively low.

BusinesStat estimated in 2013 that the value of the private healthcare market would double between 2010 and 2017. At present legal payments to private healthcare providers are currently above 16% of total revenues and this level is forecast to grow.

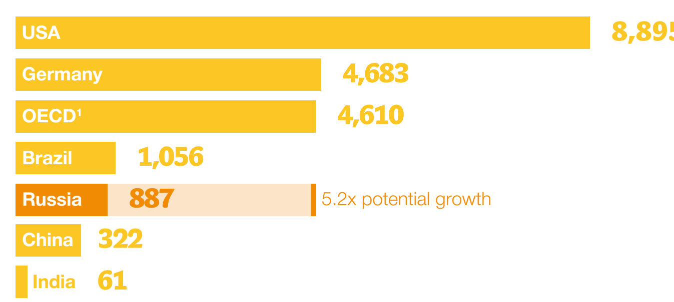
Public healthcare facilities in Russia may provide two types of service:

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

Most Russian citizens are dissatisfied with the provision of healthcare services. In a recent survey the satisfaction level varies across the regions ranging from 52% down to 20%. Even in Moscow only a third of respondents were satisfied with the level of state medical care they receive.

The Russian healthcare environment is characterised by a heavy reliance on the immense but inefficient public healthcare infrastructure. One third of all state medical facilities are in need of major refurbishment and there is a lack of qualified medical personnel. Currently, the healthcare sector modernisation programme is underway, which includes reduction of in-patient beds number. 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. Growing demand for healthcare services, increasing costs of medical technologies and an ageing population are all factors that are expected to contribute to ongoing growth in global healthcare expenditure.

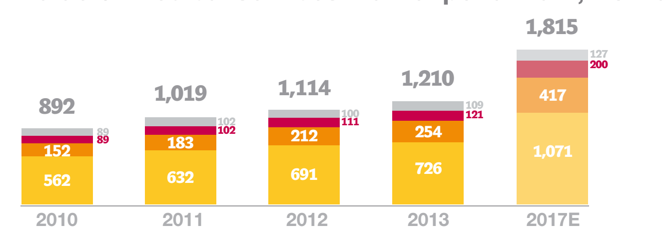
Per capita healthcare expenditures (per annum)[1], USD



[1] Member countries of the Organisation for Economic Co-operation and Development
Based on data and exchange rates as of 2013

Source: World Bank 2013

Value of medical services market per annum, RUB bn



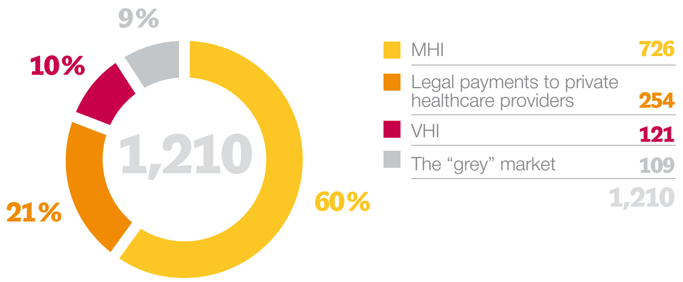
CAGR	2010–2013	2013–2017
MHI	+8.9 %	+10.2 %
Legal payments to private healthcare provider	+18.7 %	+13.2 %
VHI	+10.8 %	+13.4 %
The grey market	+7.0 %	+3.9 %

Source: BusinesStat 2014

Funding sources

There are four principal sources of funding for medical services in Russia.

Sources of funding for medical services in Russia, 2013, RUB bn



Source: BusinesStat 2014

It is anticipated that the share of the Russian population, which has a VHI policy, will increase over time. Currently, the self-pay market accounts for 94% of MD Medical Group's revenue. Voluntary health insurance makes up the remaining 6%.

Government support

The political and regulatory environment for the private healthcare sector in Russia is very favourable. In view of the challenged state of public healthcare infrastructure, widespread social dissatisfaction with the quality of service levels and shrinking budget resources, the Russian government is taking steps to support the development of the private healthcare sector in the country in order to relieve the strain on the public system. Among recent regulatory developments, a number of supportive measures have been introduced:

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

Alexey Zorin
Head of Embryology Department
Avicenna

Private healthcare market drivers

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

- Improving demographic trends (e.g. increase in fertility rates)
- Higher disease incidence increasing demand for medical care
- Growing health awareness among the Russian population and healthier lifestyles
- Stimulation of private healthcare market development by way of supportive regulatory measures such as zero income tax and extention of list of healthcare services that can be provided in private clinics and covered by MHI.
- Specifically, private healthcare will continue emerging as a viable alternative to the troubled public healthcare system, addressing unsatisfied demand for quality healthcare among the Russian population
- Under penetration of quality healthcare in the regions of Russia
- Further expansion of voluntary health insurance
- Inflow of investments from strategic financial investors into the market given its 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).

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)

For this reason, MD Medical Group does not expect any major new players to enter the market in the near-to-medium term.

Numbers of deliveries registered in Moscow ('000)*

Source: Department of Health in Moscow

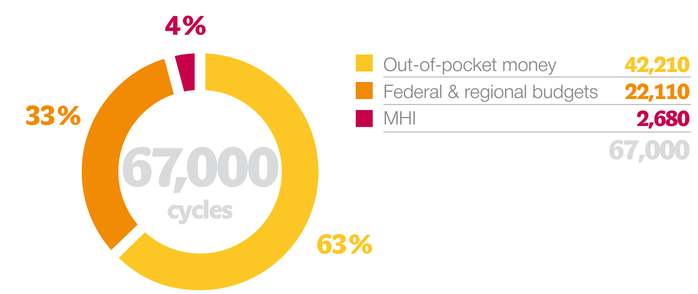
15%

2009–2013 CAGR of IVF cycles in Russia

Case study: IVF services in Russia as 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 2009–2013 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.

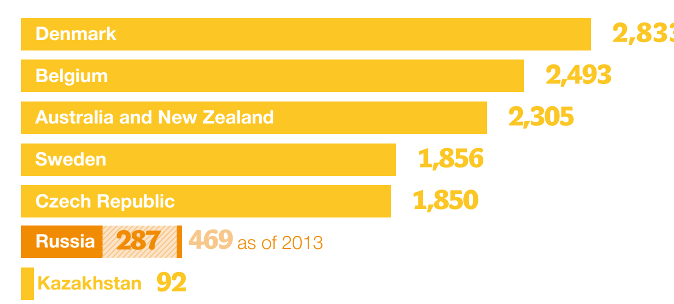
2013 IVF cycles funding structure, %



Source: Company estimates

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 in 2009



Source: Vademecum magazine #10(35), 24–30 March 2014

Our strategy

We have a clear view of our strategy and how to maximise the success of our business. And we continually demonstrate our ability to execute on our strategy.

Expanding our unique business and offering to meet growing demand in Russia's largest and fastest growing regions

Alexey Popko, PhD
Urologist
Perinatal Medical Centre

Our mission

To improve the quality of life for a growing number of people in Russia by offering world-class private healthcare services

Strategic priorities

1 **Provide** the highest quality of care to patients through our full-cycle service offering, while continually raising the bar and setting new quality standards for the industry as a whole

2 **Roll out** our highly successful business model into new geographic regions by growing our business organically and where appropriate, making selective and strategic acquisitions that add accretive value

3 **Focus** initially on care for women and children but over time consider adding other relevant medical specialties to meet demand from our patients

4 **Invest** in best in-class facilities, featuring state-of-the-art equipment, and recruit, train and retain the best medical talent in the market

5 **Deliver** value to our shareholders both in the short-term and over the long-term

More information about our strategy go to page 20

Delivering on our strategy

Provide the highest quality of care to patients through our full-cycle service offering	1 Across our clinics we provide the most up-to-date treatment procedures and medical technology across the "full cycle" of healthcare needs 2 We now provide services including pregnancy management, delivery, IVF, women's and children's health and other associated healthcare services	We will continue to provide the highest quality of care across all of our services and where possible we will invest in the latest technologies to make sure that we retain our leading position in the market
Grow our business organically and where appropriate, make selective and strategic acquisitions	1 The ramp-up of our hospital in Lapino has continued in line with expectations 2 We have now completed and opened our new Ufa hospital 3 We acquired the Avicenna Medical Centre in Novosibirsk, taking us into a strategically attractive new region	We opened our first clinic in Ryazan in February 2015 We continue to evaluate opportunities to grow our presence organically and through acquisitions having identified the regions of Samara, Nizhny Novgorod and Yekaterinburg as priorities
Broaden the range of medical services offered where appropriate	1 The Avicenna acquisition has brought in additional services such as neurosurgery, cardiosurgery, cancerology, eye microsurgery, oral and maxillofacial surgery and percutaneous surgery 2 Our initial niche focus has been on high quality care for women and children	We will consider adding other medical specialisations but only where we can deliver superior quality that can differentiate us from competitors providing a more general service
Invest in our facilities, equipment and people	1 We have developed our facilities across all regions making sure we retain our leading position in the market 2 We launched a long-term incentive plan for key personnel within the Group to align more closely their interests with shareholders	We will continue to attract the highest calibre professionals in our industry to support our growth, offering competitive compensation packages as well as significant training and career development opportunities
Deliver value to shareholders	1 Our 2012 IPO proceeds have been invested in our facilities and expanding our geographic footprint 2 The largest capital investment project was our new hospital in Ufa 3 We have also acquired the Avicenna Medical Centre in 2014 4 Our financial results demonstrate the success of our growth strategy and our commitment to deliver on our commitments to our shareholders	We will continue to develop our network and expand in to new regions whilst realising further value from the projects that we have already invested in The long-term incentive plan introduced in 2014 will help to ensure that management remains focused on maximising shareholder returns

Expanding our network in the regions

Our success is based on our niche focus on healthcare for women and children healthcare and delivery of the highest quality healthcare, not only in Moscow but also across the regions of Russia. These regions are currently under-serviced by private medical care providers and we believe that a combination of faster economic growth and rising penetration of private medical care presents us with greater growth potential than in the more developed regions of Moscow and St Petersburg. Our ambition to expand into more regions across the country involves both organic growth and selective strategic acquisitions. We expect this approach to deliver strong growth and create long-term shareholder value.

2014 has been characterised by a substantial improvement in capacity utilisation at our second hospital in the Moscow region at Lapino, which was brought into operations at the end of 2012. With our two hospitals in Moscow and the Moscow region, we can now provide an unrivalled offering across the spectrum of healthcare services for women and children in the Russian capital. The successful ramp-up at Lapino also demonstrates our ability to deliver operational efficiency gains at new projects and this will be key to execution of our regional expansion programme.

2014 also saw an important milestone, the completion of construction of our new hospital in Ufa, which became operational at the end of the year. This 192-bed hospital will provide a treatment service for women and children and capitalises on the demand created by our existing out-patient clinic in Ufa, which has been running successfully since 2009.

Our second regional development achievement in 2014 was the acquisition of the Avicenna Medical Centre in Novosibirsk. This acquisition met three separate strategic objectives:

- it expands the Group's capacity by between 9% and 36% across different services
- it takes us into the Novosibirsk region where the birth-rate is significantly higher than in the Moscow region
- it expands the range of medical services offered by the Group

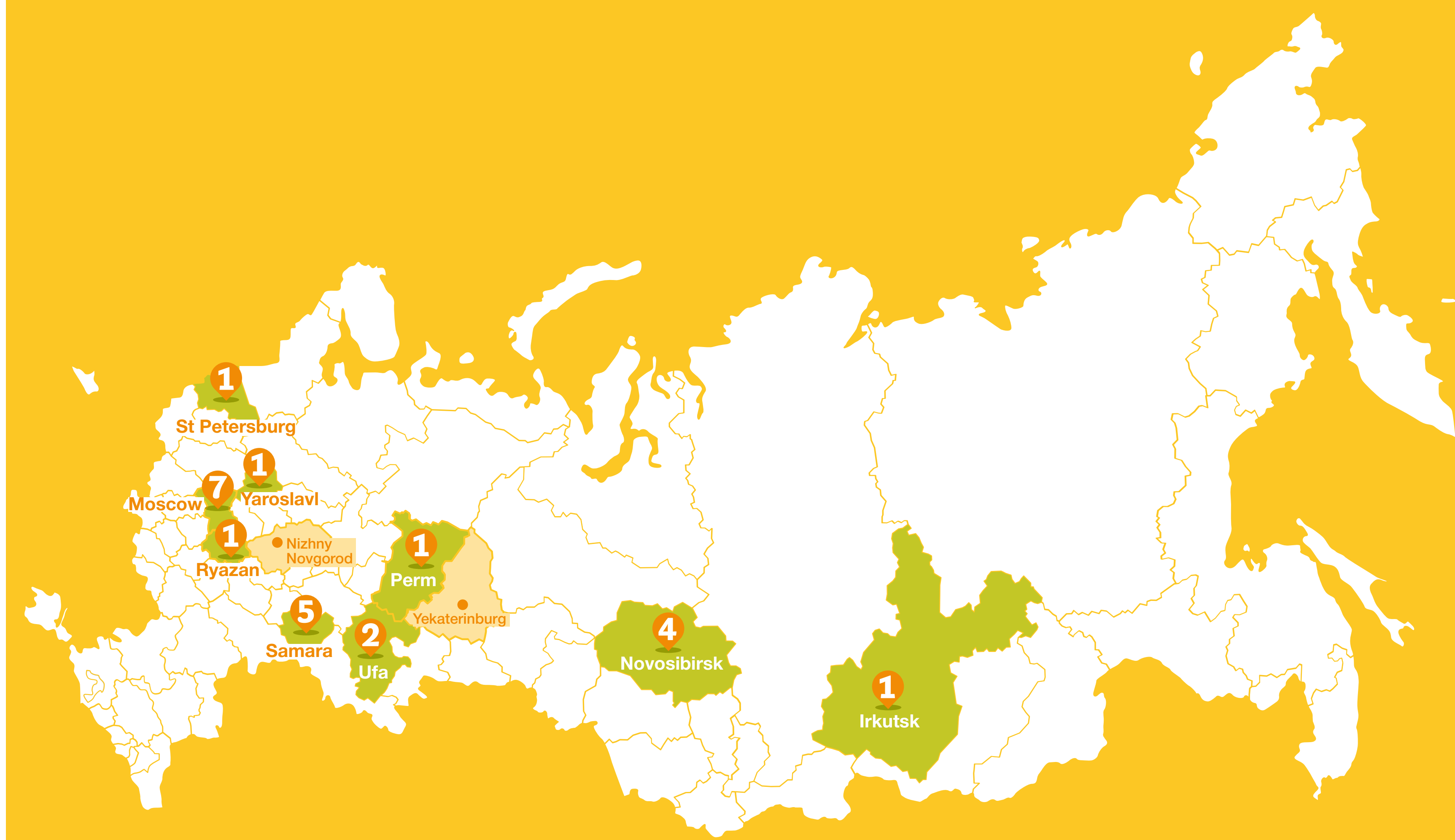
Our expansion programme is targeting the 10 largest regions in Russia. We aim for cities with a minimum population of one million, a relatively high birth-rate and economic prospects that are likely to favour the creation of demand for private healthcare. We are currently evaluating hospital construction projects in Samara, Nizhny Novgorod and Yekaterinburg.

As our network expands we need to optimise performance across the Group. We have been very pleased with the successful ramp-up of our Lapino hospital. It is just this type of operational efficiency gain that will be key to delivery of cost savings from our expanding network that have a positive effect on margins and bottom line growth.

Our success is based on our niche focus on healthcare for women and children and delivery of the highest quality healthcare, not only in Moscow but also across the regions of Russia

See
our corporate website
for more information
about the clinics
http://www.mcclinics.com/

More information about new clinics
go to page 26
go to page 32



23 Owned hospitals/clinics in Russia[1]

19 clinics already present in 10 regions

3 hospitals in the medium term expected to open (Nizhny Novgorod, Samara, Yekaterinburg)

[1] As of March 2015

Lapino hospital

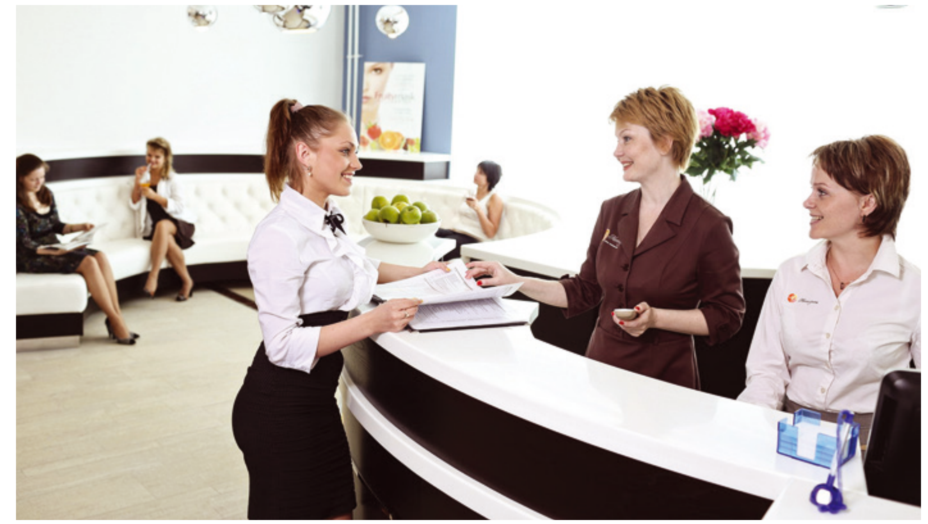
Our Lapino hospital in Moscow is a modern medical centre where patients are treated in the most comfortable and friendly environment; where births can take place in the best conditions; and where doctors can work with the most sophisticated equipment. Opened at the end of 2012, the potential annual capacity of the 182-bed hospital is 414,000 out-patient treatments and 3,000 deliveries.

