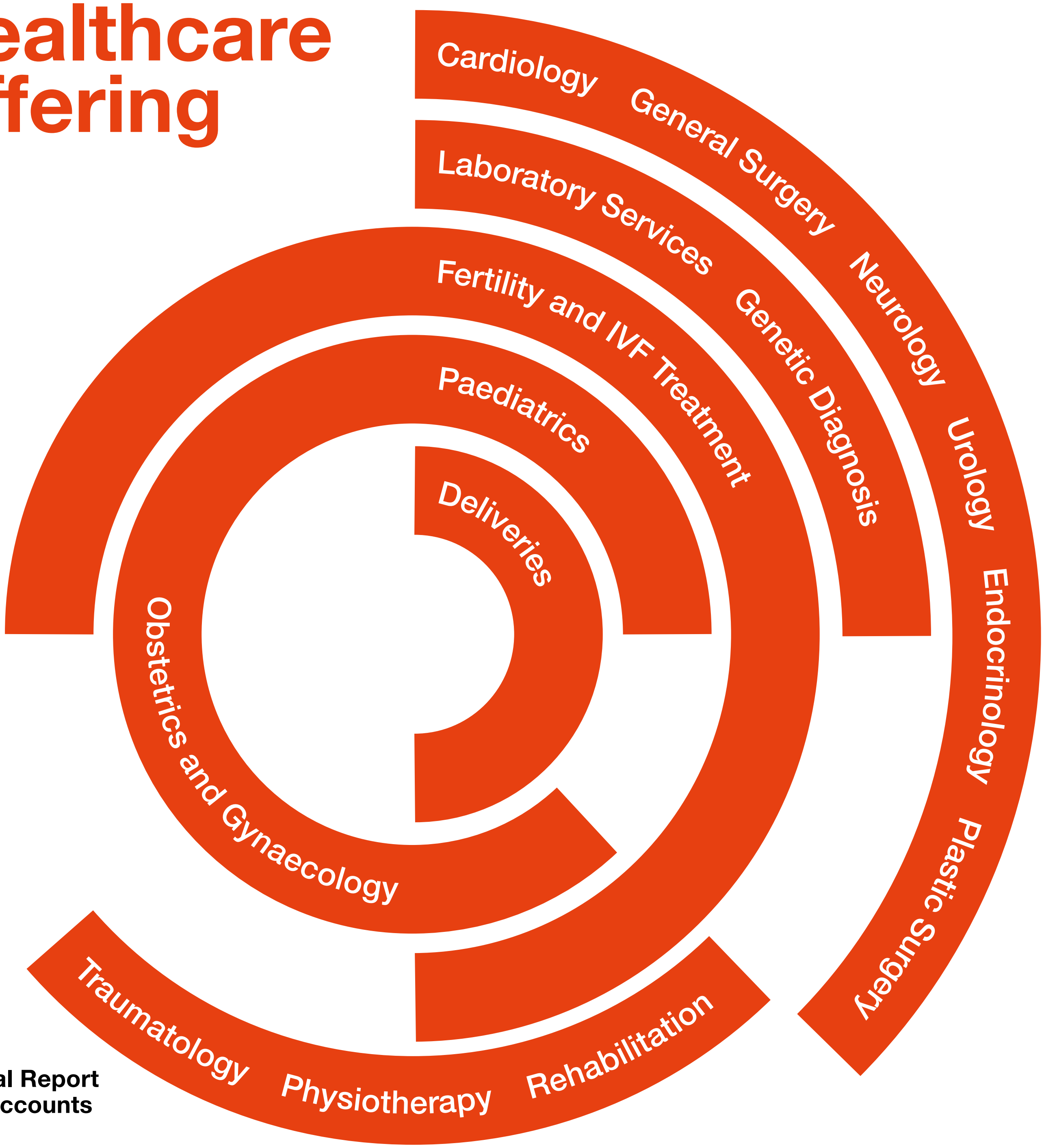
MD Medical Group

MOTHER AND CHILD

GROUP OF COMPANIES

Creating a nationwide healthcare offering



2017

Annual Report and Accounts

See our corporate website for more information on the Company
www.mcclinics.com

Annual Report and Accounts 2017

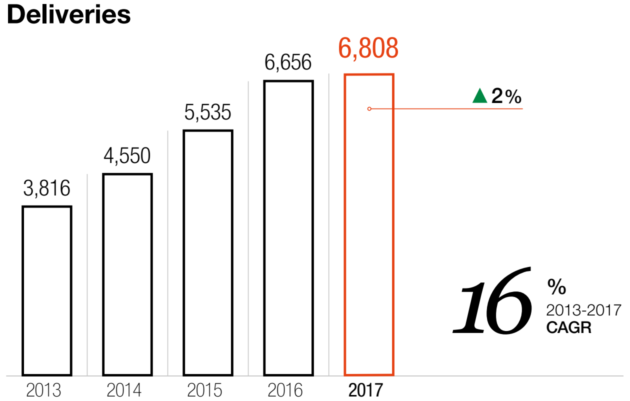
Contents

Multi-Disciplinary Leadership

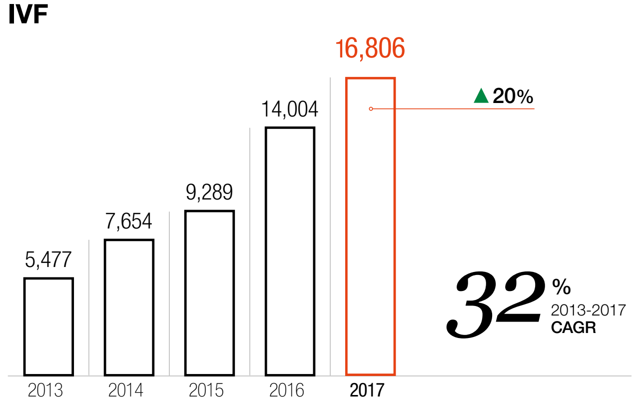
In 2017, we continued improving our financial performance, further increasing key indicators.