Our largest hospital continues its successful ramp-up in the largest city of Russia

5.2 bn RUB

MD Medical Group's investment into Lapino Hospital

More information about extensive range of services go to page 38



State-of-the-art facilities

MD Medical Group has invested 5.2 bn RUB into the Lapino hospital, representing the largest privately-backed investment in healthcare ever to be made in Russia. The hospital site area totals 42,000 square metres. The range of services offered includes obstetrics and gynaecology, IVF (added in 2014), paediatrics, diagnostics, surgery, trauma and rehabilitation.

A different in-patient experience

The new state-of-the-art medical centre, which opened in late 2012, is located in an affluent Moscow suburban area and is designed to provide a different patient experience from conventional hospitals. The hospital houses pristine wards and recovery suits, exercise gyms including a dedicated pregnancy unit, a sauna built from a special kind of sweet-smelling Siberian timber, a salt cave for people with breathing problems, and a swimming pool. There are art exhibitions in the corridors and a discreet VIP wing which can be completely screened off from the rest of the hospital. Visitors can stock up on essential gifts with the latest baby fashions on sale at the on-site boutique located next to reception.

Annual capacity of the Lapino hospital:

182
Beds

950
FTE[1]

3,000
Deliveries

1,000 cycles
IVF

414,000
Out-patient treatments

19,295
In-patient days

[1] FTE – actual full-time equivalent as of December 2014

Ufa hospital

MD Medical Group expanded further its geographic footprint with the opening of its hospital in Ufa.

Bashkortostan is among the leading Russian regions in terms of economic growth

Why did we choose Ufa?

In October we completed a new state-of-the-art, purpose-built hospital in the Bashkortostan capital of Ufa. The 33,000 square metres facility is the Group's third purpose-built hospital in Russia and the first outside Moscow and is another example of our regional expansion strategy in action.

The Bashkortostan region is among the leading Russian regions in terms of economic growth and has a population of 4.1 million of which around 1.1 million live in the capital, Ufa. With around 60,000 births every year, the regional birth-rate is 14.9 per 1,000 population, well above the Russian average of 13.3 and much higher than that in Moscow (11.4).

4.3 bn RUB

MD Medical Group's investment into the Ufa hospital

More information about extensive range of services go to page 38

The new "Mother & Child Ufa" hospital

The project commenced in June 2012 when the Group obtained the rights for the site. Construction of the hospital began in March 2013 and the hospital had its official opening in October 2014. The project has been completed on time and involved an investment of 4.3 bn RUB. The 192-bed hospital will eventually employ around 800 staff and is designed to provide 240,000 out-patient treatments and to handle up to 3,000 deliveries and 1,100 IVF cycles per year. Like the Group's other hospitals, Ufa has been designed to offer luxurious and pristine facilities that will enhance the patient experience. The dedicated management team includes members with experience of the Lapino ramp-up. The "Mother & Child Ufa" hospital offers the following services: deliveries, IVF, gynaecology and obstetrics (both in-patient and out-patient), paediatrics (both in-patient and out-patient) and neonatology. In addition the hospital will offer surgery, urology, plastic surgery and diagnostic services and includes a stem cell bank.

Builds on the success of our out-patient clinic

MD Medical Group has also operated an out-patient clinic in Ufa since 2009. This specialist out-patient clinic provides a range of women's health services including care into gynaecology, obstetrics and fertility treatments. This clinic has helped to create demand for the services that are being provided by the new hospital in Ufa although the Group is also undertaking a local marketing campaign to coincide with the opening now that the legal restrictions on medical marketing have been lifted.

Annual capacity of the Ufa hospital:

192
Beds

400
FTE[1]

3,000
Deliveries

1,100 cycles
IVF

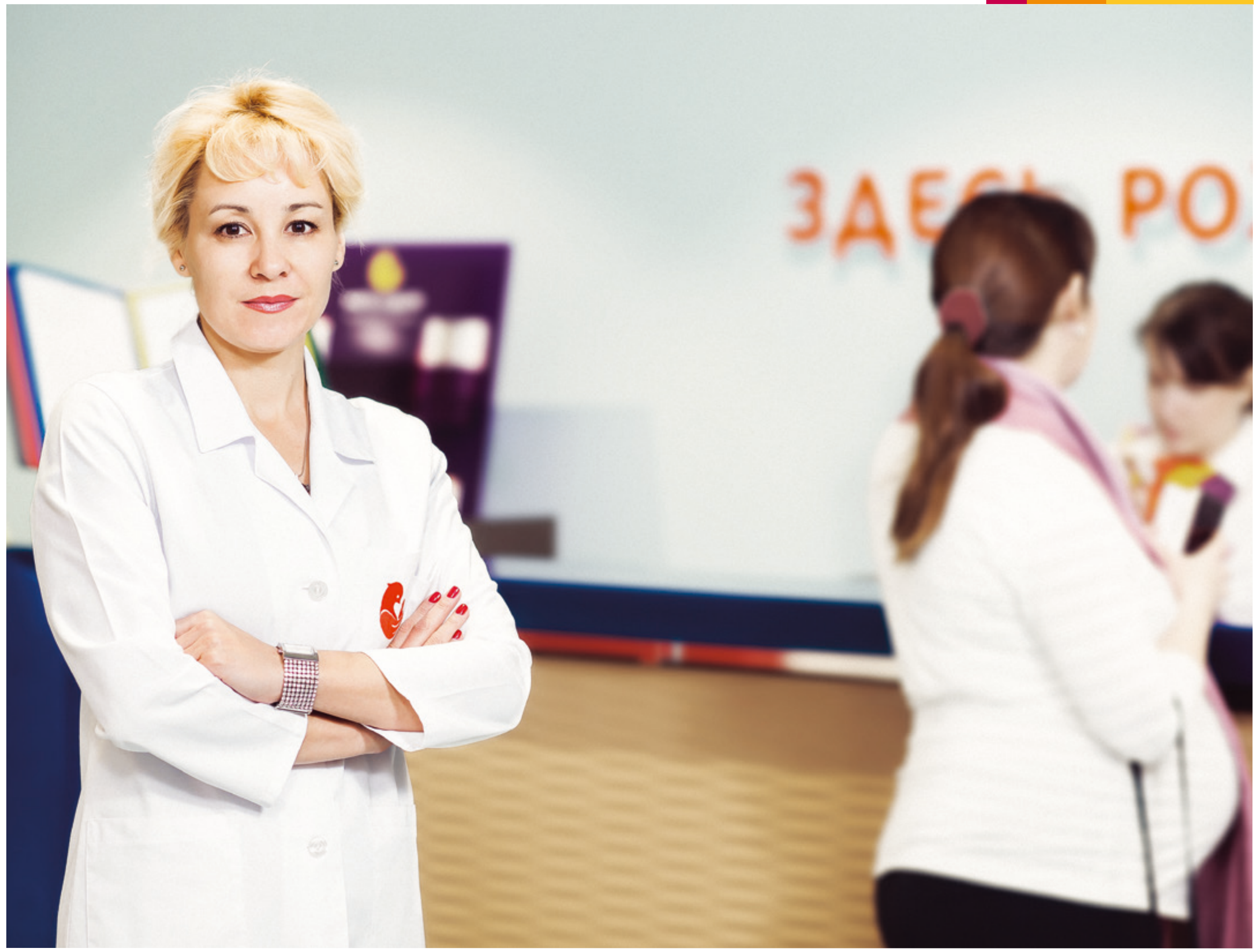
240,000
Out-patient treatments

31,000
In-patient days

[1] FTE – actual full-time equivalent as of December 2014

Alsu Nazyrova, PhD

CEO of Mother & Child Ufa



Experience

2014 – Present – CEO of Mother & Child Ufa Hospital
2009–2014 – CEO of Mother & Child Ufa Clinic
2009 – Specialist in promotion of hospital medical products for women's health at Schering Plough
2003–2009 – Senior professor of Social Medicine Department at Bashkir State Medical University
2000–2003 – Professor of Social Medicine Department at Bashkir State Medical University

Education

1998–2000 – Completed Post-graduate studies in Social Hygiene and Healthcare Management
1996–1998 – Internship doctor at Children Diseases Department No 1 and 2 at Bashkir State Medical University
1990–1996 – Graduated from Bashkir State Medical University, specialty training in Paediatrics

Membership in professional societies

Member of Russian and European Society of Human Reproduction and Embryology

Interview

I have been leading MD Medical Group's projects in Ufa since we entered the local market with an out-patient clinic.

Since then the clinic has produced good operational and financial results. In particular, the IVF department has reached a high level of efficiency in pregnancy rates. We have created a respected team of professional doctors. **We have developed a significant niche in the market** and have seen growing demand from patients who appreciate our track record. The range of services offered has also expanded and now spans reproductive health, maternity care, gynaecology, surgery, etc.

We believe that the Bashkortostan Republic is an attractive region. In 2006, the Republic became the first region in Russia's recent history to see a natural decline in the population return to growth, with more births than deaths. Currently the region still has a birth rate that is significantly higher than that in the rest of Russia.
Our clinic and the new hospital are both strategically located in the capital, Ufa, with a population of around 1.1 million people, and only 120 km away is the city of Sterlitamak with more than 550 thousand people there. As a result, we believe that the opportunity for high-quality maternity care in the region is quite promising.

Before we became established in Bashkortostan, there were no private in-patient healthcare facilities in the area, no private maternity wards and insufficient obstetric beds. Considering these factors, we decided **to become the first in the region to open a private hospital with full cycle facilities**. In 2011 we commenced the design and creation of the new multi-disciplinary in-patient facility. We started preparation works in 2012 and in March 2013 we began construction. The hospital opened its doors on 31 October 2014, ahead of our original design target of January 2015.

The previous experience of MD Medical Group was helpful during the launch of the new hospital in Ufa. My colleagues who had participated in the creation of the PMC and Lapino hospitals in Moscow provided their recommendations on the most efficient implementation of the first regional project of such scale. And now, following the end of the construction process in Ufa, we in turn are ready to share our experience that will facilitate construction of similar facilities in the future. Another important factor in the success of this project has been the ongoing support of local and republican authorities, which acknowledge the importance of the launch of this hospital, the first completely new high-level facility in the region.

The out-patient clinic that has been established in Ufa over the last five years has certainly helped in the development of this new project. **We have managed to create a positive image in the eyes of both patients and physicians**. We pay particular attention to recruitment and there has been a gratifying level of interest from doctors who recognise the high medical standards adopted across the Group and wish to become a part of it. In forming the team to work at the new hospital in Ufa, we carried out a rigorous selection process, after which all the doctors who were chosen visited our facilities in Moscow where they passed their internship. This allowed them to become familiar with high standards of the Group as well as to improve their medical skills. As a result, we have managed to build a great team of doctors and provide them with favourable working conditions. And our doctors have already proved themselves to the patients.

The new hospital has a convenient location right in the geographical centre of the city, providing ease of access that is appreciated by our clients. And of course they also appreciate the range of high-quality services we offer, some of which are unique to the region.

Obstetrics and gynaecology, as well as paediatrics, is the area where MD Medical Group has successfully gained its track record in Ufa and other cities. Our patients acknowledge that MDMG's experience in OBGYN is unparalleled. At the same time, the new hospital is a multi-disciplinary facility that offers a wide range of medical services: we aim to gradually develop other non-maternity services as well, with surgery as a priority. In particular, we plan to gain success in foetal surgery and thus further increase our reputation among the medical experts, and become a standard-bearer for excellence in the Republic's healthcare sector.

I am proud to have been involved in this project. **The uniqueness of our hospital is appreciated by both the medical community and patients**. We were the first to open a multi-disciplinary in-patient facility in the region and this market leadership will be a valuable factor in the future success of our business.
I believe that regional expansion is the right strategy for the Group's growth. I am confident that the experience gained during the implementation of the Ufa project will help the Group to open more superior facilities in other regions that will enable people to gain access to medical services of a completely new level.

Boris Konoplev

Chief Doctor of Mother & Child Ufa

Biography

2014 – Present – Chief Doctor of Mother and Child Ufa Hospital
2012–2014 – Head of Physiologic Department No 1 at Lapino Hospital
2010–2012 – Obstetric gynaecologist of Maternity Department at Perinatal Medical Centre
2008–2010 – Worked at Centre of Family Planning and Reproduction, City Clinical Hospital No 31
2006–2008 – Preposter of student's scientific group at OBGYN Department of Paediatrics faculty of Russian State Medical University

Education

2010 – Specialty training in Obstetrics and Gynaecology at OBGYN Department of Paediatrics faculty of Russian State Medical University
2008 – Graduated from Russian State Medical University in Paediatrics with honours
2006 – Internship at the Charité Clinic in Berlin

Professional skills

- Individual maternity and labour care
- All types of obstetric surgeries

Interview

My main specialisation is Obstetrics and Gynaecology, which I have practiced in all of the hospitals launched by MD Medical Group. In 2010, I joined PMC and then in 2012 I moved to the new hospital in Lapino where I became chief of Obstetric Physiologic Department No 1. In 2014, I was appointed as Chief Doctor of the new multi-disciplinary in-patient facility in Ufa.

Bashkortostan is an attractive region in terms of the core specialisation of MD Medical Group – OBGYN and paediatrics. The birth rate in the Republic (14.6 per thousand) is above the average indicator in Russia (13.3) and that in Moscow (11.3) and amongst the highest in Russia. Families with several children are quite common here, which can be attributed to the relatively high living standards across the region.

The multi-disciplinary in-patient facility in Ufa is the first regional hospital of its scale in Russia. We are the regional leader in private healthcare and are visited by patients not only from Bashkortostan, but also from the surrounding regions. This is helped by the uniqueness of our services. For example, our stem and mesenchymal cell bank was not only the first one in Bashkortostan, but also in the Urals region in general. We accept cells for storage from clients living in nearby regions, such as Yekaterinburg, Chelyabinsk and Novosibirsk, where there are no similar facilities. We were also the first provider to open a private maternity ward in Bashkortostan.

One of MDMG's innovations in Russia is the provision of the magnetic resonance imaging procedure for pregnant women. With the opening of the hospital in Ufa it has become available for the first time to local citizens; previously there was a lack of appropriate equipment and purposely-qualified personnel. Another innovative technology we have brought to the region is the system of total therapeutic neonatal hypothermia, which allows the protection of brain cells from hypoxia and is an excellent preventive measure for severe neurological disorders. We are the only hospital in the region to have such equipment.

Logistics plays an important role in the hospital's design criteria and allows us to save valuable time. For example, the route from maternity department to operating room has been minimised. Also, the magnetic resonance imaging unit is situated in a strategic location in terms of availability: in between two out-patient services for children and adults, which also allows us to conduct tests for in-patient clients.

As Chief Doctor I believe that I have three key tasks.

1 **The first** of these is to build the right team. All doctors employed in our hospital have completed internships in MD Medical Group's Moscow facilities. Our aim was to create a team of opinion leaders in relevant specialisations who were also well recognised among patients. It was not easy to achieve this, but I believe we have managed to put together a professional and efficient team. Our aim is to continue improving and expanding it as we offer new services in the hospital.

2 **My second** key task, which cannot be solved without a proper team in place, is the implementation of the high medical standards of the MD Medical Group in the regions. We maintain close cooperation with other facilities of the Group. We are visited by specialists from our Moscow clinics who provide expertise and share their experience in areas such as OBGYN, infant intensive care, anaesthesiology and surgery. We hold weekly conference calls with doctors from other facilities, as well as with Dr Mark Kurtser, where we discuss complicated cases. Furthermore, there is an OR1 system in the Ufa hospital. OR1 is an advanced technology which allows us to broadcast images during surgery and receive relevant consultations from our colleagues at Lapino. This is the first system of its kind to be installed in an OBGYN department in Bashkortostan, and the first one in the Republic to maintain real-time communication with a Moscow facility.

In Ufa, our aim is to maintain the structure of our services with OBGYN and paediatrics playing a core role. At the same time, we see that certain new services, e.g. plastic surgery, are popular among the local population.

We are not only planning to offer high-quality medical services to patients in the region, but are also aiming to become leaders in the treatment of complicated conditions, including patients with complicated extragenital pathology, such as placenta in-growth. We believe that our expertise and innovations will contribute to the successful development of the regional healthcare system.

3 **This leads me to my third** and final key task as Chief Doctor – to prove in practice that we are able to deliver high quality medical services in the regions while maintaining an individual approach to every patient.

Avicenna

In 2014, MDMG's network of high-quality healthcare facilities was further strengthened with the addition of Avicenna Medical Centre – the largest private healthcare company in Russia outside of Moscow and St Petersburg.

Novosibirsk is the third largest city in the Russian Federation

Dmitry Mikheev
Radiologist

Natalia Golubovskaya, PhD
Head of Radiological Services

Our acquisition of Avicenna takes us into a new region

MDMG has recently acquired the Avicenna Medical Centre located in Novosibirsk, a Russian region where the Group was previously not represented. The Avicenna Medical Centre, acquired for 1.8 bn RUB, comprises three multi-disciplinary medical and diagnostic clinics with its own laboratory and a hospital with a maternity ward.

Elena Mladova,
Chief Executive Officer of MD Medical Group:

"The Avicenna acquisition enables MD Medical not only to strengthen its regional offering of private healthcare for women and children but also diversify our capabilities and offer new medical services led by highly-experienced practitioners."

1.8 bn RUB

MD Medical Group's investment into Avicenna Medical Centre

More information about extensive range of services go to page 38

Why Novosibirsk?

Novosibirsk is the third largest city in the Russian Federation, and is the administrative centre of the Novosibirsk region. With a total population of 2.7 million (more than 1.5 million of whom live in the city of Novosibirsk), the region has approximately 38,500 deliveries per annum. The corresponding birth rate of 14.1 per thousand people is higher than the Russian average of 13.3.

The Avicenna network

Avicenna opened its first clinic in 1996 and has built a market-leading reputation in the region for the provision of the highest quality medical care. In 2007, Avicenna was certified and currently holds a valid certificate of quality system ISO 9001:2008. Currently, Avicenna's network includes a hospital with a maternity ward, a multi-disciplinary medical clinic with its own laboratory, diagnostic centre and cardiologic clinic. Avicenna's facilities in the centre of the city of Novosibirsk are staffed by a highly-qualified and respected team of doctors that use unique modern equipment to offer a broad range of in- and out-patient services including deliveries, IVF, obstetrics and gynaecology and paediatrics. The senior management team of Avicenna is joining the Group to assist with the integration of the clinics and hospital.

Avicenna also provides a number of non-maternity services: these include cardiology, neurosurgery, plastic surgery, urology, traumatology and orthopaedics.

Avicenna will significantly expand our capacity

The acquisition will effectively increase MD Medical Group's capacity for deliveries by 9%, IVF cycles by 18%, in-patient days by 15% and out-patient treatments by 36%.

Based on 2014 financial data, on a pro forma basis the acquisition of Avicenna would have increased the Group's revenues by 12%. We expect to be able to leverage our expertise and brand recognition to grow all of these key operating metrics.

The terms of the acquisition

The acquisition was for a total cash consideration of 1.8 bn RUB. 5 per cent of the amount payable will be held in escrow until a new hospital, currently under construction, is considered operational and adjoined to Avicenna's existing facility.

Annual capacity of the Avicenna group:

19
Beds

611
FTE[1]

540
Deliveries

1,800 cycles
IVF

461,450
Out-patient treatments

3,650
In-patient days

[1] FTE – full- time equivalent as of December 2014

Alexandr Elovsky

Chief Doctor of Avicenna Medical Centre

Biography

2014 – Present – Chief Doctor of Avicenna Medical Centre
2008–2014 – Chief Doctor of multi-disciplinary in-patient facility at Avicenna Medical Centre
2008 – Head of Anaesthesiology and Intensive Care Department at Avicenna Medical Centre
2006–2008 – Anaesthesiologist and intensivist of Anaesthesiology and Intensive Care Department at Avicenna Medical Centre
2001–2006 – Anaesthesiologist and intensivist of Neurosurgery Centre at Road Clinical Hospital of Novosibirsk
1999–2001 – Anaesthesiologist and intensivist of Anaesthesiology and Intensive Care Department at City Clinical Hospital

Education

1998 – Graduated from Novosibirsk Medical Institute

Professional skills

- Anaesthesiology and intensive care
- Healthcare management
- Transfusiology

Qualifications and degree

Anaesthesiologist and intensivist, highest category board certified, head of anaesthesiology and intensive care department

Interview

I joined Avicenna as an anaesthesiologist and intensivist in October 2006, when it was already a modern healthcare organization in Novosibirsk with significant potential in obstetrics and gynaecology. A year before that, a multi-disciplinary in-patient unit had opened where there has been an active development of surgery. Working at a high level clinic in advanced development was my dream.

Avicenna has quickly gained a wide recognition from the medical community as a facility providing high-quality services in obstetrics. **The clinic opened the first private maternity yard in Siberia**. Also, the company carried out the first IVF in the Novosibirsk region in 2001. The child, who was born as a result of a successful technology use, is now 13 years old and we have wonderful relationship with him and his family. Since then we have maintained our leading position in the field of assisted reproductive technologies in Siberia.

Our facilities offer a wide range of services, with obstetrics and gynaecology still at the core, supplemented by surgery. Also, our diagnostic and consultative out-patient capabilities are represented by nearly all specialised therapeutic areas and are available daily. This allows our patients to visit all specialists they need, attend all diagnostic procedures and checks, as well as carry out all laboratory tests based on our united platform in one single day, which significantly saves time and relieves patients from the need to travel between different facilities. These factors are crucial for all patients, and in particular the patients with severe conditions or oncology-related problems. We have many reasons to be proud of our surgery practice. We deliver state-of-art high-technology services, which are often unique, in such fields as cardiological surgery, urology, traumatology and orthopaedics, oncology, plastic surgery, neurological surgery, neurological orthopaedics, gynaecological surgery, otolaryngological surgery and paediatric surgery. It is worth noting that we are the only private healthcare facility in Novosibirsk which includes a full scale intensive care department.

Our patients are not only residents of Novosibirsk, but also people from other cities and regions across Russia, other CIS countries, as well as Israel, the EU, China and Korea.

One of our milestones in 2014 was the launch of the cardiological surgery centre. We have since been performing open heart surgery routinely using our unique specialised equipment. The equipment includes a cardiopulmonary bypass, a heat-exchange unit, artificial kidney apparatus and a counterpulsation unit. In 2014, we carried out more than 6,000 different surgeries. At the end of 2014, our multi-disciplinary in-patient unit commissioned a new 160-slice CT scanner Toshiba Aquillion One, which allows us to determine coronary pathology with a non-invasive method. Before that, a patient was a required stay at a hospital for several days in order to conduct such research. In the coming weeks we plan to commission a 1.5T high field MRI unit Toshiba Titan Octave, which will allow us to conduct diagnostic research for pregnant patients, and also gives us wide possibilities in oncology diagnostics and neurology. In total, we operate two MRI units and two CT units, which is in the Novosibirsk region.

We believe that our experience in surgery may be helpful across the other facilities of MDMG in the same way as MDMG's unique experience and highest medical standards in obstetrics, gynaecology, assisted reproductive technologies, are already being used. Our well-equipped laboratory service is actively communicating with our colleagues from the MDMG facilities in Moscow, in particular in the field of genetic research. We plan to begin determining the genetic pathology of a foetus based on blood. This service is in high demand however, to date, it has not been offered in the Novosibirsk region.

Novosibirsk has been a long-established scientific centre in the medical field: there is a Siberian branch of the Russian Academy of Sciences as well as a number of research, development, and clinical institutes of various profiles in fundamental medicine. We also actively participate in scientific activities. **Avicenna is the leader in obstetrics and in particular assisted reproductive technologies**. Annually we host a large conference attended by leading specialists from Russia and other countries. Also, in 2014 we held around 20 conferences and seminars for doctors from Novosibirsk and other cities, which also included master classes in such fields as urology, traumatology, ophthalmology, etc. Our doctors also attend various healthcare conferences in Russia and abroad. Avicenna is a training base for three medical departments of local higher education institutions.

I believe that my key task as the Chief Doctor is to ensure that every patient gets comprehensive and high quality treatment. Also, I have a lot of respect for our unique team, which has been formed over a number of years, and I try to maintain a comfortable working environment. When a patient sees a doctor in a positive mood it helps to make the patient feel a little better as well. I aim to spend my free time with family: I am father of three children. Also, I enjoy fishing and travelling.

Operational Review

We achieved solid growth across all of our operational indicators in 2014. This growth was largely due to the continued ramp-up of Lapino, but supplemented further by the consolidation of Avicenna and the first results of the Ufa hospital in the fourth quarter.

Strong operational growth supported by successful regional expansion


Baby born in Avicenna Medical Centre

Deliveries

Deliveries increased by 19% to 4,550 from 3,816 in 2013, mainly as a result of the continuing ramp-up at Lapino, supported by the results of the Avicenna Medical Centre, which we acquired, as well as by our new hospital in Ufa, which we opened in the fourth quarter. The strong growth in deliveries at our hospitals was achieved at a time when the birth rate in Moscow for the full year increased only 0.5%.

In 2015, we expect to continue to benefit from our new hospital in Ufa and the Avicenna facilities in Novosibirsk, with birth rates in both regions well above the national average.

4,550

+19 %

IVF cycles

IVF cycles grew by 40% and the number of treatments reached 7,654 compared to 5,477 in 2013, further strengthening MDMG leading position on the IVF market in Russia. This growth was due generally to the strong performance of all of the Group's clinics and IVF departments, as well as the positive effect from the consolidation of Avicenna – Novosibirsk's undisputed leader in this segment. In February 2015, we opened a new clinic in Ryazan, which is the first clinic in the region to provide IVF services.

7,654 cycles

+40 %

Number of in-patient days

In-patient admissions grew by 24% to 35,900 treatments, mostly due to the continued ramp-up at Lapino and recent consolidation of Avicenna. In 2015, we expect to further benefit from the results of our newly-opened hospital in Ufa and the consolidation of the Avicenna facilities in Novosibirsk.

35,900

+24 %

Number of out-patient admissions

Out-patient treatments increased by 30% to 818,636. This growth was achieved due to the strong performance of Lapino hospital and other existing clinics in Moscow and throughout the regions, as well as the consolidation of Avicenna in Novosibirsk and the first results of our new hospital in Ufa.

818,636

+30 %

In 2015 we will benefit further from the opening of our new hospital in Ufa and the consolidation of the Avicenna clinics and hospital in Novosibirsk

Our network

We offer an extensive range of services at our state-of-the-art hospitals in Moscow, Ufa and Novosibirsk as well as in our 19 out-patient clinics across 10 regions of Russia

Services	Perinatal Medical Centre	Lapino Hospital	Ufa Hospital	Avicenna	Out-patient clinics[1]
OBGYN in-patient	√	√	√	√	
OBGYN out-patient	√	√	√	√	√
IVF Centre	√	√	√	√	√
Paediatric in-patient	√	√	√		
Paediatric out-patient	√	√	√	√	√
Clinical and Diagnostic Centre	√	√	√	√	√
Physiotherapy Department	√	√	√	√	√
Centre of Medical Genetics	√	√	√	√	√
Therapeutic Hospital for Adults		√		√	
ENT Centre	√	√	√	√	√
Urology	√	√	√	√	√
Trauma and Orthopaedics Department		√		√	
Rehabilitation Centre		√			
Stomatology				√	√
Stem Cell Bank	√	√	√	√	
Ambulance and Care at Home	√	√	√	√	√

[1] This service may not be provided in all out-patient clinics network

Surgery Centre	Perinatal Medical Centre	Lapino Hospital	Ufa Hospital	Avicenna	Out-patient clinics[1]
General Surgery	√[2]	√	√	√	
Cardiovascular Surgery		√		√	
ENT Surgery	√	√	√	√	
Operative Urology		√		√	
Operative Gynaecology	√	√	√	√	√
Paediatric Surgery	√	√			
Bariatric Surgery				√	
Eye Microsurgery				√	
Oncology				√	
Neurosurgery				√	
Plastic Surgery			√	√	√

[2] Opened since February 2015

Financial Review

We had another excellent year in 2014 posting strong financials while significantly expanding our network and delivering on the regional growth strategy that we presented to investors at the time of our IPO.

The financial results of our strategy in action

Revenue

Revenue increased by 27% to 7,201 mln RUB (2H'14 increased 16% to 3,871 mln RUB vs. 1H'14) on the back of:

- Continued ramp-up at Lapino
- First revenues from our new hospital in Ufa which opened for business in the last months of 2014
- Initial contribution from our newly acquired Avicenna Medical Centre
- Improving performance of our existing clinics

7,201 mln RUB

+27 %

EBITDA

EBITDA for the year amounted to 2,083 mln RUB. Group EBITDA increased by 31% year-on-year owing to:

- Continued ramp-up of Lapino hospital
- Initial EBITDA contribution from the Avicenna Medical Centre
- Improved performance of other Moscow and regional clinics
- As we expected we have been able to restrain the growth in management company costs despite the ongoing expansion of our network

2,083 mln RUB

+31 %

EBITDA margin

EBITDA margin for the year was 29% (up from 28% in 2013), driven by the continued ramp-up at Lapino

29 % margin

CAPEX

- Completion of Ufa hospital
- Acquisition of Avicenna
- Maintenance
- Other projects

3,134 mln RUB

Debt

Debt increased to 4,121 mln RUB mostly because of the Avicenna acquisition which was 80% debt-funded. The acquisition was completed in October 2014

4,121 mln RUB

Net debt/(cash)

Company is well-positioned in terms of balance sheet with Net Debt/EBITDA ratio equal 1.6x

3,230 mln RUB

Corporate Social Responsibility

We recognise that there is always potential for us to continue to enhance and strengthen our CSR and sustainability policies. CSR is a frequent agenda item at management and board meetings as we consider ways that we can make a more positive contribution to our people, to the communities in which we operate, and to our profession as a whole.

We can make a more positive contribution to our people and to the communities

Our mission

As a Group we are deeply committed to CSR. Not simply because we should be, as a major company and employer in Russia. But also because we understand that this is critical to the longer-term sustainable growth of MD Medical Group.

Our people

We invest heavily in training and continuing medical education, and in fostering an environment that allows our people to grow, and to be exposed to and learn from the best medical practices and practitioners from around the world. We recognise and reward the commitment of our dedicated staff, many of whom have worked with the Group since its inception, by providing opportunities for continuous professional growth and development in an environment created to nurture the personal best of every member of our staff.

Our facilities

Our facilities are equipped with the highest quality medical equipment, supplied, installed and maintained by leading international medical equipment manufacturers. These include companies such as Siemens, Philips, Dräger, Olympus, Karl Storz and B Braun. These suppliers also provide regular training for our staff. This enables us to offer the latest medical procedures that maximise efficacy while minimising patient stress. Some examples include temporary balloon occlusion of iliac arteries to avoid complications during OBGYN procedures, the latest MRI equipment that permits imaging of mother and child together and the Cryotop method for improving embryo survival during assisted reproductive treatment.

Our communities

First of all, we understand that we provide a socially important service to our patients in all of the communities in which we operate. But our commitment to these communities goes beyond providing high-quality medical services. Every individual within our organisation is encouraged to help the community which they serve and to which we are committed.

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 and the latest innovations in women's and children's health, helping to raise the quality of medical services provided to patients, country-wide.

Our commitment to being a sustainable company is continuously evolving. We are focused on changes we can make and ways to enhance our efforts in this area.

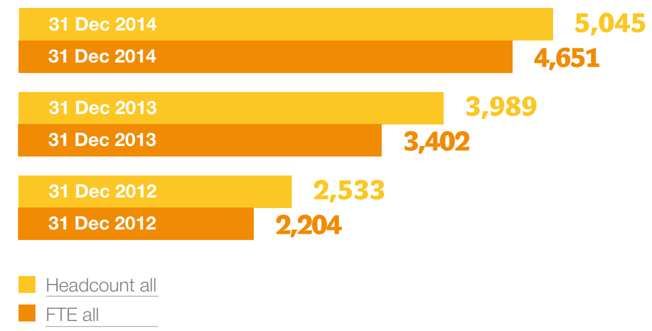
Our commitment as a company is to ensure that we take the necessary steps to create sustainable value for all of our stakeholders, not just in the short term but also over the long-term.

Human Resources

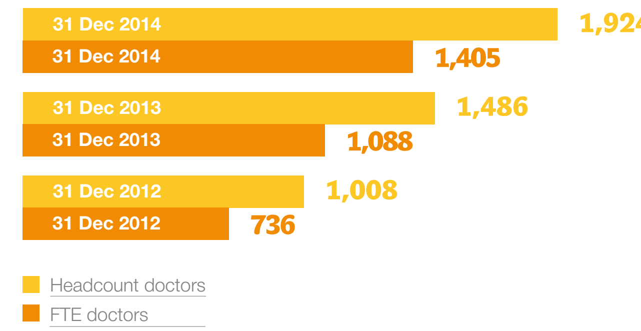
We maintain our leading position in the market by hiring the most qualified and talented professionals in all aspects of our business. We achieve this by offering competitive compensation packages, but more importantly extensive training and development opportunities as well as a chance to work in Russia's most dynamic and highly regarded healthcare business. Our staff retention rate of over 90% speaks for itself.