OPERATIONAL KPIs

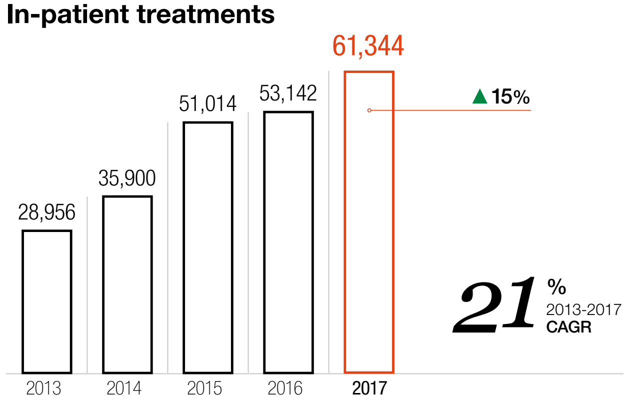
Deliveries



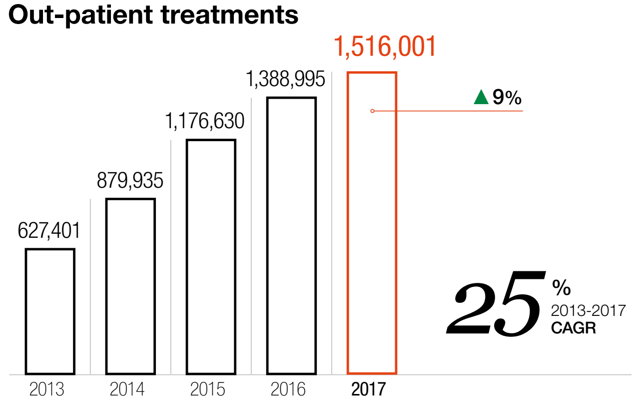
IVF



In-patient treatments



Out-patient treatments

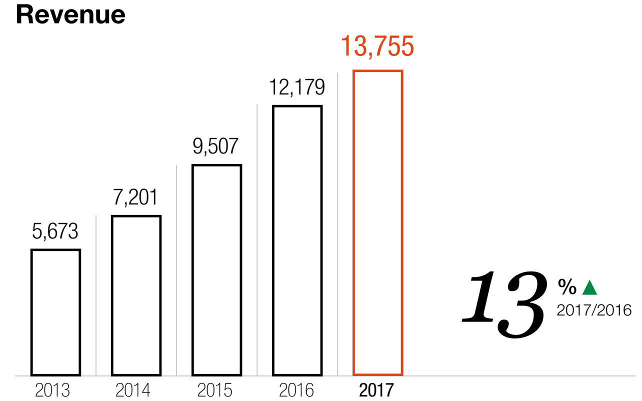


In 2017, as the undisputed leader in the private healthcare market in Russia, we took another step forward in our strategic expansion across the country and continued our transformation into a fully diversified healthcare provider. We opened new clinics and a new wing at our Novosibirsk hospital, while also upgrading existing facilities. At the same time, we laid the groundwork for further growth by continuing the construction of our hospital in Samara and we started to build a new hospital in Tyumen.

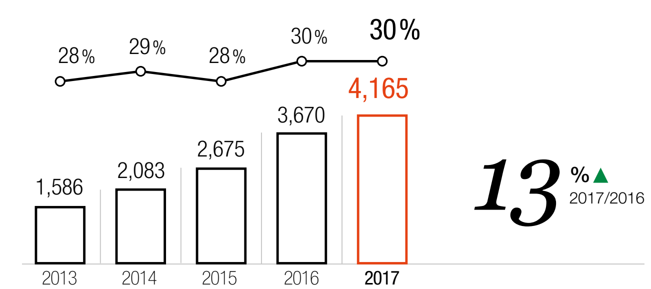
While we maintain our dominance in women's and children's health, we are replicating this success in the provision of a wider range of healthcare services for the whole family. New services, including cardiology, surgery, traumatology and urology among many others, continue to grow as a share of the Group's revenue, earning MDMG the reputation of a truly multi-disciplinary leader.

FINANCIAL KPIs (RUB MLN)

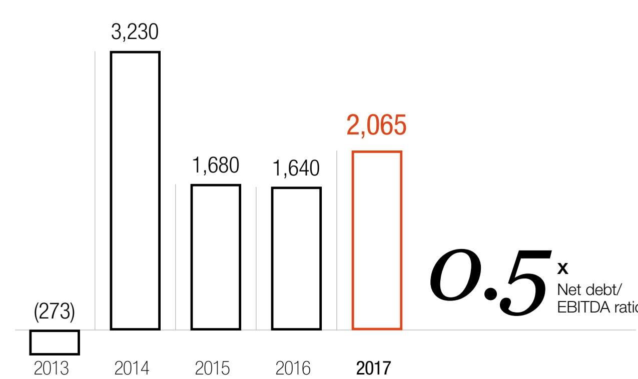
Revenue



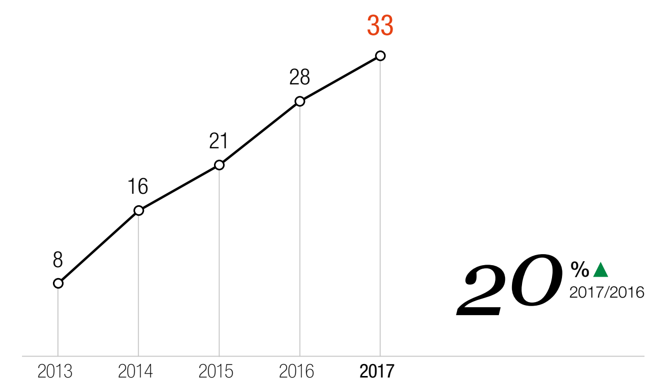
EBITDA and EBITDA margin



Net debt



EPS[1] (RUB/GDR)[2]



[1] EPS change rate calculated by dividing rounded amounts for years 2017 and 2016