We recruit the most qualified and talented specialists in all areas of our business

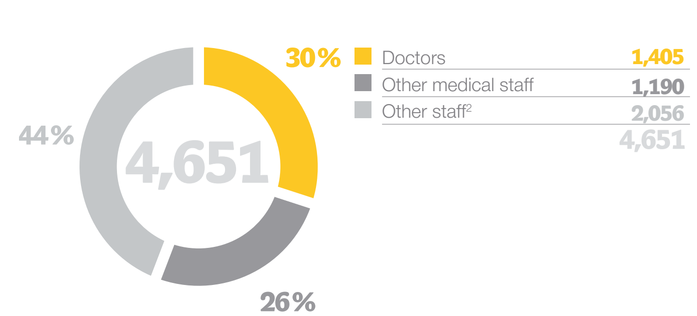
Total number of employees



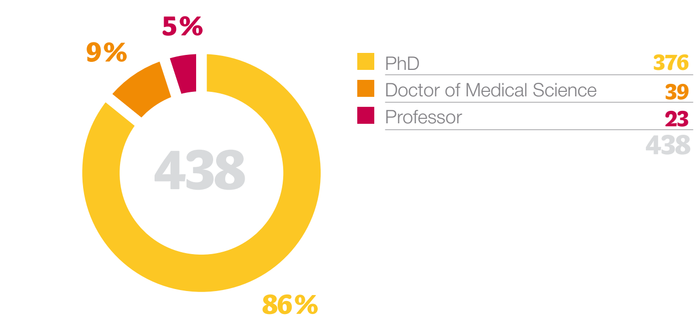
Number of doctors



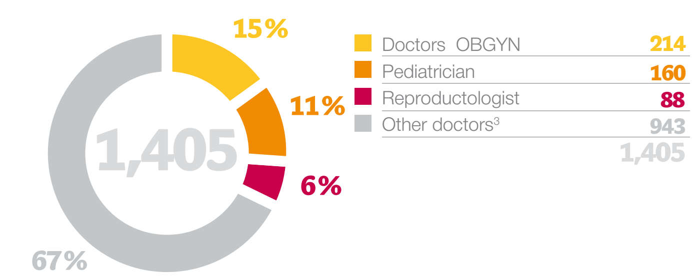
Personnel structure,[1] %



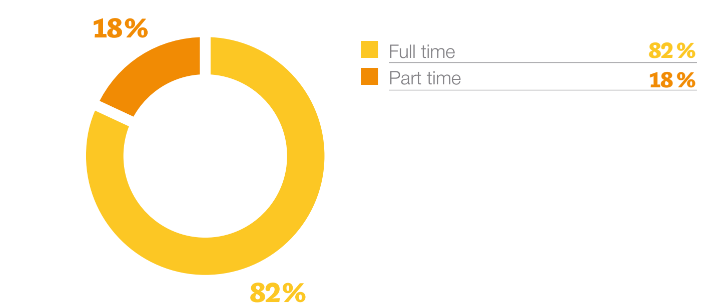
Doctors academic qualifications,[2] %



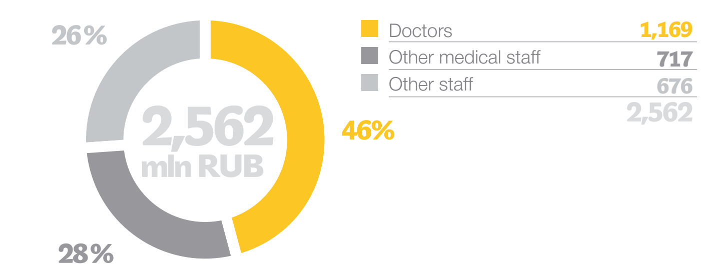
Doctors by speciality,[1] %



Employees,[1] %



Payroll structure,[1] %



[1] Based on FTE
[2] Based on headcount
[3] Other doctors include anesthesiologists, intensivists, surgeons, emergency physicians etc.

Source: Company data

More information about our doctors
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Olga Malmberg, PhD

Chief specialist for ultrasound diagnostics at MD Medical Group

Experience

2013 – Present – Chief specialist for Ultrasound Diagnostics at MD Medical Group
2006–2013 – Head of the Ultrasound Department at PMC (MDMG hospital)
1995–2006 – Ultrasound Diagnostics doctor at Centre of Family Planning and Reproduction
1991–1995 – Research assistant of Prenatal Diagnostics laboratory at Medical and Genetic Scientific Centre of Russian Academy of Medical Sciences

Professional skills

- Ultrasound diagnostics in OBGYN
- Prenatal diagnostics of genetic diseases

Education

1995 – PhD thesis on "The role of echography in prenatal diagnostics of congenital and hereditary diseases".
1989–1991 – Residency at Medical and Genetic Scientific Centre of Russian Academy of Medical Sciences
1989 – Graduated from the 2nd Pirogov's Moscow State Medical Institute

Membership in professional societies

Docent of Ultrasound Diagnostics Department at Russian Medical Academy of Post-Graduate Education, member of ISUOG

Interview

It is impossible to imagine medicine without modern high-tech methods of diagnostic imaging. One of the **most widespread and informative of these is ultrasound diagnostics**. This technology allows us to examine in real time not only the structure of the internal organs but also their function. We can reveal special aspects of the blood circulatory system and detect tumour formation and other pathologies even at stages when they would still be invisible to other imaging modalities and the patient experiences no symptoms. In most situations ultrasonic imaging delivers valuable information that only supplements data already received during check-up or other types of examination. However there are other situations where ultrasound is the only appropriate diagnostic method, and there are simply no other ways to determine or exclude a problem. This particularly applies to pregnancy and foetal development. Statistics show that between 2% and 5% of children are born with development anomalies and genetic defects, which can often happen even in young and healthy families. That is why ultrasound diagnostic screening is offered to all pregnant women, with no exception. A significant portion of development anomalies might be diagnosed as early as week 11-14 of pregnancy. Early diagnosis allows us to forecast the life and health status of the developing foetus, and often enables timely intervention.

Currently the Group's facilities are able to conduct all types of ultrasound diagnostics on patients of any age and using the most advanced international technologies. However, our priority filed remains the applications of ultrasound in obstetrics. **We continually upgrade our equipment and this allows us to expand our diagnostic possibilities**. In 2014, we set up new ultrasound diagnostic systems at PMC and several out-patient clinics.

The first ultrasound diagnostic department in the Group was created with opening of PMC. I had an opportunity to invite highly professional and respected specialists to form the core team. As the Group expanded, some of these specialists moved to the newly-opened facilities. Our current task is to create a like-minded team not only in Moscow but also across the whole Group in different cities. It is helped by cooperation with specialists from various parts of Russia. Doctors from our new clinics, including those from the recently opened hospital in Ufa, come to Moscow to benefit from our experience.

We communicate with them almost daily to discuss complicated diagnostic cases and to coordinate professional algorithms.

Our professional communications circle is not limited to specialists within the Group. Among my colleagues there are several members of the prestigious International Society of Ultrasound in Obstetrics and Gynaecology (ISUOG) and we are also active participants in international congresses, conferences and webinars.

The Group's ultrasound diagnostic department at PMC is also a training base for the Ultrasound Diagnostics department at the Russian Medical Academy of Post-Graduate Education where medical residents are educated, and we arrange lectures for doctors. **Our specialists provide consultations to patients with complicated diagnostics cases directed from other institutions in Moscow and Russia**. This allows us not only to help patients, but also to further improve the skills of our younger colleagues.

We aim to introduce new methods and to expand the applications of ultrasound imaging. In 2014, we started to use it during labour to control the foetal movement along maternal passages. This technology is already used in some of the world's clinics, but is quite new in Russia.

In 2014 **we increased the number of ultrasound scans in the Group by approximately 40% year-on-year to around 180,000**. Mostly that growth was due to the ongoing ramp-up in Lapino and also to the creation of a genetic centre at our Health Clinic in Moscow.

As a child, I was interested in two professions: piano player and researcher in medicine. Following graduation from a secondary school and a music school I decided to enter university and from the first year of it I started to participate in scientific work, firstly in students' scientific group, and later in prenatal diagnostics department of Medical Genetics Institute. Gradually I moved from science to practice in the field of ultrasound diagnostics. Medicine has become the central part of my life – but I still like playing piano!

My motto is that whatever you do, you should do it professionally.

Alexandr Panin, PhD

Deputy Chief Doctor for Surgery at Lapino hospital

Experience

2013 – Present – Deputy Chief Doctor for Surgery at Lapino Hospital
2005–2013 – Surgeon, Head of Endoscopy Department at Centre of Family Planning and Reproduction
1998–2005 – Surgeon at Centre of Family Planning and Reproduction
1989–2002 – Surgeon at Mobile Vascular Centre of Moscow
1990–1998 – Assistant at Departmental Surgery of Russian State Medical University
1985–1990 – Surgeon at City Clinical Hospital No 1, Moscow
2008 – Studies in use of cellular implants in surgery and gynaecology in Paris and Lyon, France
2008 – Studies in laparoscopy in gynaecology in Clermont-Ferrand, France
1997 – Received the highest qualification category
1995 – PhD thesis on "Correction of muscular venous pump of leg operation in patients with post-thrombotic syndrome"
1984 – Graduated from 2nd Pirogov's Moscow State Medical Institute

Education

2013 – Studies in Endometriosis surgical treatment in Napoli, Italy
2010 – Studies in use of cellular implants in treatment of genital prolapse and stress urinary incontinence in Berlin, Germany
2009 – Studies in Endometriosis surgical treatment at IRCAD, Strasbourg, France

Professional skills

- Operative treatment on great vessels of abdomen, vessels of upper and lower limbs, as well as varicose and post-thrombotic syndrome of lower limbs
- Operative treatment of abdominal cavity organs
- Operative treatment of gynaecological pathologies

Interview

We offer both planned and emergency surgery: the latter is relatively uncommon for private in-patient facilities in Russia. Given that MD Medical Group is now **well-established on the market and has gained a significant track record, primarily in obstetrics and gynaecology**, we probably have the highest volume of surgery for pregnant women in the whole of Russia.

We undertake laparoscopic surgery for pregnant women in weeks 22-23 of pregnancy. Such surgery for pregnant women has a number of specific features and is not widespread in Russia. The main advantage of laparoscopic (minimally invasive or "keyhole") surgery is that the patient recovers quickly and is able to leave the hospital in a few days. However, we also do surgery not only for pregnant women but also for children and general patients of any age. Gradually we have been expanding the range of surgical services offered. Currently we provide surgery not only in field of OBGYN but also in urology, paediatric surgery, traumatology, etc. and are ready to solve various tasks as needed.

In December **we received for the first time a powerful diode laser**. This will allow us to operate on patients, in particular those with Feto-Fetal Transfusion Syndrome. This type of laser is widely used in different medicine procedures, including foetal surgery, phlebology, proctology, etc.

We have now formed an established group of surgeons, on whom I can fully depend. I mostly work at Lapino, but I also help doctors at PMC if needed. Also, thanks **to our OR1 internal communication system,** we are able to conduct real-time video consultations and master classes with our hospital in Ufa.

The Avicenna Medical Centre in Novosibirsk, which has recently joined MD Medical Group, has been on the market for more than 20 years and has a wide experience in surgery. In particular, Avicenna doctors treat cardiac pathology, and we are interested in adopting such experience from our colleagues. Specialists from Novosibirsk visit us in Moscow, where we exchange our ideas and expertise.

At MDMG facilities we have done a number of operations that are new to Russia. For example, we conducted surgery for a woman with colon cancer in weeks 28-30 of pregnancy. We also pioneered treatment of cervical insufficiency with laparoscopic suturing, with Dr Elena Egikyan and Dr Mark Kurtser the first to publish data in this field. We aim to incorporate our accumulated expertise into a textbook, in particular in the treatment of pregnant patients with acute surgical pathology. We already have several scientific publications on this and other subjects.

I like new technologies in surgery as these can allow us to solve the tasks in a more efficient way. While I have now been a surgeon for many years, I still continue to learn and discover something new every day. In my job I most appreciate the outcomes: you help patients and a few days later they thank you as they get ready to leave the hospital.

I believe that the main factor for being healthy is an active lifestyle. I personally like doing sports, such as skiing, tennis, swimming, football, volleyball and others.

We have done a number of operations that are new to Russia, for example, we conducted surgery for a woman with colon cancer in weeks 28-30 of pregnancy

Igor Platitsyn, PhD

Head of Radiological Services at MD Medical Group

Experience

2014 – Present – Head of Radiological Service at MD Medical Group
2012 – Present – Head of Radiological Department at Lapino Hospital
2009 – Present – Head of CT and MRI Department at PMC
2006–2009 – Head of MRI Department at the Centre of Family Planning and Reproduction
2002–2006 – Radiologist CT/MR at the Radiological Department of the Central Clinical hospital of Department of Presidential Affairs
2002 – Specialty training at Federal Government Institution Academic Centre of Medical Centre of Department of Presidential Affairs
2000 – Graduated from Faculty of Medicine at Sechenov First Moscow State Medical University

Education

2005 – PhD thesis on "MRI and ultrasound angiography in diagnostics and monitoring of treatment of prostate cancer" conducted at the Federal Government Institution Academic Centre of Medical Centre of Department of Presidential Affairs

Professional skills

- MRI
- CT
- MRI-FUS ablation

Interview

I have worked at MD Medical Group since it created the first computerised tomography (CT) and magnetic resonance imaging (MRI) department at PMC in Moscow. This is when we first started to use MRI to investigate the state of mother and foetus at different stages of pregnancy in order to discover development defects, tumorous processes and other conditions that may affect pregnancy development.

Modern CT methods use low radiation doses and this enables the examination of body parts and systems of pregnant women, with no harm to the foetus, in situations when accurate imaging would not be possible with MRI. Modern radiology is a powerful tool for doctors and allows them to solve clinical cases of any complexity. MRI and ultrasound diagnostics are now the standard of care when examining the placenta, uterus and surrounding organs. These **techniques allow us to assess the patient's state with a high degree of accuracy and plan surgery that minimises potential risks** (bleeding, severe complications during surgery, etc.) that historically were very challenging to treat. Now we find that they are increasingly common, and we use MRI to prepare for successful treatment. This approach is still quite uncommon in Russia outside the Group's facilities.

MD Medical Group was the first private healthcare institution in Russia to widely practise the examination of the state of the placenta and uterus wall in cases of scar formation after various surgical treatments, such as caesarian section and myomectomy. Such research served as a diagnostic base for the creation of placenta ingrowth treatment methods developed under the leadership of Dr Mark Kurtser.

Today the Group employs a range of CT and MRI units. Over time, we have started to use various tomographic scanning methods to determine pathologic processes for pregnant women. MRI at the Group also features one of the most advanced programmes for radiation dose minimisation. We use a variety of different types of MRI units that enable us to examine patients according to their needs. For example, our Lapino hospital has an open-type MR unit with a high voltage magnet field that is equipped with an MR-compatible anaesthesia-respiratory system and vital-signs monitoring system: this sophisticated equipment allows us to examine newly born babies while still under anaesthesia and to optimally control the patient's state during the procedure. Anaesthesiologists and intensive care therapists have easy access to patients during scans and dynamic lightning and video projection systems (showing cartoons and other videos) significantly decrease the risk of claustrophobia, a well-recognised problem with older MR systems. In addition the unit is large enough for a child to be accompanied by a parent, providing greater comfort level and facilitating paediatric research.

Both the PMC and the new Ufa hospital use high field (1.5 tesla) MRI units that allow us to conduct rapid scans with a high level of accuracy. Also at PMC we have what we believe is the best CT unit available in the whole of Russia: this is not only very quick (scanning a 48 cm body slice in 1 second) but also uses very low radiation levels and so allows us to safely examine pregnant women and newly born babies. The Group's investment in state-of-the-art computer and digital communication technologies means that our doctors can access the results of all scans conducted within the Group from any part of the world at any time.

The high levels of experience with MRI acquired by the specialists at MDMG is unique in Russia. We have unparalleled expertise in obstetric MRI and the examination of pregnant women, notably the examination of uterine walls and placenta status. MDMG has highly-qualified personnel, including many with PhDs and the highest categories of board-certified doctors. These physicians and radiologists have a long-term experience in MRI and are able to carry out any scan with the maximum level of accuracy.

We are committed to sharing our experience and knowledge with the entire medical community in Russia. I lead lectures and webinars in MRI use in OBGYN and neonatology. My colleagues and I regularly speak at congresses both in Russia and abroad. In 2014, we started to prepare a scientific database on further development of MRI use in OBGYN and neonatology. Currently we are preparing a course of lectures on using tomographic methods in these spheres.