[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

For more information on financial performance, please see p. 40

Overview
of MDMG's Growth

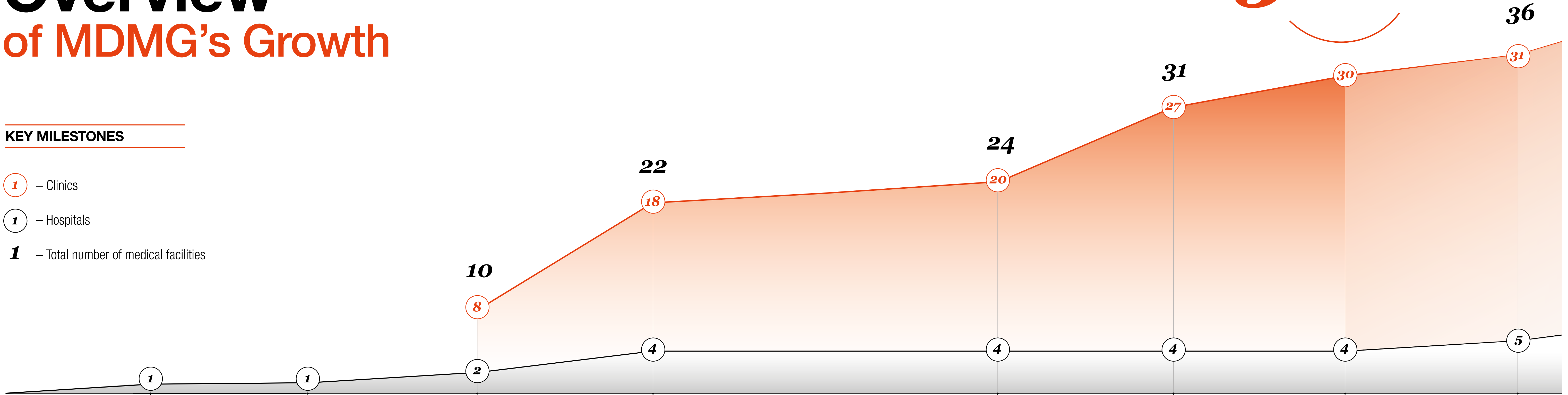
34 Clinics and hospitals[1]

KEY MILESTONES

1 – Clinics

1 – Hospitals

1 – Total number of medical facilities



2003–2009

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

- 2003 – Design and start of construction of Perinatal Medical Centre (PMC), the first private maternity hospital in Russia
- 2006 – First patients at PMC
- 2006–2009 – Expansion and diversification of our range of services, launch of new departments, including IVF and stem cell storage

2010

Establishment of growth platform

- Incorporation of MD Medical Group Investments LTD
- Start of construction of Lapino hospital

2011–2012

Roll out of a successful business model

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

2013–2014

Regional expansion

- Acquisition of clinics in the Samara Region and Irkutsk
- Opening of a clinic in Yaroslavl
- Opening of the Group's first regional self-constructed hospital in Ufa
- Acquisition of Avicenna Medical Centre in Novosibirsk (1 hospital and 3 clinics)

2015

A new leader in the Russian private healthcare industry

- Opening of out-patient clinic in Ryazan
- Launch of construction of a new in-patient wing to expand the hospital in Novosibirsk
- Acquisition of the Medica Clinic in Novokuznetsk

2016

Celebrating our 10th anniversary with further growth in Moscow and the regions

- Acquisition of ARTMedGroup chain comprising five clinics in Krasnoyarsk, Omsk, Novosibirsk and Barnaul
- Opening of a new IVF department at Mother&Child Yugo-Zapad clinic in Moscow
- Opening of a new clinic in Kostroma
- Opening of a new Mother&Child Khodynskoe Pole clinic in Moscow
- Launch of construction of a new hospital in Samara
- Signing of a Memorandum of Understanding with the Tyumen Region government
- Opening of a cardiology department at Lapino hospital
- Opening of a new out-patient medical centre in the Moscow Region

2017

Launching an ambitious programme of strategic expansion and further diversification

- Opening of a new clinic in Vladimir
- Expansion and modernisation of the clinic in St Petersburg
- Announcement of an updated strategy
- Opening of a new in-patient wing in Novosibirsk
- Opening of a miscarriage treatment centre at PMC
- Opening of a clinic in Tyumen
- Launch of construction of a new hospital in Tyumen
- Opening of a new clinic in Voronezh

2018[2]

Continuing to diversify and expand offering across the country

- Opening of a new clinic in Vladimir replacing the first one
- Opening of a new hospital in Samara
- Opening of a new clinic in Nizhny Novgorod

> "MDMG's story is a story of success and growth.

[1] As of the end of 2017
[2] As of publication date

CEO
Statement

> "The management team and I continue to focus on what we do best – delivering high-quality medical services to an ever-growing client base in Russia by efficiently implementing our proven strategy. And our strong results speak for themselves.

Dr Mark Kurtser
CEO

13,755 RUB mln

Revenue in 2017

2017 was another very strong year for our business. We increased our revenue by 13% y-o-y to RUB 13,755 million – the highest revenue achieved among all companies in the Russian private healthcare sector. Our net profit also increased by 19% y-o-y to RUB 2,704 million. These robust financial results were underpinned by our solid operating results and the continued roll-out of our development strategy.

This sustained growth was achieved primarily thanks to the continued development of the Lapino and Ufa hospitals, the expansion of our Novosibirsk hospital, and an increased range of services and improved performance at other facilities.

While we maintain our leadership in women's and children's health, in particular we increased the number of completed IVF cycles by 20% to 16,806, over recent years we have been carefully introducing new services in areas where we saw significant demand. 2017 was characterised by 24% growth in revenue from 'other medical services', representing 28% of our total revenue for the year, as we continued our transition to a multi-disciplinary leader in Russia's private healthcare market. As of today, we are proud to offer services in surgery, urology, traumatology, dental care, stem cell storage, laboratory testing, and radiology diagnostics, among others.

In addition to the new facilities and services introduced in 2017, we have a very robust new project pipeline, as outlined in our updated strategy for 2021. We presented our strategy in February 2017, and we further elaborate on it in this report.

We started 2017 with the opening of our first clinic in Vladimir – further underpinning our leading position in Russia's IVF market. We then significantly expanded and modernised one of our first clinics, in St Petersburg, diversifying its services by adding cardiology, phlebology, endocrinology, and haematology in addition to an increased offering in gynaecology. We continued the year with the opening of a new in-patient wing at our hospital in Novosibirsk, transforming it into a powerful medical hub in Siberia that has already significantly contributed to our 2017 performance. The opening of the new building has enabled us to offer a range of new services, including an oncology department and a radioisotope diagnostics laboratory that is completely unparalleled in Novosibirsk. Later in the year we opened a miscarriage treatment centre at PMC, and we also focused on providing care during complicated pregnancies and for premature births. We opened our first clinics in Tyumen and Voronezh – both offering our trademark services including OBGYN, IVF and ultrasound, as well as other services including urology and endocrinology. We launched the construction of our first hospital in Tyumen which will also offer services for the whole family. During 2017, we were laying the groundwork to start construction work on three new hospitals – in Kazan, St Petersburg, and Lapino-2.

The management team and I continue to focus on what we do best – delivering high-quality medical services to an ever-growing client base in Russia by efficiently implementing our proven strategy. And our strong results speak for themselves. While our share price improved over 2017, we believe our shares remain significantly undervalued, which we believe is largely a function of external factors, including geopolitics and perceived country-specific risks. However, we are certain that all our efforts and continued delivery on our promises will eventually result in the fair valuation of our shares, for the benefit of all of our loyal shareholders.