Sergey Volkov

Head of Neonatal Intensive Care Department at PMC

Experience

2007 – Present – Head of Neonatal Intensive Care Department at PMC
1998–2007 – Anaesthesiologist and Intensivist of Neonatal Intensive Care Department at City Hospital No 7
1997–2005 – Anaesthesiologist and Intensivist of Neonatal Intensive Care Department and member of mobile team for Neonatal Intensive Care at Tushino Children City Hospital
1996–1998 – Neonatologist at Maternity Ward No 17

Education

2000 – Completed primary specialisation in Anaesthesiology and Intensive Care of Children at Russian Medical Academy of Post-Graduate Education
1996–1998 – Special training in Neonatology
1990–1996 – Russian State Medical University

Professional skills

- Primary intensive care of newborns in labour room
- Special care and intensive care of newborns, including the highly premature and those with extremely low body weight
- Anaesthetic support in neonatal surgery
- Consultation and transportation of severely ill newborns

Interview

I am the Head of the Neonatal Intensive Care Department at Perinatal Medical Centre, the first department to open with MDMG and currently the largest in the chain. I also work with, and provide recommendations to, specialists from other facilities of the Group.

We mostly work with children born in the Group's facilities. However, there are certain situations when children from external medical facilities are transported to us via our own intensive care ambulances. We also have experience of newborns that have been transported via air ambulance to our Centre from other regions of Russia. In our facilities we provide a comfortable visit for parents, who may stay for some time with their child, which is uncommon in other hospitals.

At the moment, **we are using all existing technologies available in neonatology**. For example, in 2014, we implemented a total hypothermia technology. This promising method is not yet widely available in other maternity wards and requires qualified specialists and a developed diagnostics base. We regularly use non-invasive lung ventilation, which is also a new technology. In our department we are able to do some surgeries, such as closure of patent ductus arteriosus, without the need to transport a child to another clinic: this distinguishes us from other facilities. Furthermore, we have a long-established experience of surgical treatment of retinopathy of prematurity, via laser coagulation surgery of the retina.

In addition to my core activities at PMC, I provide consultations for similar departments at other MDMG facilities. I provided my recommendations around the opening of the Neonatal Intensive Care Department at our new Ufa hospital. I also visited our hospital in Novosibirsk, which recently joined our Group, where I provided recommendations on the expansion of the Neonatal Intensive Care Department. Moreover, we regularly hold remote consultations with doctors from other facilities in the Group, as well as medical symposia and clinical discussions at Lapino.

Next year we are planning to launch the development of new clinical protocols for the treatment of key conditions affecting newborns, based on our extensive experience at MDMG. Following this, we plan to share our experience with other specialists.

I have had a keen interested in intensive care for a long time, which has led to specialisation in neonatal intensive care. What I particularly like about this specialisation is **our desire to achieve a full-featured development of a child**, which we believe can make a significant contribution to children's health.

I believe that it is important to enjoy what you do and maintain a balance which allows to stay healthy and happy.

Due to the specifics of my work I don't have a lot of free time. However when possible I like to read, do sports and travel around Russia and abroad.

Next year we are planning to launch the development of new clinical protocols for the treatment of key conditions affecting newborns, based on our extensive experience at MD Medical Group

Chairman's Introduction to Governance

As a public company, MD Medical Group has put in place a high-quality system of corporate governance. We have an excellent Board of Directors, the members of which bring a blend of industry and market experience. For me personally, and for the entire Board, a key priority is ensuring that we maintain the highest standards of corporate governance. This is a commitment we undertake on behalf of all of our shareholders.

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

Since becoming a public company listed on the London Stock Exchange, the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code. It has established a remuneration committee, an audit committee and a nomination committee with formally delegated duties and responsibilities and written terms of reference. All of the committees perform their duties on behalf of the Board of Directors which is responsible for constituting, assigning, co-opting and fixing the terms of service for the committee members.

Audit committee

As of 31 December 2014, the Audit committee was made up of Independent Non-Executive Director Simon Rowlands (chair), Kirill Dmitriev and Mr Andreas Petrides. On 19 February 2015, the composition of the Audit committee changed. As of that day, newly appointed Independent Non-Executive Director Liubov Malyarevskaya became chair of the committee, with additional committee members being 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.

Nomination committee

As of 31 December 2014, the Nomination committee consisted of Dr Mark Kurtser (chair) and Independent Non-Executive Director Simon Rowlands. On 19 February 2015, Mr Vladimir Mekler also joined the committee. The nomination committee meets at least once a year. Its role is to prepare selection criteria and appointment procedures for members of the Board of Directors and to review on a regular basis the structure, size and composition of the Board of Directors. In undertaking this role, the nomination committee refers to the skills, knowledge and experience required of the Board of Directors given the Company's stage of development and makes recommendations to the Board of Directors as to any changes. The nomination committee also considers future appointments in respect of the composition of the Board of Directors, as wells as making recommendations regarding the membership of the audit and remuneration committees.

Remuneration committee

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

Internal Auditor

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

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

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

Senior Management

1 Dr Elena Mladova
CEO

2 Mr Vadim Sigutin
Deputy CEO for Operations

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

4 Mr Alexander Rayt
Head of Finance Department

5 Mrs Elena Opanasyuk
Deputy CEO for Regional Development

6 Mrs Larisa Tkachenko
Head of Client Service

7 Mrs Elena Shalyapina
Alternate Head of Legal

8 Mr Anton Grigorenko
Head of Marketing

9 Mr Boris Ivakhnenko
Procurement Director

10 Dr Yulia Kutakova, PhD
Medical Director

11 Mr Alexey Mladov
Head of Information Technology

12 Mr Mikhail Melnikov
Head of Corporate Governance

13 Ms Elena Romanova
Head of Investor Relations

14 Mr Rafail Sitdikov
Head of Internal Control

Senior Management

Continued

1 Dr Elena Mladova
CEO
Elena Mladova was appointed as CEO in 2012. She joined the Group in 2008 as the Head of the Infertility Treatment and IVF Department at PMC, where she was responsible for the introduction of various infertility and IVF treatments. Previously, Dr Mladova worked as an obstetrician and gynaecologist in the Centre of Family Planning and Reproduction in Moscow. She has 12 years of practice as obstetrician-gynaecologist. She graduated from the Lomonosov Moscow State University with a degree in primary care medicine.

2 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 medicine field both as doctor and as manager. Prior to joining the Group, Mr Sigutin was Operational director for South-west and west regions of Moscow at Family Doctor Group. Mr Vadim Sigutin holds a degree in medicine from the Smolensk State Medical University.

3 Mr Vitaly Ustimenko, PhD
Deputy CEO for Economics and Finance
Mr Vitaly Ustimenko joined the Group as Chief Financial Officer in 2012. Mr Ustimenko has 14 years experience in finance. Previously, he was the Head of Strategic and Business Planning of JSC 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.

4 Mr Alexander Rayt
Head of Finance Department
Mr Alexander Rayt joined the Group as the Head of IFRS Department in April 2012 and was promoted to the Head of Finance Department in April 2014. Previously, from 2010 to 2012 he was a Deputy Head of the IFRS department at JSC Russian Helicopters, and earlier worked for JSC "BDO Russia" as an auditor. Mr Rayt graduated from the Finance and Credit faculty of the Academy of Economic Studies of Moldova.

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

6 Mrs Larisa Tkachenko
Head of Client Service
Mrs Larisa Tkachenko joined the Group in July 2014. Previously, she worked at KPMG in Advisory Services as a Manager specialising in Client Services and as Senior Consultant. She also served as Head of the Strategy Division at Maxus (part of Svyaznoy Group), and as Branch Service Manager at Citibank. Mrs Tkachenko graduated from the Moscow State University of Economics, Statistics and Informatics.

7 Mrs Elena Shalyapina
Alternate Head of Legal
Mrs Elena Shalyapina joined MD Medical Group in December 2011. With more than 17 years' experience in the legal field and is full member of Russian bar assosiation. Mrs Shalyapina is responsible for running the Group's legal function. Prior to joining the Group, Mrs Shalyapina worked as attorney. Mrs Shalyapina holds a degree in civil law from the Moscow State Law Academy.

8 Mr Anton Grigorenko
Head of Marketing
Mr Anton Grigorenko joined MD Medical Group as the Head of 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.

9 Mr Boris Ivakhnenko
Procurement Director
Mr Boris Ivakhnenko has been with MD Medical Group since 2011. Prior to joining the Group, he served as Deputy Medical Director for Economy at Centre of Family Planning and Reproduction. 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 Economy and Public Administration.

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

11 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.

12 Mr Mikhail Melnikov
Head of Corporate Governance
Mr Mikhail Melnikov joined MD Medical 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 in the legal consulting group of JSC "BDO Russia", senior lawyer at the investment and finance corporation Alemar and as a lawyer in the corporate department at Freshfields Bruckhaus Deringer. Mr Melnikov graduated from the Moscow State Law University with a degree in Civil Law.

13 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 previously 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.

14 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 Central Internal Affairs Directorate of Moscow and the Russian Interior Ministry. At the end of his career there he held the rank of Colonel of Police. Mr Sitdikov graduated from the Moscow Aviation Institute as mechanic engineer in 1987. He also holds a degree in Law from the Moscow State University of Economics, Statistics and Informatics from 2006.

Board of Directors

Below is the Board composition as of 31 December 2014

Dr Mark Kurtser
Founder and Chairman

Dr Mark Kurtser is the founder of MD Medical Group and became Chairman in August 2012. From 2003 to 2013, Dr Kurtser was the Chief Obstetrician and Gynaecologist of the City of Moscow. From 1994 to 2012 he was Head of the Centre of Family Planning and Reproduction, Health Department of Moscow, the largest public obstetrics hospital in Moscow. Dr Kurtser began his career as a Graduate Assistant to the Associate Professor at the obstetrics and gynaecology department of the Pirogov Medical University. He holds a degree in medicine from Pirogov Medical University in addition to a postdoctoral degree in medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

Dr Elena Mladova
Chief Executive Officer

In August 2012 Dr Elena Mladova was appointed as Chief Executive Officer and became member of the Board of Directors. She joined the Group in 2008 as the Head of the Infertility Treatment and IVF Department at PMC, where she was responsible for the introduction of various infertility and IVF treatments. Previously, Dr Mladova worked as an obstetrician and gynaecologist in the Centre of Family Planning and Reproduction in Moscow.
She has 12 years of practice as obstetrician-gynaecologist. She graduated from the Lomonosov Moscow State University with a degree in primary care medicine.

Mr Simon Rowlands
Independent Non–Executive Director

Mr Simon Rowlands was appointed as an Independent Non-Executive Director in September 2012. His other current appointments include non-executive directorships at Spire Healthcare Group plc, Avio S.p.A and Enserve Group plc (up to March 2014). Mr Rowlands is a Founding Partner of European private equity firm Cinven Partners where he established and led the healthcare team and was involved in a number of transactions including General Healthcare Group, Spire Healthcare and Classic hospitals in the UK, USP in Spain and Générale de Santé in France.
In July 2012, Mr Rowlands became Senior Adviser at Cinven. Prior to joining Cinven, Mr Rowlands worked with an international consulting firm on multi-disciplinary engineering projects in the UK and southern Africa. He has an MBA in Business, a BSc in engineering and is a chartered engineer.

Mr Kirill Dmitriev
Non–Executive Director

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

Ms Elia Nicolaou
Executive Director

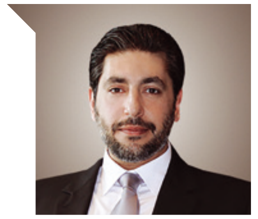
Ms Nicolaou was appointed as an Executive Director in August 2012. She also acts as the company secretary. Ms Nicolaou is currently the Managing Director and Director of Legal and Corporate Services at Amicorp (Cyprus) Ltd. Previously, Ms Nicolaou worked as the head of the corporate legal department at Polakis Sarris LLC and as a lawyer at C. Patsalides LLC. She is a member of the board of directors and audit committees of Globaltrans Investment Plc where she is also company secretary. She also sits on various boards of the Cyprus Chamber of Commerce. She holds a master's degree in commercial and corporate law from University College London and an MBA from the Cyprus International Institute of Management.

Mr Apollon Athanasiades
Executive Director

Mr Athanasiades was appointed as an Executive Director in August 2012. He is currently a Director at Amicorp (Cyprus) Ltd mainly dealing with business structuring, a position he has held since April 2009. He previously held positions in the internal audit department of Louis PLC and worked in compliance and finance at PricewaterhouseCoopers Ltd (Cyprus), A.N. Athanasiades & Co. (Cyprus) and Messrs Auerbach Hope (UK). He holds a BA in Accounting, Finance and Economics from the University of Manchester and is a qualified accountant.

Mr Marios Tofaros
Executive Director

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



Mr Andreas Petrides
Non-Executive Director

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

Mr Angelos Paphitis
Non-Executive Director

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

Board changes as of 19 February 2015

According to the resolution by Board of Directors on 19 February 2015, the number of Board members was reduced to seven. Three new Board members were elected: Group CFO Vitaly Ustimenko, Non-Executive Director Vladimir Mekler, and Independent Non-Executive Director Liubov Malyarevskaya; and the following Board members were appointed: Group Chairman non-executive Dr Mark Kurtser, Group CEO Dr Elena Mladova, Independent Non-Executive Director Simon Rowlands, Non-Executive Director Kirill Dmitriev.

Mr Vitaly Ustimenko
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 14 years of experience in finance. Previously he was the Head of Strategic and Business Planning of JSC 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 Vladimir Mekler
Non-Executive Director

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 support and structuring of complex contracts, cross-border contracts among others; systems of corporate governance and legal structuring development and optimization with regards to criminal and antitrust legislation; legal support of mergers and acquisitions; corporate disputes settlement; organization and coordination of 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.

Mrs Liubov Malyarevskaya
Independent Non-Executive Director

Mrs Liubov Malyarevskaya was appointed as Independent Non-Executive Director in February 2015. She has been a Project Director at Finance department of JSC "Sberbank Russia" since 2014. Earlier, from 2011 to 2014, Mrs Malyarevskaya was a partner and head of the Corporate Finance Department of JSC "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).

Risks Management

We have comprehensive risk management systems in place to ensure that we are able to identify potential risks to our business and where possible take actions to mitigate them.

Risk	Potential Impact	Mitigation
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.
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.
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.

Risk	Potential Impact	Mitigation
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.
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
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 programs.	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.

Officers, Professional Advisors and Registered Office

Board of Directors	Mark Kurtser – Chairman Kirill Dmitriev (Nikolay Ishmetov, alternate director to Kirill Dmitriev) Liubov Malyarevskaya Vladimir Mekler Elena Mladova Simon Rowlands Vitaly Ustimenko
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 2014.

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 2014 and its financial position at that date are set out in the consolidated Statement of Comprehensive Income on page 10 and in the consolidated Statement of Financial Position on page 11 of the consolidated financial statements.

The profit for the year ended 31 December 2014 amounted to RUB1,319,667 thousand (2013: RUB763,547 thousand). The total assets of the Group as at 31 December 2014 were RUB16,074,241 thousand (2013: RUB13,648,648 thousand) and the net assets were RUB10,136,594 thousand (2013: RUB9,209,158 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 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to US$5,259 thousand (RUB180,271 thousand), which corresponds to US$0.07 (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.

The Board of Directors recommends the payment of RUB300,000 thousand as final dividend for the year 2014 which corresponds to RUB4.01 per share.

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

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

During the 2014 year the Company has acquired 100% share in Ivicend Holding Ltd. The details for this acquisition are given in note 14 of the consolidated financial statements. Also during the year 2014 the Company has incorporated two new entities, Mother and Child Ryazan and Shelly Management ltd. Additional brief details for all subsidiaries are given in note 1 to the consolidated financial statements.

In October 2014 the new hospital in the Russian city Ufa was put into operation.

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 25 and 27 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 paediatrics, addressing the increasing demand for private healthcare services in Russia and beyond.

As the Group will be growing it intends to expand its portfolio of hospital and out-patient 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 1.

The members of the Board of Directors who served during the year 2014 and as at 31 December 2014 were as follows:

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

On 19 February 2015 Ms. Liubov Malyarevskaya, Mr. Vladimir Mekler and Mr. Vitaly Ustimenko were appointed as the new directors.

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 three non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Dr. Mark Kurtser. Mr. Vladimir Mekler and Mr. Simon Rowlands are the other members.

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

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

CORPORATE GOVERNANCE

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

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted 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

During the year ended 31 December 2014, the Company did not operate any branches. On 19 February 2015 the Board of Directors decided to open a branch in Moscow, Russian Federation.

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 2014, these shares were owned by the Company.

EVENTS AFTER THE REPORTING PERIOD

In February 2015 the Company opened a new medical centre in the Russian city of Ryazan. The new clinic will provide IVF services, other innovative services in the field of obstetrics and gynaecology, numerous diagnostic and therapeutic services in paediatrics.

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, 20 March 2015

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
Kirill Dmitriev	Non-executive director
Liubov Malyarevskaya	Non-executive independent director
Vladimir Mekler	Non-executive director
Elena Mladova	Executive director
Simon Rowlands	Non-executive independent director
Vitaly Ustimenko	Executive director

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 10 to 52 which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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 2013, 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 appears from our examination of the 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 2 to 7 is consistent with the consolidated financial statements.