In 2017, we continued to pay dividends twice a year, thereby maintaining dividend payments without interruption since our inaugural payment for FY 2012 following our IPO. Last year we continued to adhere to our unofficial policy to pay no less than 25% of net profit as dividends, with a 29.7% dividend declared for FY 2017.

30 %

of net profit were declared as dividends for FY 2017

In the reporting year, the Group continued to adhere to its sustainability principles. We believe that sustainability requires a constructive dialogue with our stakeholders. Our priority is creating shared value for stakeholders by offering the highest possible quality of services. We pay particular attention to the professional development and training of our personnel, the development of unique methods, investment in state-of-the-art technologies, and collect patient feedback to make sure we are responsive to their views. We take into account social, economic, and environmental factors both in our day-to-day activities, and in the long-term development of our business.

We completed 2017 as strong as ever – as the undisputed leader in the Russian healthcare market. We have completed our transformation into a leading, diversified healthcare provider in Russia. At the same time, with the continued development of our existing hospitals and an extensive portfolio of high-quality projects in the works, our business continues to gather momentum and we see substantial opportunities to continue to grow profitably in the future.

I want to conclude this year's letter by expressing gratitude to each and every one of our shareholders and partners for supporting our business. In return, all of our employees and management team are working hard every day to achieve even better results which should in the end translate to increased shareholder value and returns over years to come.

Strategy
Q&A with the CEO

> We started our business more than a decade ago as a pure OBGYN and paediatrics provider. Over time we have grown successfully and noted an increasing need from our patients and their families for a wider scope of medical services as they appreciated our high-quality standards.

Q: Could you please briefly outline your strategic plans?

A: Today, we are the only established federal player in the Russian healthcare market with an ambitious regional expansion plan. Our strategy entails opening 10 new hospitals by 2021. As of now, we have already opened two of them – in Novosibirsk and just recently in Samara. We are looking forward to opening greenfields in Tyumen, St Petersburg, Kazan, Nizhny Novgorod, Ekaterinburg, Krasnoyarsk, and Irkutsk and considerably enlarging our hospital in Lapino.

We are well positioned to achieve this thanks to our solid experience and deep knowledge of target regions. We developed an easily scalable, standardised model for regional hospitals, which significantly reduces execution risks, decreases the turn around time and costs, and provides for higher predictability. We are very selective in choosing our investment targets which means we choose only the most promising regions for our business. Finally, we have strong capabilities in launching new hospitals, ensuring efficient execution – from construction to installing new facilities.

Q: What exactly is the standardised model that forms the basis of your strategy?

A: The model is based on our previous greenfield experience. As a standard, we take a multi-disciplinary 164-bed hospital with 15,000 sq. m area – this target size is well-suited to cover local demand and effectively reach target utilisation rates. It offers a comprehensive service range for the entire family, while we also maintain our long-established leadership in OBGYN, IVF, and paediatrics. Such a hospital has a flexible layout and departmental structure that allows for the multi-disciplinary utilisation of beds. This is where we benefit, building a hospital from scratch and taking into account the specific requirement for it to be a state-of-the-art and multi-disciplinary facility. We have the experience and the know-how to help us use marketing and pricing tools to generate demand and hire well-qualified personnel owing to our accumulated expertise.

Q: What is your strategy for choosing a region to open a new hospital?

A: We have strict selection criteria.

We are looking for cities and regions with strong macroeconomic indicators, such as GDP and income per capita. A city should have attractive demographics – in particular, a population over 1 million people and high fertility rates. There should be favourable market conditions, i. e. growing demand for high-quality private healthcare services. We are also focusing on investment friendly regions with beneficial business environment. And last but not least, it is crucial to make sure we are selecting projects with attractive returns on investment which ultimately creates more value for our shareholders.

When we are considering building a hospital in a new region, we usually open a clinic there first, unless we already have one. By operating a clinic prior to opening a larger facility we get to know the market better, increase brand awareness, hire well-qualified personnel and start building a customer base.

Q: One particular recent change is an increased share of multi-disciplinary facilities – is this part of your vision for the future?

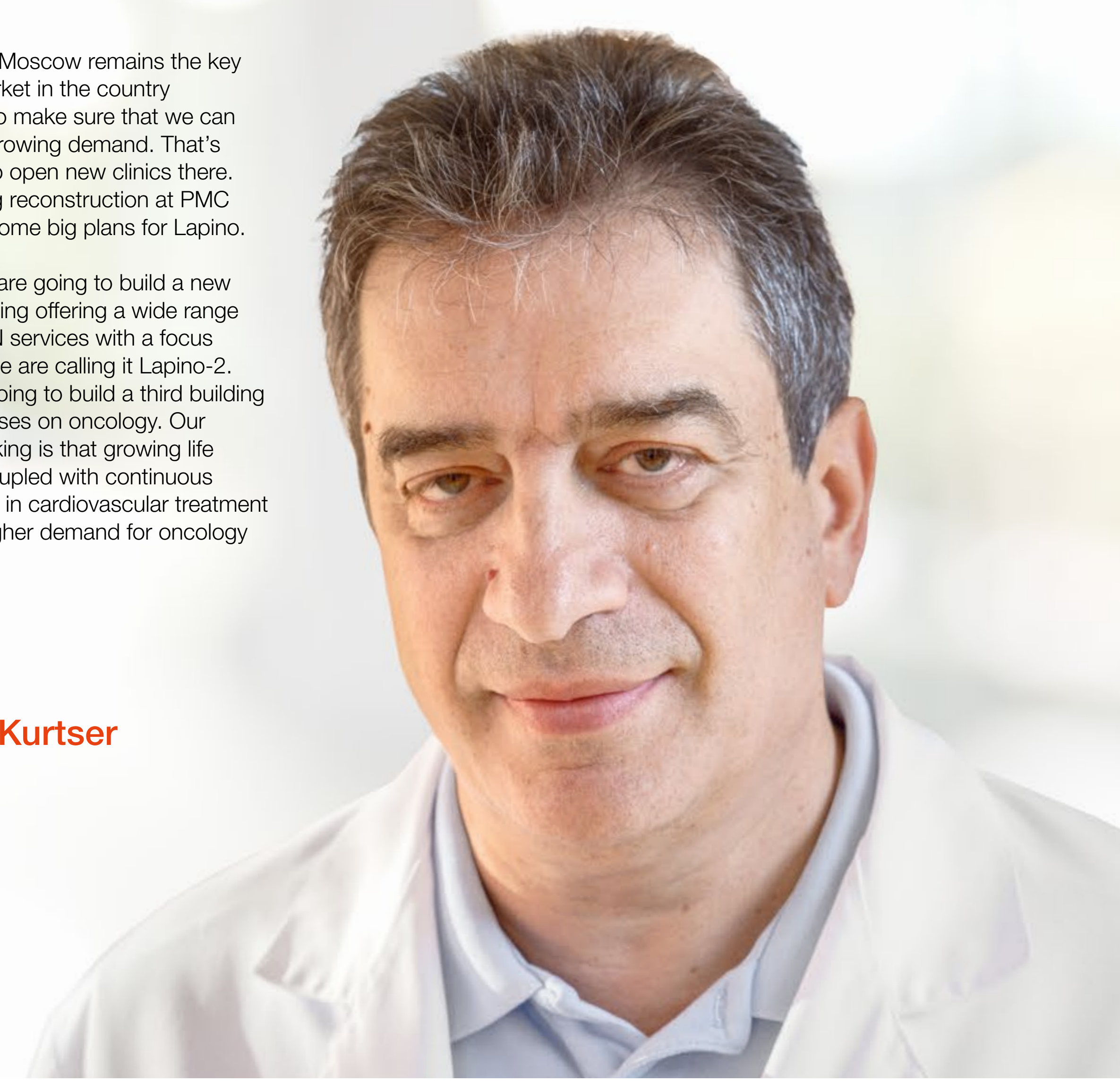
A: We started our business more than a decade ago as a pure OBGYN and paediatrics provider. Over time we have grown successfully and noted an increasing need from our patients and their families for a wider scope of medical services as they appreciated our high-quality standards.

Thus, we started looking into other areas while ensuring that we can offer the best-possible treatment. In recent years, we have introduced a wide range of new services, as we have become a truly-diversified company with OBGYN and paediatrics remaining at the core of what we do. Today, we successfully compete not only in our core services where we are the undisputed leader in Russia, but also in various other specialties. And with new multi-disciplinary hospitals in the pipeline and our experience growing on a daily basis, I believe we will further diversify and strengthen our positions in a wide range of services going forward.

Q: Your strategy focuses on regional growth, but do you have plans for Moscow?

A: Of course, Moscow remains the key healthcare market in the country and we want to make sure that we can capitalise on growing demand. That's why we plan to open new clinics there. We are starting reconstruction at PMC and we have some big plans for Lapino.

At Lapino, we are going to build a new in-patient building offering a wide range of non-OBGYN services with a focus on surgery – we are calling it Lapino-2. Later we are going to build a third building there that focuses on oncology. Our long-term thinking is that growing life expectancy coupled with continuous advancements in cardiovascular treatment will result in higher demand for oncology treatment.



Dr Mark Kurtser
CEO

Advanced Diversified
Medical Services Across Russia

“ MDMG's track-record is unique in Russia. Not only is it the leading private healthcare company with a nationwide network of modern healthcare facilities it's also setting the industry standard for the provision of advanced hi-tech medical assistance with the highest level of customer service.

DELIVERING HIGH-QUALITY MEDICAL SERVICES THROUGHOUT RUSSIA

MD Medical Group is the largest private healthcare company in Russia[1]. We started as a specialised healthcare provider for women and children and have become the sector leader, particularly in terms of deliveries and IVF cycles.

In response to an increasing demand from our patients for additional medical services outside OBGYN and paediatrics, we started gradually introducing new services in areas where we believed we could deliver in line with our high standards.

Today, we have facilities are all over Russia and offer the full range of healthcare services that any person may need. Moreover, we cover the full life-cycle. We start with pregnancy care (preceded by fertility and IVF treatment if needed), then we provide various delivery options at one of our five existing hospitals. We can treat babies for various issues, including complex cardiology conditions, from the first minutes of their lives. Our paediatricians, working in dozens of hospitals and clinics, take care of children until they are 18 years old. After that, we offer patients a wide range of services from surgery to cancer treatment. Our key objective is to provide for the patients' comfort and offer a premium level of service.

MD Medical Group is a desired and attractive employer, offering a comfortable and encouraging working environment with fair wages. This, coupled with our strong brand and reputation, allows us to hire the best talent from across Russia.

We ensure the best offering in the market thanks to some of the best professionals in the field, regularly upgraded state-of-the-art equipment and our ability to attract the best talent from across Russia.

28 %

was a share of Other medical services in total revenue for 2017

[1] According to ratings of private healthcare providers in Russia compiled by Forbes Russia and Vademecum based on the 2016 revenue.

Nationwide Network of Hi-Tech Facilities

Every day we serve a diverse array of patients in 19 regions at our 36 modern hospitals and clinics[1], whilst also adding new facilities to regions where we see a strong demand for our services.

[1] As of publication date

Nationwide
footprint

> “We are very selective in our investment targets which means we choose regions for our business according to strict criteria.

36 Hospitals and clinics in Russia[2]

We help our patients in
19
Regions[2]

[1] Including a hospital opened in 2018
[2] As of publication date

Serving Patients
where they need us most

Currently, MD Medical Group's nationwide network includes five state-of-the-art multi-disciplinary hospitals and 31 clinics offering advanced treatment and diagnostics. In line with our strategy and based on more than a decade of experience, we identify the most promising regions for our business.

Our facilities are located across the country, in regions with strong demand and high incomes. As a rule, our hospitals and clinics are built around our core services – OBGYN and paediatrics – while over the years we have been adding more diversified services. This trend started with our first multi-disciplinary hospital in Lapino and continued through to the recent opening of a greenfield hospital in Samara.

Our commitment to further diversification intensified in 2017. Last year we presented our large-scale regional expansion strategy – one of a kind in the industry. All 10 hospitals to be opened by 2021 will be multi-disciplinary facilities capable of providing services to a broad range of patients.