Other matter

This report, including the opinion expressed herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts 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
20 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Revenue	4	7,200,931	5,672,753
Cost of sales	5	(4,230,153)	(3,389,282)
Gross profit		2,970,778	2,283,471
Other income		9,221	4,384
Administrative expenses	6	(1,432,956)	(1,124,643)
Other expenses		(11,167)	(5,088)
Operating profit		1,535,876	1,158,124
Finance income		41,662	65,145
Finance expenses		(386,698)	(334,521)
Net foreign exchange transactions gain/(loss)		203,958	(53,331)
Net finance expenses	8	(141,078)	(322,707)
Profit before tax		1,394,798	835,417
Taxation	9	(75,131)	(71,870)
Profit for the year		1,319,667	763,547
Other comprehensive income Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		-	214,589
Total comprehensive income for the year		1,319,667	978,136
Profit for the year attributable to:			
Owners of the Company		1,195,693	636,146
Non-controlling interests		123,974	127,401
		1,319,667	763,547
Total comprehensive income for the year attributable to:			
Owners of the Company		1,195,693	850,735
Non-controlling interests		123,974	127,401
		1,319,667	978,136
Basic and fully diluted earnings per share (RUB)	10	15.94	8.47

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000
Assets			
Property, plant and equipment	12	12,540,172	9,209,792
Intangible assets	13	1,981,089	451,911
Trade, other receivables and deferred expenses	16	104,557	437,719
Investments		2,705	2,000
Deferred tax assets	21	4,415	1,241
Total non current assets		14,632,938	10,102,663
Inventories	15	267,896	110,931
Trade, other receivables and deferred expenses	16	229,383	151,802
Non-current assets held for sale		45,778	-
Current income tax asset		7,695	8,160
Investments		-	1,750
Cash and cash equivalents	17	890,551	3,273,342
Total current assets		1,441,303	3,545,985
Total assets		16,074,241	13,648,648
Equity			
Share capital		180,585	180,585
Reserves	18	9,573,693	8,629,629
Total equity attributable to owners of the Company	19	9,754,278	8,810,214
Non controlling interests		382,316	398,944
Total equity		10,136,594	9,209,158

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000
Liabilities			
Loans and borrowings		**3,251,060**	2,379,389
Obligations under finance leases	20	**-**	1,093
Trade and other payables		**33,638**	4,349
Deferred tax liabilities	22	**6,690**	5,848
Deferred income	21	**90,405**	72,025
Total non current liabilities	23	**3,381,793**	2,462,704
Loans and borrowings		**869,081**	617,865
Obligations under finance leases	20	**450**	1,797
Trade and other payables		**898,692**	748,001
Deferred income	22	**786,246**	607,963
Current income tax liability	23	**1,385**	1,160
Total current liabilities		**2,555,854**	1,976,786
Total liabilities		**5,937,647**	4,439,490
Total equity and liabilities		**16,074,241**	13,648,648

On 20 March 2015 the Board of Directors of MD Medical Group Investments Plc authorised these consolidated financial statements for issue.

Elena Mladova	Mark Kurtser	Vitaly Ustimenko
Director	Director	Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital RUB'000	Share premium RUB'000	Treasury shares RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000	Non controlling interests RUB'000	Total equity RUB'000
Balance at 31 December 2013		180,585	5,243,319	-	(544,493)	3,930,803	8,810,214	398,944	9,209,158
Effect of change in functional currency	2(e)	-	-	-	(110,859)	110,859	-	-	-
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	123,559	1,319,252
Contributions by and distributions to owners									
Dividends	11	-	-	-	-	(180,271)	(180,271)	(138,872)	(319,143)
Acquisition of treasury shares	19	-	-	(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 changes 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**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Share capital RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000	Non controlling interests RUB'000	Total equity RUB'000
Balance at 1 January 2013		180,585	5,243,319	(759,082)	3,617,738	8,282,560	340,857	8,623,417
Comprehensive income								
Profit for the year		-	-	-	636,146	636,146	127,401	763,547
Other comprehensive income								
Foreign currency translation differences		-	-	214,589	-	214,589	-	214,589
Total comprehensive income for the year		-	-	214,589	636,146	850,735	127,401	978,136
Contributions by and distributions to owners								
Dividends	11	-	-	-	(313,873)	(313,873)	(71,763)	(385,636)
Total transactions with owners		-	-	-	(313,873)	(313,873)	(71,763)	(385,636)
Changes in ownership interest								
Non-controlling interest in newly incorporated entities		-	-	-	-	-	1,020	1,020
Non-controlling interest in acquired subsidiary		-	-	-	-	-	2,105	2,105
Increase in ownership in subsidiary		-	-	-	(9,208)	(9,208)	(676)	(9,884)
Total changes in ownership interest		-	-	-	(9,208)	(9,208)	2,449	(6,759)
Balance at 31 December 2013		**180,585**	**5,243,319**	**(544,493)**	**3,930,803**	**8,810,214**	**398,944**	**9,209,158**

Share premium is not available for distribution.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash flows from operating activities			
Profit for the year		**1,319,667**	763,547
Adjustments for:			
Depreciation	12	**513,098**	414,951
(Gain)/ Loss from the sale of property, plant and equipment		**(286)**	1,429
Amortisation	13	**33,718**	12,970
Interest income	8	**(41,662)**	(65,145)
Finance expense (excluding impairment)	8	**363,923**	332,105
Impairment of trade and other receivables	8	**22,775**	2,416
Net foreign exchange transactions (gain) / loss	8	**(203,958)**	53,331
Taxation	9	**75,131**	71,870
Cash flows from operations before working capital changes		**2,082,406**	**1,587,474**
Increase in inventories		**(118,852)**	(47,125)
Increase in trade and other receivables		**(49,444)**	(43,666)
Increase in trade and other payables		**71,017**	71,150
Increase in deferred income		**199,405**	158,510
Cash flows from operations		**2,184,532**	**1,726,343**
Tax paid		**(78,013)**	(64,182)
Net cash flows from operating activities		**2,106,519**	**1,662,161**
Cash flows from investing activities			
Payment for acquisition/construction of property, plant and equipment		**(3,125,622)**	(2,429,754)
Proceeds from disposal of property, plant and equipment		**1,137**	7,980
Payment for acquisition of intangible assets		**(8,807)**	(2,204)
Net cash outflow on disposal of a subsidiary		**(3,402)**	-
Acquisition of subsidiaries, net cash outflow on acquisition	14	**(1,797,412)**	(647,603)
Withdrawal of investments		**-**	2,538,323
Loans granted		**(1,671)**	-
Interest received		**41,662**	65,145
Net cash flows used in investing activities		**(4,894,115)**	**(468,113)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash flows from financing activities			
GDR contributions received from underwriters		-	150,216
Proceeds from loans and borrowings		1,360,257	341,063
Repayment of loans and borrowings		(517,949)	(346,470)
Repayment of obligations under finance leases		(2,588)	(2,793)
Acquisition of treasury shares	19	(73,086)	-
Finance expenses paid		(361,504)	(356,341)
Increase in ownership in subsidiary		(2)	(9,884)
Dividends paid to the owners of the Company		(180,271)	(313,873)
Dividends paid to non controlling interests		(138,872)	(71,763)
Net cash flows used in financing activities		85,985	(609,845)
Net (decrease)/increase in cash and cash equivalents		(2,701,611)	584,203
Cash and cash equivalents at the beginning of the year		3,273,342	2,582,933
Effect of exchange rate changes on cash and cash equivalents		318,820	106,206
Cash and cash equivalents at the end of the year	17	890,551	3,273,342

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 2014 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 centres.

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

			Notes	31 December 2014 Effective Holding %	31 December 2013 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 Ecodeure	Russian Federation	Medical services	9	-	85
LLC Mother and Child Perm	Russian Federation	Medical services		80	80

			Notes	31 December 2014 Effective Holding %	31 December 2013 Effective Holding %
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	3	100	80
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	98	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, 11	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	8	100	-
Shelly Management ltd	BVI	Holding of investments	6, 8	100	-
Ivicend Holding Ltd	Cyprus	Holding of investments	10	100	-
CJSC MC Avicenna	Russian Federation	Medical services	11	100	-
LLC H&C Medical Group	Russian Federation	Medical services	11	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. In March 2014 the Company acquired additional 20% in LLC MD PROJECT 2010.
4. 95% of the charter capital of the entity is directly owned by the Company and 5% of the charter capital is owned by LLC Clinica Zdorovia.
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. In November 2014 the entity was sold to CJSC MC Avicenna, another subsidiary of the Company. The effective holding percentage for the entity has not changed.
8. These entities were incorporated in 2014.
9. This entity was disposed in July 2014.
10. This entity was acquired in October 2014 (note 14).
11. These entities are indirectly owned through Ivicend Holding Ltd.

As at 31 December 2014, 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 19).

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 20 March 2015.

(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 2014, 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 except for the adoption of IFRS 12.

IFRS 12 applies to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structure entities. IFRS 12 requires an entity to disclose information that enables users of financial statements to understand and evaluate nature and extent of its interests in other entities, the risks associated with those interests and their impact on its financial position, financial performance and cash flows. The amendment affects presentation only and has no impact on the Group's financial position or performance.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. The Company does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU

- IAS 19 (Amendments) ''Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015).
- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 January 2015).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 February 2015).

(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" (effective for annual periods beginning on or after 1 January 2017).
- 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 11 ''Accounting for acquisitions of Interests in Joint Operations" (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 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 27 ''Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).

- Amendments to IAS 16 and IAS 41 ''Bearer plants" (effective for annual periods 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).

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 to be reasonable based on knowledge available at that time. Actual results may differ from these estimates.

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

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

• Income taxes

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

• Impairment of intangible assets

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

• Impairment of goodwill

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

(e) Functional and presentation currency

For the reporting periods before the year 2014, the functional currency of the Company was the US dollar (US$).
The Management of the Company decided that the Russian Ruble (RUB) is the functional currency of the Company, with effect from 2014. This change is made in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", since primary cash income and expenditure of the Company since 2014 are nominated in RUB.

All of the operational Group entities are located in the Russian Federation and 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 2013 and for the year then ended, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has adopted for the first time the following new standards and amendments to standards, including any consequent amendments to other standards, with the date of initial application of 1 January 2014 in the preparation of the full consolidated financial statements:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 12 "Disclosure of Interest in Other Entities".

Several other new standards and amendments apply for the first time in 2014. 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.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held as at 31 December 2013.

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 specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be 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 includes interest income which is recognised as it accrues in profit or loss using the effective interest method.

Finance expenses

Finance expenses include interest expense and other borrowing costs and are recognised 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.

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

Tax

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

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

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

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

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

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

Dividends

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

Property, plant and equipment

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

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

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

	Years
Freehold buildings	50
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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

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

Share capital

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

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

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.

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.

Comparatives

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

4. REVENUE

	2014 RUB'000	2013 RUB'000
Deliveries	**1,443,684**	1,261,193
Obstetrics and Gynaecology out patient treatments	**1,275,739**	1,138,469
IVF	**1,186,982**	800,349
Paediatrics out patient treatments	**852,896**	729,869
Obstetrics and Gynaecology in patient treatments	**684,600**	618,121
Paediatrics in patient treatments	**205,336**	161,853

	2014 RUB'000	2013 RUB'000
Other medical services	1,249,184	721,453
Sales of goods	195,518	146,257
Other income	106,992	95,189
	7,200,931	5,672,753

Other medical services include but are not limited to laboratory examinations, diagnostics, dental care and surgery. The significant increase of other medical services was mostly due to the increase of utilisation of Lapino hospital and acquisition of new companies with more diversified range of services.

5. COST OF SALES

	2014 RUB'000	2013 RUB'000
Payroll and related social taxes	2,439,513	1,964,406
Materials and supplies used	928,228	655,688
Depreciation	441,519	355,579
Medical services	135,506	90,131
Energy and utilities	86,772	75,798
Property tax	74,873	150,051
Repair and maintenance	32,808	39,181
Other expenses	90,934	58,448
	4,230,153	3,389,282

The property tax expense has significantly declined due to an agreed tax exemption for the Lapino hospital. This exemption has reduced the property tax expense for the year ended 31 December 2014 by RUB87,680 thousand, including RUB44,611 thousand attributable to the year ended 31 December 2013 and RUB43,069 thousand attributable to the year ended 31 December 2014.

6. ADMINISTRATIVE EXPENSES

	2014 RUB'000	2013 RUB'000
Payroll and related social taxes	718,409	557,795
Utilities and materials	248,578	210,857
Other professional services	166,120	123,799
Advertising	80,339	78,149
Depreciation	71,579	59,372
Amortisation	33,718	12,970
Independent auditors' remuneration	29,357	24,118
Communication costs	22,368	15,071
Other expenses	62,488	42,512
	1,432,956	1,124,643

7. STAFF COSTS

	2014 RUB'000	2013 RUB'000
Wages and salaries	2,561,721	2,047,410
Social insurance contributions and other taxes	596,201	474,791
Total staff costs	3,157,922	2,522,201

The average number of employees employed by the Group during the year ended 31 December 2014 was 3,772 (31 December 2013: 3,118).

8. NET FINANCE EXPENSES

	2014 RUB'000	2013 RUB'000
Finance income		
Bank interest received	41,242	64,953
Interest from loans to third parties	420	192
	41,662	65,145
Finance expenses		
Interest expense		
Interest on bank loans	(291,846)	(277,329)
Interest on loans from third parties	(242)	(1,083)
Finance leases interest	(148)	(799)
Other finance expense		
Bank charges	(71,687)	(52,894)
Impairment of trade and other receivables	(19,884)	(2,416)
Other impairment provision	(2,891)	-
	(386,698)	(334,521)
Net foreign exchange transaction gain / (loss)	203,958	(53,331)
Net finance expense	(141,078)	(322,707)

9. TAXATION

Tax recognised in profit or loss	2014 RUB'000	2013 RUB'000
Corporation tax	78,473	73,112
Deferred tax (credit)	(3,342)	(1,242)
Charge for the year	75,131	71,870

Numerical reconciliation of income tax expense to prima facie tax payable	2014 RUB'000	2013 RUB'000
Accounting profit before tax	**1,394,748**	835,417
Tax calculated at the applicable tax rates of the Group	**66,052**	69,651
Accrual of income tax from previous years	**7,798**	-
Other tax effects	**1,281**	2,219
Tax as per consolidated statement of comprehensive income-(credit)/charge	**75,130**	71,870

The majority of the Group companies, that are offering medical services and are operating in the Russian Federation, apply 0% corporate income tax rate, other companies apply standard income tax rate of 20%. The management calculates the tax expense by multiplying the applicable tax rates of each Group company by the pre-tax income of the reporting period.

The Group's consolidated effective income tax rate for the year ended 31 December 2014 was 5% (31 December 2013: 9%). 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.

10. EARNINGS PER SHARE

	2014 RUB'000	2013 RUB'000
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	**1,195,693**	636,146
Weighted average number of ordinary shares in issue during the year	**75,032,300**	75,125,010
Basic and fully diluted earnings per share (RUB)	**15.94**	8.47

11. DIVIDENDS

On 5 April 2013 the Board of Directors declared a final dividend for the year 2012 amounting to US$9,766 thousand (RUB313,873 thousand), which corresponds to US$0.13 (RUB4.18) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 7 June 2013. The dividend was paid on 11 June 2013.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to US$5,259 thousand (RUB180,271 thousand), which corresponds to US$0.07 (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.

Dividends are subject to a deduction of special contribution at the rate of 20% for the year 2013 and 17% for 2014 and thereafter for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to non-residents of Cyprus for taxation purposes are not subject to such a deduction.

12. PROPERTY, PLANT AND EQUIPMENT

2014	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
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

2013	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
Cost				
Balance at 1 January	6,111,051	195,659	1,939,924	8,246,634
Acquisitions through business combinations	149,772	38,325	150,589	338,686
Additions	220,700	1,347,690	304,201	1,872,591
Disposals	(192)	-	(14,115)	(14,307)
Transfer from construction in progress	135,471	(171,104)	35,633	-
Balance at 31 December	6,616,802	1,410,570	2,416,232	10,443,604
Depreciation				
Balance at 1 January	231,175	-	592,426	823,759
Depreciation during the year	130,690	-	284,261	414,951
On disposals	-	-	(4,898)	(4,898)
Balance at 31 December	361,865	-	871,947	1,233,812
Carrying amounts				
Balance at 31 December	6,254,937	1,410,570	1,544,285	9,209,792

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB6,142,450 thousand as at 31 December 2014 (31 December 2013: RUB6,064,050 thousand).

13. INTANGIBLE ASSETS

2014	Goodwill RUB'000	Patents and trademarks RUB'000	Software and web site RUB'000	Total RUB'000
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

2013	Goodwill RUB'000	Patents and trademarks RUB'000	Software and web site RUB'000	Total RUB'000
Cost				
Balance at 1 January	30,051	949	280	31,280
Acquisitions through business combinations	353,496	67,603	10,666	431,765
Additions	-	423	2,025	2,448
Balance at 31 December	383,547	68,975	12,971	465,493
Amortisation				
Balance at 1 January	-	425	187	612
Amortisation during the year	-	10,343	2,627	12,970
Balance at 31 December	-	10,768	2,814	13,582
Carrying amounts				
Balance at 31 December	383,547	58,207	10,157	451,911

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.