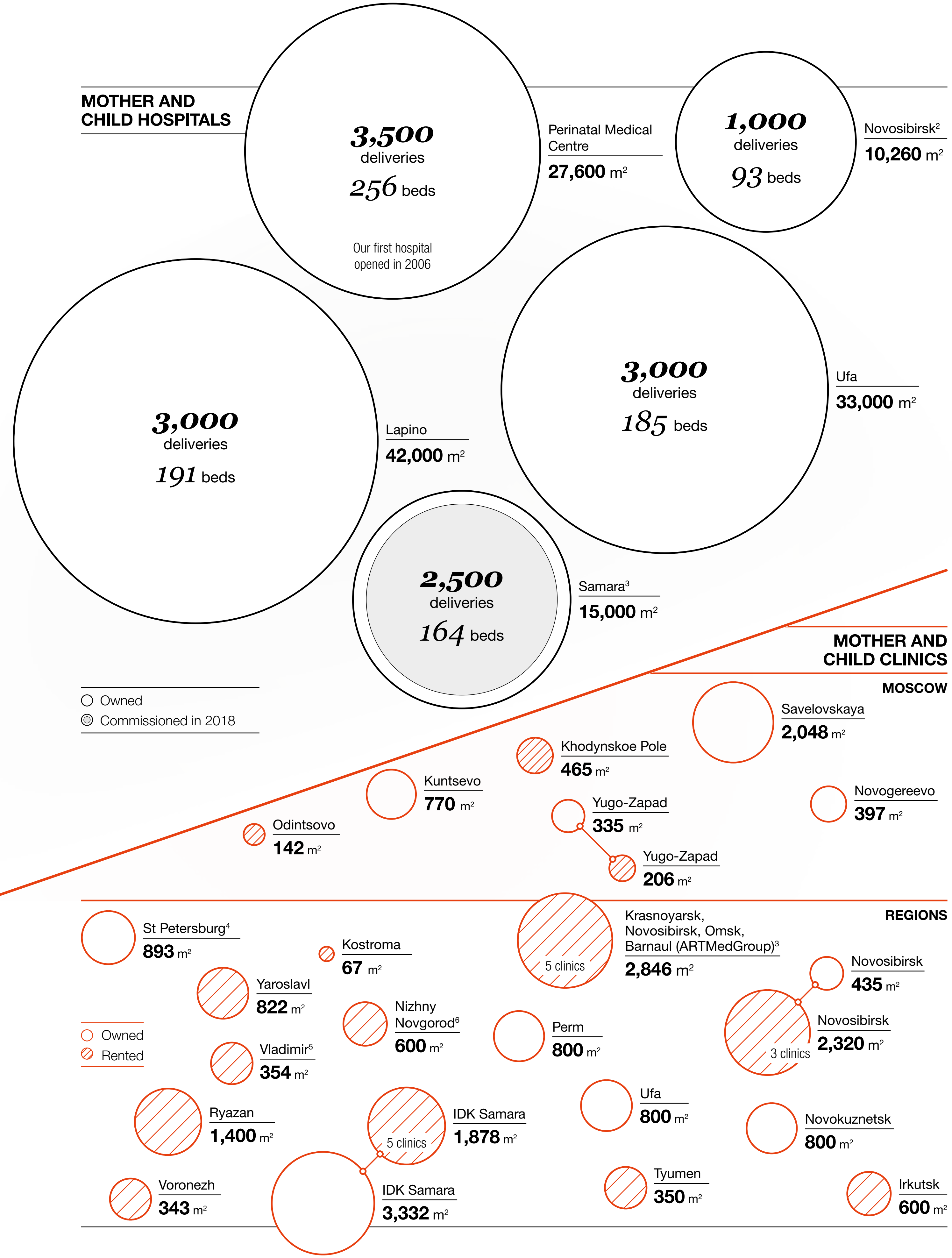
> “We proudly serve patients across 19 Russian regions.

36 Clinics and hospitals[1]

NOW WE OFFER HIGH-TECHNOLOGY SERVICES IN 22 MAJOR CITIES OF RUSSIA

- Obstetrics and gynaecology
- Paediatrics
- Fertility and IVF treatment
- Other medical services

[1] As of publication date
[2] Including new wing opened in February 2017
[3] Opened in March 2018
[4] Expanded in January 2017
[5] Opened in January 2018
[6] Opened in March 2018



Hospitals
in Focus

PERINATAL MEDICAL CENTRE (PMC)

Annual capacity of PMC:

256 Beds

2,000 IVF

963 FTE[1]

32,120 In-patient days

3,500 Deliveries

283,000 Out-patient treatments

[1] FTE – actual full-time equivalent as of December 2017

Since its launch in 2006, PMC – the first private maternity hospital in Russia – has expanded its range of services, commissioned innovative technologies and equipment, and delivered over 30,000 babies.

In addition to a wide range of in-patient and out-patient services for mothers and children, PMC offers laboratory research, diagnostics and assistance, a stem cell bank and other services.

This 256-bed hospital has cutting-edge equipment including the latest MRI and CT technology.

In 2017, a Miscarriage Treatment Centre opened at PMC. The new centre is focused on pregnancy planning and screening for patients at high-risk of miscarriage, foetal genetic abnormalities, and preeclampsia. The centre comprises 10 beds, out-patient department, operating theatre, intensive care and therapy ward with extracorporeal methods of treatment.

> “We build some of the most modern and high-technology hospitals across Russia in line with world-class standards – further raising the bar for the industry.

LAPINO HOSPITAL

Annual capacity of the Lapino hospital:

191 Beds

1,000 IVF

1,035 FTE[1]

28,470 In-patient days

3,000 Deliveries

639,540 Out-patient treatments

[1] FTE – actual full-time equivalent as of December 2017

Lapino, our largest hospital, is located near Moscow. It provides patients with great comfort and high-quality services. Surrounded by green space, this 191-bed hospital is capable of providing 639,540 out-patient treatments and 3,000 deliveries per year.

We have invested RUB 5.2 bln into the Lapino hospital, which is one of the largest private investment in healthcare in the history of Russia.

The 42,000 square-metre hospital offers a wide range of services in the areas of obstetrics and gynaecology, IVF, paediatrics, as well as diagnostics, urology, surgery, trauma and rehabilitation for not only mothers and their children but for everyone.

In 2017, Lapino's department of X-ray and surgery diagnostic and treatment methods completed its first full year of operation. Over the year it treated 483 patients, while like-for-like growth (October-December 2017/2016) amounted to 150% year-on-year.

MOTHER&CHILD UFA

Annual capacity of the Ufa hospital:

185
Beds

1,100
IVF

719
FTE[1]

26,280
In-patient days

3,000
Deliveries

290,800
Out-patient treatments

In 2017, our first regional hospital continued its growth in the capital of Bashkortostan, one of Russia's wealthiest regions in terms of gross regional product.