13. INTANGIBLE ASSETS

Goodwill carrying amount:	31 December 2014 RUB'000	31 December 2013 RUB'000
Subsidiaries acquired in 2011	**29,179**	30,051
Vitanostra Ltd acquired in March 2013	**211,303**	211,303
LLC Centre of Reproductive Medicine	**142,193**	142,193
acquired in May 2013	**1,055,593**	-
Ivicend Holding Ltd acquired in October 2014	**1,438,268**	383,547

Goodwill has been allocated for impairment testing purposes to 4 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 3%. Discount rates applied to the cash flow projections are in the range of 19% to 20%. Additional details for determination of fair values of net assets are disclosed in note 26 of the consolidated financial statements.

No impairment was recognised in 2014. 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.

14. ACQUISITION OF SUBSIDIARIES

In October 2014 the Company acquired Ivicend Holding Ltd, a Cyprus holding company for Russian subsidiaries which provide different medical services in various disciplines such as Gynaecology, Paediatrics, Fertility and In-Vitro Fertilisation ("IVF") Treatment. These entities are located in the Russian city of Novosibirsk. The purpose of the acquisition was the geographical expansion of the Group's activities.

Goodwill arising on consolidation:	RUB'000
Consideration transferred – cash	1,805,056
Less: Fair value of the net assets acquired	(749,463)
Goodwill arising on consolidation	1,055,593

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	498,582
Property, plant and equipment	582,396
Inventories	38,113
Trade, other receivables and deferred expenses	46,691
Loans receivable	175
Cash and cash equivalents	7,644
Deferred tax liabilities	(1,010)
Loans and borrowings	(273,234)
Deferred income	(3,847)
Trade and other payables	(146,047)
Net assets	**749,463**

The gross contractual amounts to be received equal to the carrying amount at fair value. All contractual amounts are expected to be received.

Net cash outflow on acquisition of subsidiaries	2013 RUB'000
Consideration paid in cash	1,805,056
Cash and cash equivalents acquired	(7,644)
	1,797,412

Contribution to the Group results

The amounts of revenue and profit contributed to the Group from the subsidiaries acquired are presented below.

Net cash outflow on acquisition of subsidiaries	RUB'000
Revenue	232,208
Profit	14,726

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 RUB815,440 thousand.

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. INVENTORIES

	31 December 2014 RUB'000	31 December 2013 RUB'000
Consumables	**267,896**	110,931

16. TRADE, OTHER RECEIVABLES AND DEFERRED EXPENSES

	31 December 2014 RUB'000	31 December 2013 RUB'000
CAPEX prepayments	**104,557**	437,719
Trade receivables	**111,394**	76,981
Advances paid to suppliers	**60,834**	45,306
Deferred expenses	**15,936**	13,884
Other receivables	**41,219**	15,631
	333,940	589,521
Non current portion	**104,557**	437,719
Current portion	**229,383**	151,802
	333,940	589,521

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

The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in the Group's trade receivables.

Ageing analysis of trade and other receivables:

Trade receivables:	Gross amount 31 December 2014 RUB'000	Impairment 31 December 2014 RUB'000	Gross amount 31 December 2013 RUB'000	Impairment 31 December 2013 RUB'000
Not past due	111,394	-	76,981	-
Past due	22,276	(22,276)	2,392	(2,392)
	133,670	(22,276)	79,373	(2,392)

Capex prepayments:	Gross amount 31 December 2014 RUB'000	Impairment 31 December 2014 RUB'000	Gross amount 31 December 2013 RUB'000	Impairment 31 December 2013 RUB'000
Recoverable	104,557	-	437,719	-
Nonrecoverable	1,695	(1,695)	1,695	(1,695)
	106,252	(1,695)	439,414	(1,695)

Currency:	31 December 2014 RUB'000	31 December 2013 RUB'000
Russian Ruble	312,797	205,775
United States Dollar	10,109	240,135
Euro	11,034	143,611
	333,940	589,521

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 25 of the consolidated financial statements.

17. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash at bank and in hand	181,325	2,741,492
Bank deposits with maturity less than 3 months	709,226	531,850
	890,551	3,273,342

Currency:	31 December 2014 RUB'000	31 December 2013 RUB'000
Russian Ruble	371,869	1,487,020
Euro	487	416
United States Dollar	518,195	1,785,906
	890,551	3,273,342

The exposure of the Group to credit and currency risk and impairment losses in relation to cash and cash equivalents is reported in note 25 of the consolidated financial statements.

18. SHARE CAPITAL

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

19. 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 2014, 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, translation 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 2014 (31 December 2013: 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 RUB27,521 thousand on 31 December 2014 (31 December 2013: RUB27,521 thousand).

Exchange differences relating to the translation of the net assets of the Company from its functional currency to the Group's presentation currency before changing the functional currency of the Company from US Dollars to Russian Rubles were recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. The foreign currency translation reserve amounted to nil on 31 December 2014 (31 December 2013: RUB110,859 thousand), as a result of transferring the translation reserve to retained earnings as at 1 January 2014 in connection with the change in functional currency of the Company (please refer to note 2(e)).

20. LOANS AND BORROWINGS

Currency:	31 December 2014 RUB'000	31 December 2013 RUB'000
Long term liabilities		
Bank loans	3,251,060	2,379,389
Short term liabilities		
Bank loans	869,081	617,865
Maturity of loans and borrowings:		
Within one year	869,081	617,865
Between one and five years	3,251,060	2,379,389
	4,120,141	2,997,254

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 2014, the terms and debt repayment schedule of loans is as follows:

	Currency	Nominal interest rate	Year of maturity	31 December 2014 Face value RUB'000	31 December 2014 Carrying amount RUB'000	31 December 2013 Face value RUB'000	31 December 2013 Carrying amount RUB'000
Secured bank loan	RUB	9%	2018	2,140,353	2,140,353	2,534,712	2,534,712
Secured bank loan	RUB	10.8%	2019	800,000	800,000	-	-
Secured bank loan	RUB	10.8%	2019	500,000	500,000	-	-
Secured bank loan	RUB	9%	2018	372,647	372,647	392,446	392,446
Secured bank loans	RUB	20%	2015 – 2018	158,613	158,613	-	-
Secured bank loan	RUB	11.8%	2019	49,461	49,461	-	-
Unsecured bank loan	RUB	9.1%	2015	40,087	40,087	44,398	44,398
Other bank loans	RUB	11.5%-25.15%	2015	58,980	58,980	-	-
Secured bank loans	RUB	9%-12%	2014	-	-	25,698	25,698
				4,120,141	4,120,141	2,997,254	2,997,254

The exposure of the Group to interest rate and liquidity risk in relation to loans and borrowings is reported in note 25 of the consolidated financial statements.

21. DEFERRED TAX

	Balance at 31 December 2014	Charged to the statement of comprehensive income	Acquisitions through business combinations	Balance at 1 January 2014
Deferred tax liability				
Property, plant and equipment	6,690	(168)	1,010	5,848
	6,690	(168)	1,010	5,848
Deferred tax assets				
Property, plant and equipment	-	(122)	-	122
Accruals	949	573	-	376
Tax losses carried forward	3,274	2,531	-	743
Other	192	192	-	-
	4,415	3,174	-	1,241

	Balance at 31 December 2013	Charged to the statement of comprehensive income	Acquisitions through business combinations	Balance at 1 January 2013
Deferred tax liability				
Property, plant and equipment	5,848	(136)	-	5,984
	5,848	(136)	-	5,984
Deferred tax assets				
Property, plant and equipment	122	48	-	74
Accruals	376	314	-	62
Tax losses carried forward	743	743	-	-
	1,241	1,105	-	136

22. TRADE AND OTHER PAYABLES

Cash balances are analysed as follows:	31 December 2014 RUB'000	31 December 2013 RUB'000
CAPEX payables	**205,181**	255,371
Accruals	**204,517**	154,017
Payables to employees	**161,959**	119,126
Trade payables	**194,739**	108,244
Taxes payable	**122,364**	102,167
Other payables	**43,570**	13,425
	932,330	752,350
Non current portion	**33,638**	4,349
Current portion	**898,692**	748,001
	932,330	752,350
Currency:		
Russian Ruble	**742,051**	532,832
United States Dollar	**95,056**	142,325
Euro	**77,126**	70,922
UK pound sterling	**18,097**	6,271
	932,330	752,350

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

The exposure of the Group to currency and liquidity risk in relation to trade and other payables is reported in note 25 of the consolidated financial statements.

23. DEFERRED INCOME

Cash balances are analysed as follows:	31 December 2014 RUB'000	31 December 2013 RUB'000
Patient advances	876,651	679,988
Deferred income after more than one year	90,405	72,025
Deferred income within one year	786,246	607,963
	876,651	679,988

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.

24. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

24.1 Key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2014 was RUB32,945 thousand (31 December 2013: RUB46,967 thousand).

During the year ended 31 December 2013 the Company acquired 30% share capital of subsidiary from a member of the key management personnel. The total consideration paid for the acquisition of the share in subsidiary amounted to RUB56,480 thousand.

The Company has concluded an agreement for rental of an office in Cyprus with a member of the key management personnel effective from 1 July 2013. The rent expense under this agreement amounted to RUB920 thousand for the year ended 31 December 2014 (31 December 2013: RUB387 thousand).

24.2 Transactions with other related parties

	31 December 2014	31 December 2013
Revenue received from other related parties	-	1,462

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

24.3 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 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 18), including treasury shares acquired by the Company (note 19).

25. 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:

Cash balances are analysed as follows:	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash and cash equivalents	890,551	3,273,342
Trade and other receivables	159,659	99,671
Investments	2,705	3,750
	1,052,915	3,376,763

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 RUB882,029 thousand at 31 December 2014 (31 December 2013: RUB3,268,178 thousand) which represents its maximum credit exposure on these assets.

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

Rating	Agency	31 December 2014 RUB'000	31 December 2013 RUB'000
A2	Moody's Investors Service	-	2,326,148
Baa1	Moody's Investors Service	481,268	824,970
Baa2	Moody's Investors Service	158,805	92,218
Baa3	Moody's Investors Service	-	9,459
Ba1	Moody's Investors Service	232,846	-
Ba3	Moody's Investors Service	1,974	11,821
B2	Moody's Investors Service	814	-
B1	Moody's Investors Service	-	2,222
Caa1	Moody's Investors Service	2,569	-
Caa3	Moody's Investors Service	697	
Ca	Moody's Investors Service	-	412
N/A	*	3,057	928
Cash in hand		8,522	5,164
Cash and cash equivalents		890,551	3,273,342

* 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 object 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 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
Bank loans	4,120,141	5,008,999	194,178	1,058,544	1,414,905	2,341,373
Obligations under finance leases	450	505	84	422	-	-
CAPEX payables	205,181	205,181	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	5,941,834	845,701	1,306,043	1,442,857	2,347,232

31 December 2013	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
Bank loans	2,997,254	3,616,048	142,082	720,955	898,103	1,854,908
Obligations under finance leases	2,890	3,602	418	1,984	1,200	-
CAPEX payables	255,371	255,371	223,097	27,925	4,349	-
Trade payables	108,244	108,244	108,244	-	-	-
Other payables and accrued expenses	388,735	388,735	261,488	127,247	-	-
	3,752,494	4,372,000	735,329	878,111	903,652	1,854,908

As disclosed in note 20, 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:

	31 December 2014 000'RUB	31 December 2013 000'RUB
Fixed rate instruments		
Financial assets	711,931	535,600
Financial liabilities	(4,120,591)	(3,000,144)
	(3,408,660)	(2,464,544)

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 2014			31 December 2013		
	US$'000	EURO'000	GBP'000	US$'000	EURO'000	GBP'000
Assets						
Cash at bank	9,211	7	-	54,566	9	-
Other receivables	68	-	-	-	-	-
Liabilities						
CAPEX payables	(1,536)	(981)	-	(4,181)	(1,438)	-
Trade and other payables and accruals	(152)	(148)	(207)	(168)	(138)	(116)
Net exposure	7,591	(1,122)	(207)	50,217	(1,567)	(116)

	Average rate		Reporting date spot rate	
The following significant exchange rates applied during the year:	2014	2013	2014	2013
US$	38.4217	31.8480	56.2584	32.7292
EURO	50.8150	42.3129	68.3427	44.9699
GBP	63.0926	49.8486	87.4199	53.9574

Sensitivity analysis

A 10% strengthening of the Russian Ruble against the following currencies at the reporting date would have affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

For a 10% weakening of the Russian Rubles against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss		Equity	
The following significant exchange rates applied during the year:	2014 RUB'000	2013 RUB'000	2014 RUB'000	2013 RUB'000
US$	(42,706)	(164,356)	(42,706)	(164,356)
EURO	7,668	7,048	7,668	7,048
GBP	1,810	626	1,810	626
	(33,228)	(156,682)	(33,228)	(156,682)

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:

	2014 RUB'000	2013 RUB'000
Total loans and borrowings	**4,120,591**	3,000,144
Less: Cash and cash equivalents	**(890,551)**	(3,273,342)
Net debt	**3,230,040**	(273,198)
Total equity	**10,136,594**	9,209,158
Net debt to equity ratio	**31.87%**	not applicable

26. FAIR VALUES

As at 31 December 2014 and 31 December 2013 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.

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 market prices for similar items of property being the estimated amounts for which an item could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.
- the average of the cost approach and the market approach for the rest of equipment and construction in progress. Fair values based on the market approach were calculated by using market prices for similar items of equipment being the estimated amount for which an item of equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Fair values based on cost approach were calculated by using depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- the income approach for 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.

27. 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 recent 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 Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. 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 characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncement and court decisions. However, the interpretations of the tax authorities and courts 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 in the fourth quarter 2014 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 Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of 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.

28. NON-CONTROLLING INTERESTS

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.

	2014 RUB'000	2013 RUB'000
Revenue	2,597,808	2,588,693
Profit and total comprehensive income	1,111,523	1,199,641
Profit and total comprehensive income allocated to non-controlling interests	55,576	59,982
Dividends paid to non-controlling interests	55,000	65,000

	31 December 2014 RUB'000	31 December 2013 RUB'000
Non-controlling interests percentage	5%	5%
Non-current assets	3,018,707	3,062,225
Current assets	792,722	627,167
Non-current liabilities	(90,405)	(72,025)
Current liabilities	(514,616)	(422,482)
Net assets	3,206,408	3,194,885
Carrying amount of non-controlling interests	160,320	159,744

29. OPERATING LEASES

Historically, the Group has developed business in own premises. However, in 2013 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.

	2014 RUB'000	2013 RUB'000
Within one year	44,066	17,804
Between one and five years	74,651	54,310
More than five years	60,868	38,746
	179,585	110,860

30. CAPITAL COMMITMENTS

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

	2014 RUB'000	2013 RUB'000
Property, plant and equipment	48,238	5,666
Construction contracts	58,565	1,581,578
	106,803	1,587,244

31. 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.

32. EVENTS AFTER THE REPORTING PERIOD

In February 2015 the Company has opened a new medical centre with a total area of more than 1,400 square metres in the Russian city of Ryazan. The new clinic will provide IVF services, other innovative services in the field of obstetrics and gynaecology, numerous diagnostic and therapeutic services in paediatrics.

Officers, Professional Advisors and Registered Office

Board of Directors	Mark Kurtser — Chairman Vitaly Ustimenko Kirill Dmitriev (Nikolay Ishmetov, alternate director to Kirill Dmitriev) Elena Mladova Simon Rowlands Vladimir Mekler 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 2014.

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 2014 and its financial position as at that date are set out in the Statement of Comprehensive Income on page 10 and in the Statement of Financial Position on page 11 of the financial statements.

The profit for the year ended 31 December 2014 amounted to RUB1,648,005 thousand (2013: RUB1,078,793 thousand). The total assets of the Company as at 31 December 2014 were RUB8,319,159 thousand (2013: RUB6,899,476 thousand) and the net assets were RUB8,274,138 thousand (2013: RUB6,879,490 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 14 March 2014 the Board of Directors declared a final dividend out of 2013 profits amounting to US$5,259 thousand (RUB180,271 thousand), which corresponds to US$0.07 (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.

The Board of Directors recommends the payment of RUB 300,000 thousand as final dividend for the year 2014 which corresponds to RUB 4,01 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 2014 year the Company has acquired 100% share in Ivicend Holding Ltd. Also during the year 2014 the Company has incorporated two new entities, Mother and Child Ryazan and

Shelly Management ltd. Additional brief details for all subsidiaries are given in note 8.

In October 2014 the new hospital in the Russian city Ufa was put into operation.

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 16 of the financial statements.

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

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 1.

The members of the Board of Directors who served during the year 2014 and as at 31 December 2014 were are as follows:

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

On 19 February 2015 Ms. Liubov Malyarevskaya, Mr. Vladimir Mekler and Mr. Vitaly Ustimenko were appointed as the new directors.