This 33,000 square-metre hospital is a great example of our strategy in action. Funded mainly by the proceeds of our successful IPO in 2012, the project was completed on time in late 2014 and with an investment of RUB 4.4 billion.

Mother&Child Ufa offers services for the whole family, from deliveries, IVF, gynaecology and obstetrics, paediatrics and neonatology to surgery, urology, plastic surgery and diagnostic services. It includes Bashkortostan's first private maternity hospital and stem-cell bank.

[1] FTE – actual full-time equivalent as of December 2017

MOTHER&CHILD NOVOSIBIRSK

Annual capacity of the Novosibirsk hospital (including the new wing):

93
Beds

1,800
IVF

835
FTE[1]

22,630
In-patient days

1,000
Deliveries

228,900
Out-patient treatments

Since the acquisition of Avicenna, the largest private healthcare chain in Russia outside Moscow and St Petersburg, in Q4 2014, the Novosibirsk hospital has seen strong demand for its high-quality services from the residents of Novosibirsk and nearby regions.

Core services offered at Mother&Child Novosibirsk are obstetrics and gynaecology, surgery, urology and ophthalmology. The hospital also offers out-patient and diagnostics services in nearly all therapeutic areas.

Since our in-patient facilities in Novosibirsk reached maximum capacity, we commissioned a new major in-patient wing of the hospital in February 2017. You can find more about it from the case study on the next page.

[1] FTE – actual full-time equivalent as of December 2017

MOTHER&CHILD NOVOSIBIRSK – NEW WING

In February 2017, MDMG continued to implement its regional development strategy by completing one of the largest projects in the Group’s history. In line with the initial plans, it commissioned a new state-of-the-art wing which was merged with the existing Avicenna Mother&Child Novosibirsk hospital. As a result, the expanded hospital became the largest private healthcare facility in Siberia – a major healthcare market.

The opening of a new building delivered a significant capacity increase, with the total floor area more than tripling to 10,260 sq. m. Currently, the hospital includes 93 beds, 27 offices, and three state-of-the-art operating theatres with high-tech equipment.

As a result, the deliveries department is able to handle up to 1,000 deliveries per year; in-patient OBGYN and surgical departments’ capacities have increased to 7,300 and 11,680 patient days, respectively, while the potential volume of out-patient treatments has increased to 228,900 per year. Thanks to the opening of a new intensive care department and addition of new surgical beds, the hospital’s operating capacity has doubled, and now exceeds 12,000 per year.

Capacity expansion at the Avicenna Mother&Child Novosibirsk hospital following the opening of a new building, per year

	After	Change	Before
Beds	93	▲221%	29
IVF	1,800	0%	1,800
Floor area, sq. m	10,260	▲215%	3,260
In-patient days	22,630	▲464%	4,015
Deliveries	1,000	▲85%	540
Out-patient treatments	228,900	▲386%	47,124

[1] FTE – actual full-time equivalent as of December 2017

> “This new hospital has become a powerful healthcare hub in Siberia – a region that is home to 20 million people – where the local residents will be able to receive high-tech medical care.
>
> Mark Kurtser, CEO

221 %

growth in beds number

Currently, the hospital is offering a range of new services, including those which had not been available in the city or the region. This includes an oncology department able to offer chemotherapy cycles with sophisticated equipment and comfortable conditions for patients, as well as a radioisotope diagnostics laboratory where specialists can diagnose and monitor oncology treatment, completely unparalleled in Novosibirsk, coloproctological department, additional endoscopic operating room, ambulance reception ward, emergency operating theatre and emergency ward in a single unit, haemodialysis beds, as well as additional capacity for the out-patient diagnostics centre. The hospital also offers excimer laser vision correction treatments.

The new building includes a new paediatrics in-patient department with an annual capacity of 3,650 in-patient days, where certain types of foetal surgery will be carried out, as well as fully equipped paediatric intensive care unit (PICU), neonatal intensive care unit (NICU) for pre-term babies.

Multi-Disciplinary Approach

MDMG has not only expanded its footprint and become the leader in the country's private healthcare sector, but also successfully diversified its offering. In addition to its core OBGYN and paediatrics services, the Group has been offering a range of other services, addressing the demand from its patients.

Dr Al Sabunchi Omar, PhD
Head of Surgery Department
PMC, Moscow

The surgery department at PMC was created in 2015 as part of the Group's aspiration to diversify into other medical services beyond its core OBGYN and paediatrics specialisations.

At the surgery department we are helping both the Group's existing patients – pregnant women – to have healthier pregnancies by solving surgical issues that arise, and new patients – in fact any adult member of a family – in such fields as general surgery, vascular surgery, plastic surgery, and colorectal surgery. Our four-doctor department operates modern equipment manufactured by well-recognised global brands, such as Storz, Olympus, and Erbe.

Our department's performance has steadily improved since its creation and its contribution to the Group's financial and operational results is also increasing. We are pleased that people are recommending us to their friends and families, thus increasing the flow of patients who know PMC not only as the first private maternity ward in Russia, but also as a multi-disciplinary general hospital.

We also introduced new services at PMC, including plastic surgery, which is especially popular among new mothers who delivered at PMC. In particular, we are one of the few hospitals in Russia that perform endoscopic closure of abdominal diastasis.

We never stop developing – we keep on learning and adopting new technologies. For example, we are currently preparing to carry out abdominoplasty procedures in parallel with caesarean sections – thus becoming the first hospital in Russia to offer this kind of surgery. This will allow us to combine two operative interventions, which is more convenient for patients and helps them recover faster.

> We are pleased that people are recommending us to their friends and families.

+89%

Growth in total general operations performed within the Group in 2017

> Since the opening of the department in 2015 we have experienced a sustainable rate of growth.

Dr Natalya Shornina
Head of Plastic Surgery Department
Ufa Hospital

> Mother&Child Ufa is a multi-disciplinary hospital and thus we are able to work together with other doctors to resolve difficult situations. This also creates synergy across specialisms.

The plastic surgery department at the Ufa hospital employs three surgeons who offer a whole range of plastic surgery operations. Initially, when the hospital opened, patients came to us based on the names and reputations of the doctors, but now the hospital and the plastic surgery department has become well-known in the region and has earned its own reputation. Different kinds of patients of different ages turn to us. Lately we have observed a positive trend in the access to plastic surgery for the population – this is already available not only to celebrities. The type of operations that are carried out has also changed. If liposuction was popular in the early 2000s, and then breast surgery became popular and now we are increasingly conducting more extensive and lengthy operations, including combined ones.