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 three non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Dr. Mark Kurtser. Mr. Vladimir Mekler and Mr. Simon Rowlands are the other members.

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

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

CORPORATE GOVERNANCE

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

Improving its corporate governance structure in accordance with the internationally recognised best practices the Company adopted 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

During the year ended 31 December 2014, the Company did not operate any branches. On 19 February 2015 the Board of Directors decided to open a branch in Moscow, Russian Federation.

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 2014, these shares were owned by the Company.

EVENTS AFTER THE REPORTING PERIOD

In February 2015 the Company opened a new medical centre in the Russian city of Ryazan. The new clinic will provide IVF services, other innovative services in the field of obstetrics and gynaecology, numerous diagnostic and therapeutic services in paediatrics.

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, 20 March 2015

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; and
- 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
Kirill Dmitriev	Non-executive director
Liubov Malyarevskaya	Non-executive independent director
Vladimir Mekler	Non-executive director
Elena Mladova	Executive director
Simon Rowlands	Non-executive independent director
Vitaly Ustimenko	Executive director

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 10 to 28 which comprise the statement of financial position as at 31 December 2014, and 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 control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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 appears from our examination of these 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 2 to 6 is consistent with the financial statements.

Other matter

This report, including the opinion expressed herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 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 have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

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
20 March 2015

Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RUB'000	2013 RUB'000
Gain on disposal of subsidiaries	4	**333,067**	-
Dividend income		**1,144,168**	1,221,963
Administrative expenses		**(85,293)**	(74,800)
Operating profit		**1,391,942**	**1,147,163**
Finance income		**5,180**	14,461
Finance expenses		**(12,408)**	(551)
Net foreign exchange gain / (loss)		**321,945**	(15,782)
Net finance income / (expenses)	5	**314,717**	(1,872)
Profit before tax	6	**1,706,659**	1,145,291
Taxation		**(58,654)**	(66,498)
Profit for the year		**1,648,005**	1,078,793
Other comprehensive income			
Foreign currency translation differences on foreign operations		**-**	248,037
Total comprehensive income for the year		**1,648,005**	**1,326,830**

Statement of Financial Position

As at 31 December 2014

	Note	31 December 2014 RUB'000	31 December 2013 RUB'000
Assets	8		
Investments in subsidiaries		**7,831,312**	4,569,339
Total non current assets		**7,831,312**	**4,569,339**
Trade and other receivables		**2,941**	3,577
Cash and cash equivalents	9	**484,906**	2,326,560
Total current assets		**487,847**	**2,330,137**
Total assets		**8,319,159**	6,899,476
Equity			
Share capital	10	**180,585**	180,585
Share premium	11	**5,243,319**	5,243,319
Reserves	11	**2,850,234**	1,455,586
Total equity		**8,274,138**	**6,879,490**
Liabilities			
Trade and other payables		**44,718**	19,986
Tax liability	12	**303**	-
Total current liabilities		**45,021**	19,986
Total equity and liabilities		**8,319,159**	6,899,476

On 20 March 2015 the Board of Directors of MD Medical Group Investments Plc authorised these financial statements for issue.

Elena Mladova
Director

Mark Kurtser
Director

Vitaly Ustimenko
Director

Statement of changes in equity

For the year ended 31 December 2014

	Note	Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Retained earnings RUB'000	Other reserves RUB'000	Total RUB'000
Balance at 1 January 2013		180,585	-	5,243,319	382,715	59.914	**5,866,533**
Comprehensive income							
Profit for the year		-	-	-	1,078,793	-	**1,078,793**
Other comprehensive income							
Foreign currency translation differences		-	-	-		248,037	**248,037**
Contributions by and distributions to owners							
Dividends	7	-	-	-	(313,873)	-	**(313,873)**
Total transactions with owners		-	-	-	(313,873)	-	**(313,873)**
Balance at 31 December 2013		180,585	-	5,243,319	1,147,635	307,951	**6,879,490**
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		-	-	-	(180,271)	-	**(180,271)**
Acquisition of treasury shares		-	(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**

Share premium and other reserves are not available for distribution.

Statement of cash flows

For the year ended 31 December 2014

	31 December 2014 RUB'000	31 December 2013 RUB'000
Cash flows from operating activities		
Profit for the year	1,648,005	1,078,793
Adjustments for:		
Gain on disposal of subsidiaries	(333,067)	-
Dividend income	(1,144,168)	(1,221,963)
Interest income	(5,180)	(14,461)
Finance expense	12,408	551
Net exchange (gain) / loss	(321,944)	15,782
Taxation	58,654	66,498
Cash flows from operations before working capital changes	**(85,292)**	**(74,800)**
Decrease in trade and other receivables	1,102	155,624
Increase / (Decrease) in trade and other payables	14,749	(19,639)
Cash flows from operations	**(69,441)**	**61,185**
Dividends received	1,144,168	1,235,633
Tax paid	(58,351)	(66,498)
Net cash flows from operating activities	**1,016,376**	**1,230,320**
Cash flows from investing activities		
Capital contributions to subsidiaries	(1,623,998)	(2,499,569)
Acquisition of subsidiaries	(1,805,056)	(655,006)
Disposal of subsidiaries	500,150	-
Withdrawal of bank deposit	-	2,429,816
Interest received	4,714	14,461
Net cash flows used in investing activities	**(2,924,190)**	**(710,298)**
Cash flows from financing activities		
Proceeds from borrowings	500,000	-
Repayment of borrowings	(500,000)	-
Acquisition of treasury shares	(73,086)	-
Finance expenses paid	(12,408)	(551)
Increase in ownership in subsidiary	(2)	(9,884)
Dividends paid	(180,271)	(313,873)
Net cash flows used in financing activities	**(265,767)**	**(324,308)**
Net increase in cash and cash equivalents	**(2,173,581)**	**195,714**
Cash and cash equivalents at the beginning of the year	2,326,560	1,889,780
Effect of exchange rate changes on cash and cash equivalent	**331,927**	241,066
Cash and cash equivalents at the end of the year	**484,906**	2,326,560

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 2014 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 2014. 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.

(e) Functional and presentation currency

For the reporting periods before the year 2014, the functional currency of the Company was the US dollar (US$). The Management of the Company decided that the Russian Ruble (RUB) is the functional currency of the Company, with effect from 2014. This change is made in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", since primary cash income and expenditure of the Company since 2014 are nominated in RUB.

The amounts on 1 January 2013 were translated using the exchange rates on 31 December 2013, except for share capital and share premium that were translated using historic exchange rates in order to be consistent with the consolidated financial statements of the Company. The comparative figures in the statement of comprehensive income have been translated to RUB at average exchange rate for the year 2013. The comparative figures in the statement of financial position have been translated to RUB at exchange rates on 31 December 2013.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these 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. Finance expenses are recognised as expenses in the period in which they fall due.

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 fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

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

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.

Comparatives

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

4. ADMINISTRATIVE EXPENSES

	2014 RUB'000	2013 RUB'000
Consulting fees	55,068	48,131
Independent auditors' remuneration	27,095	21,121
Other expenses	3,130	5,548
	85,293	74,800

5. NET FINANCE INCOME AND EXPENSES

	2014 RUB'000	2013 RUB'000
Finance income		
Bank interest received	5,180	14,461
Finance expenses		
Bank charges	(3,679)	(551)
Interest on bank loans	(8,729)	-
	(12,408)	(551)
Net foreign exchange transaction gain / (loss)	321,945	(15,782)
Net finance income/(expense)	314,717	(1,872)

6. TAXATION

	2014 RUB'000	2013 RUB'000
Overseas tax on dividends received	57,094	63,139
Special contribution for the year	1,560	3,359
Charge for the year	58,654	66,498

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

	2014 RUB'000	2013 RUB'000
Accounting profit before tax	1,706,659	1,145,291
Tax calculated at the applicable tax rates	213,332	143,161
Tax effect of expenses not deductible for tax purposes	10,469	9,481
Tax effect of allowances and income not subject to tax	(225,545)	(154,553)
Tax effect of loss for the year	1,744	1,910
Special contribution	1,560	3,280
Overseas tax in excess of credit claim used during the year	57,094	63,318
Tax as per statement of comprehensive income charge	58,654	66,498

The corporation tax rate is 12.5% (2013: 12.5%).

Under certain conditions interest income may be subject to Special contribution (SCDF) at the rate of 30% (up to 28 April 2013:15%). In such cases this interest will be exempted from corporation tax. In certain cases, dividends received from abroad may be subject to SCDF at the rate of 20% for the tax year 2013 and 17% for 2014 and thereafter.

Due to tax losses sustained in the year, no tax liability arises on the Company. Tax losses may be carried forward for five years. No deferred tax asset is recognised in the statement of financial position.

7. DIVIDENDS

On 5 April 2013 the Board of Directors declared a final dividend for the year 2012 amounting to US$9,766 thousand (RUB313,873 thousand), which corresponds to US$0.13 (RUB4.18) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 7 June 2013. The dividend was paid on 11 June 2013.

On 14 March 2014 the Board of Directors declared a final dividend for the year 2013 amounting to US$5,259 thousand (RUB180,271 thousand), which corresponds to US$0.07 (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.

Dividends are subject to a deduction of special contribution at the rate of 20% for the year 2013 and 17% for 2014 and thereafter for individual shareholders that are resident in Cyprus for taxation purposes. Dividends payable to non-residents of Cyprus for taxation purposes are not subject to such a deduction.

8. INVESTMENTS IN SUBSIDIARIES

	2014 RUB'000	2013 RUB'000
Balance at 1 January	**4,569,339**	1,272,471
Additions	**3,429,056**	3,296,868
Disposals	**(167,083)**	-
Balance at 31 December	7,831,312	4,569,339

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Notes	31 December 2014 Effective Holding %	31 December 2013 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 Ecodeure	Russian Federation	Medical services	8	**-**	85
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	3	**100**	80
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	2	**60**	60
LLC MD Service	Russian Federation	Pharmaceutics retail	4	**98**	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	BVI	Holding of investments		**100**	100
LLC NPC MIR	Russian Federation	Holding of investments	5	**100**	100
LLC MK IDK	Russian Federation	Medical services	5	**100**	100
LLC Apteka IDK	Russian Federation	Pharmaeutics retail	5	**100**	100
LLC CSR	Russian Federation	Medical services	5	**100**	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	6, 10	**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	7	**100**	-
Shelly Management ltd	BVI	Holding of investments	5, 7	**100**	-
Ivicend Holding Ltd	Cyprus	Holding of investments	9	**100**	-
CJSC MC Avicenna	Russian Federation	Medical services	10	**100**	-
LLC H&C Medical Group	Russian Federation	Medical services	10	**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. In March 2014 the Company acquired additional 20% share in LLC MD PROJECT 2010.
4. 95% of the share capital of the entity is directly owned by the Company and 5% of the share capital is owned by LLC Clinica Zdorovia.
5. These entities are indirectly owned through Vitanostra Ltd.
6. In November 2014 the entity was sold to CJSC MC Avicenna, another subsidiary of the Company. The effective holding percentage for the entity has not changed.
7. These entities were incorporated in 2014.
8. This entity was disposed in July 2014.
9. This entity was acquired in October 2014.
10. These entities are indirectly owned through Ivicend Holding Ltd.

9. CASH AND CASH EQUIVALENTS

	2014 RUB'000	2013 RUB'000
Cash at bank and in hand	29,213	2,326,560
Bank deposits with maturity less than 3 months	455,693	-
	484,906	2,326,560

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 US$	Share capital RUB'000	Share capital US$'000
Authorised	125,250,000	0.08	-	10,020
Issued and fully paid	75,125,010	0.08	180,585	6,010

The amount of share capital is presented using historical exchange rates. If calculated using the exchange rate at the date of change of the functional currency (note 2(e)), the amount of share capital would be RUB196,702 thousand. The difference was recognized in other reserves and due to its capital nature is not available for distribution.

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.

The amount of share premium was US$169,120 thousand before the change of the functional currency (note 2(e)) and is presented using historical exchange rates. If calculated using the exchange rate at the date of change of the functional currency, the amount of share premium would be RUB5,535,153 thousand. The difference was recognized in other reserves and due to its capital nature is not available for distribution.

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 2014, 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 Rubles were recognised directly in other comprehensive income and accumulated in the other reserves.

12. TRADE AND OTHER PAYABLES

	2014 RUB'000	2013 RUB'000
Accruals	13,560	4,834
Other payables	31,158	15,152
	44,718	19,986

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 14 of the financial statements.

13. RELATED PARTY TRANSACTIONS

As at 31 December 2014, 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 2014 was RUB6,433 thousand (31 December 2013: RUB8,017 thousand).

During the year ended 31 December 2013 the Company acquired 30% share capital of subsidiary from a member of the key management personnel. The total consideration paid for the acquisition of the share in subsidiary amounted to RUB56,480 thousand.

The Company has concluded an agreement for rental of an office in Cyprus with a member of the key management personnel effective from 1 July 2013. The rent expense under this agreement amounted to RUB920 thousand for the year ended 31 December 2014 (31 December 2013: RUB387 thousand).

13.2 Transactions with subsidiary companies

	2014 RUB'000	2013 RUB'000
Dividends received	1,144,168	1,221,963
Gain on disposal of subsidiary	333,081	-
	1,477,249	1,221,963

Gain on disposal of subsidiary is the excess of the consideration received amounted to RUB500,000 thousand over the cost of investment amounted to RUB166,919 thousand.

13.3 Outstanding balances with subsidiary companies

	2014 RUB'000	2013 RUB'000
Unpaid contributions to share capital	-	2,500
Total payables to subsidiary companies	-	2,500

13.4 Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 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	67.9
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:

	2014 RUB'000	2013 RUB'000
Trade and other receivables	2,941	3,577
Cash and cash equivalents	484,906	2,326,560
	487,847	2,330,137

Cash and cash equivalents

The Company held cash at bank of RUB484,906 thousand at 31 December 2014 and RUB2,326,560 thousand at 31 December 2013 which represents its maximum credit exposure on these assets.

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

Rating	Agency	2014 RUB'000	2013 RUB'000
Baa1	Moody's Investors Service	481,267	-
Ba1	Moody's Investors Service	371	-
A2	Moody's Investors Service	-	2,326,148
Ca	Moody's Investors Service	-	412
Caa1	Moody's Investors Service	2,569	-
Caa3	Moody's Investors Service	699	-
		484,906	2,326,560

(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:

	Carrying amounts	Contractual cash flows	2 months or less	Between 2-12 months	Between 1-5 years	Over than 5 years
31 December 2014	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Trade and other payables	44,718	44,718	44,718	-	-	-

	Carrying amounts	Contractual cash flows	2 months or less	Between 2-12 months	Between 1-5 years	Over than 5 years
31 December 2014	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
Trade and other payables	19,986	19,986	19,986	-	-	-

(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:

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

Fixed rate instruments	2014 RUB'000	2013 RUB'000
Financial assets	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:

31 December 2014	US$'000	EUR'000	GBP'000
Assets			
Cash at bank	8,610	1	-
Other receivables	-	-	-
	8,610	1	-
Liabilities			
Other payables and accruals	(152)	(136)	(207)
Net exposure	8,458	(135)	(207)

31 December 2013	US$'000	EUR'000	GBP'000
Assets			
Cash at bank	54,564	4	-
Liabilities			
Other payables and accruals	(47)	(126)	(116)
Net exposure	54,517	(122)	(116)

	Average rate		Reporting date spot rate	
31 December 2013	**2014**	2013	**2014**	2013
US$	38.4217	31.8480	56.2584	32.7292
EURO	50.8150	42.3129	68.3427	44.9699
GBP	63.0926	49.8486	87.4199	53.9574

Sensitivity analysis

A 10% strengthening of the Russian Rouble against the following currencies at 31 December 2013 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	
31 December 2013	**2014 RUB'000**	2013 RUB'000	**2014 RUB'000**	2013 RUB'000
US$	**(47,583)**	(178,430)	**(47,583)**	(178,430)
EURO	**936**	549	**936**	549
GBP	**1,810**	626	**1,810**	626
	(44,837)	(177,255)	(44,837)	(177,255)

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. FAIR VALUES

As at 31 December 2014 and 31 December 2013 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.

16. CONTINGENT LIABILITIES

(a) Russian business environment

The operations of the Company's subsidiaries are primarily located in the Russian Federation. Consequently, the Company 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 recent 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 Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

(b) Russian tax environment

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance based position in their interpretation and enforcement of tax legislation. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncement and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these 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 in the fourth quarter 2014 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 tax position of the Company and its subsidiaries.

(c) Cyprus economic environment

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of 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.

17. COMMITMENTS

The Company had no capital or other commitments as at 31 December 2014.

18. EVENTS AFTER THE REPORTING PERIOD

In February 2015 the Company has opened a new medical centre in the Russian city of Ryazan. The new clinic will provide IVF services, other innovative services in the field of obstetrics and gynaecology, numerous diagnostic and therapeutic services in paediatrics.

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