Since the opening of the department in 2015 we have experienced a sustainable rate of growth.

In 2017, we expanded the range of the services we offer and began to carry out reconstructive operations for the first time. Today we are also able to carry out combined operations – on different organs simultaneously – thanks to two teams of surgeons working in parallel. This reduces the time which the patient is on the operating table and reduces the time for recovery following the operation.

Mother&Child Ufa is a multi-disciplinary hospital and thus we are able to work together with other doctors to resolve difficult situations. This also creates synergy across specialisms. As an example, we conduct joint operations with gynaecologists, we perform aesthetic corrections, for example, after neurosurgical operations.

We aim to make use of opportunities to share experience with colleagues, including colleagues of the plastic surgery department in the Lapino hospital. In particular, we offer master classes in the Ufa hospital and the equipment allows us to provide live transmission of operations to the conference hall. We also visit conferences in Russia and abroad, and each employee in our unit participates in three or four of these events a year.

Dr Egor Dremov, PhD
Head of Traumatology Department
Novosibirsk Hospital

A traumatology and orthopaedic unit was created in the Novosibirsk hospital in 2010. Here round-the-clock support for out-patients and in-patients is available to the fullest extent. The unit provides both scheduled and emergency care. The profile of the patients is diversified: from residents of Novosibirsk and neighbouring towns to residents of other regions and countries, Kazakhstan, Yakutia, and the Russian Far East.

As a result of the opening of the new wing in February 2017, there has been a significant increase in quality, level of service and access. The number of patients received by the traumatology unit grew by 12% year-on-year, the number of operations increased by 18% year-on-year.

In 2017, we received a state quota for hi-tech medical care for the first time, and we have started to receive patients under the Mandatory Health Insurance programme.

Seven specialists work in the department, which is equipped with state-of-the-art equipment. We track the market and as soon as we see a new effective technology relevant to our work, we strive to acquire it. As a result, we work with equipment which is used in the best clinics in the world.

A distinctive feature of our hospital in Novosibirsk is that the emergency station and the traumatology department are located in the same building. This means that a patient can be examined and if necessary be quickly directed to the operating table, and then transferred to a bed. The intensive care unit is also here. Another advantage of work in a multi-disciplinary hospital is regular contact with other doctors and departments if necessary. This allows us to deal with difficult cases which are refused by many other institutions, for example, to carry out operations for patients with heart disease: firstly, our colleagues in the cardiology unit carry out treatment for the heart, and then we carry out the necessary operation, for example, on joints – all within a single hospital.

> “As a result of the opening of the new wing in February 2017, there has been a significant increase in quality, level of service and access.

All our doctors have certifications from international bodies and constantly improve their qualifications. This is facilitated by participation in a series of research-to-practice conferences in Russia and abroad. Thus, we find out about new methods of treatment and if we consider them expedient, we will start to change our own practices.

We continue to work on new projects and plan to start offering prosthetics for small joints in addition to prosthetics for large joints, which we have already been successfully providing for a long time.

Dr Ashot Grigoryan, PhD
Head of Endovascular Surgery Department
Lapino Hospital

Like-for-like growth in treatments

150 %

In the department of X-ray and surgery diagnostic and treatment methods at the Lapino clinical hospital we treat various diseases of the cardiovascular system. We carry out operations on the heart and blood vessels under X-ray control, focusing on minimally invasive procedures. We treat patients of all ages from the first minutes of life, including children just born here in the hospital.

Six professionals work in the department. While each of them has a unique specialisation, everyone is able to treat patients with acute coronary syndrome or postpartum uterine bleeding. Accordingly, we are able to work together with our OBGYN colleagues in Lapino. For example, by eliminating postpartum haemorrhage or performing uterine artery embolisation in cases of uterine myoma. We also assist OBGYNs in cases of serious pregnancy complications that develop in patients.

The department was opened at the end of 2016 but has already been dynamically developing and is earning a reputation. This is borne out by the fact that we do not only treat people from Moscow, but also from other Russian cities. Now we are already working on MHI policies, providing assistance to patients with acute coronary syndrome.

In 2017, the department treated 483 people. At the same time, like-for-like growth (October-December 2017 and 2016) amounted to 150%.

We find ourselves in the vanguard of modern medical technologies and in the last year we became one of few hospitals in Russia to treat patients with acute impairment of cerebral circulation following a stroke, achieving the regression of clinical symptoms and preventing disability. In addition, the Lapino hospital is the only private medical institution in Russia which treats newborns with congenital

> “We treat patients of all ages from the first minutes of life, including children just born here in the hospital.

heart disease. Thanks to modern hi-tech equipment, unlike many clinics in Russia we can treat both irregular heartbeats and structural diseases of the heart. We are also able to provide live broadcast of operations to our colleagues in other MDMG medical institutions, in order to demonstrate working processes and share experiences.

Doctors in our unit improve their knowledge and skills by participating in research-to-practice conferences in Russia and abroad, and also by undertaking practical training courses in a range of clinics in Moscow.

In the future, we have big plans to develop new operations. In particular, we are planning to offer transfemoral replacements of heart valves – these operations are only beginning to gather momentum in Russia.

> Our main aim is to improve the quality of life for our patients. Today in Ufa we are able to carry out a range of operations for which only a few years ago the patients would have to go to other countries.

Dr Almir Kuramshin, PhD
Neurosurgeon
Ufa Hospital

I have worked as a neurosurgeon for more than 25 years and currently I am developing this line of treatment at a comprehensive surgical centre based in the Mother&Child Ufa clinical hospital. Our main aim is to improve the quality of life for our patients.

I specialise in spinal surgery, offering treatment for degenerative disease of the spine, removing tumours of the spine and spinal cord and eliminating the effects of spinal wounds for patients at least 18 years old.

Neurosurgery at the Ufa hospital started to develop in 2016, when we began to offer various minimally invasive operations, using puncture methods. Their key benefit is rapid healing: already two hours after the operation the patient is able to stand on their feet, and after a day they can be sent home.

We are dynamically accumulating experience and in 2017 we began to introduce new operations – now we are able to treat all parts of the spine, from the neck to the sacrum. And if in 2016 certain complex spinal operations took place just once, in 2017 they were carried out on a daily basis. This was facilitated by the communication and exchange of experience with Russian and foreign colleagues in seminars, courses, conferences and joint operations around the world. Now in Ufa we are able to carry out all spinal operations available in Russia. We treat patients not only from all over the Republic of Bashkortostan, but also from neighbouring regions.

In particular, in 2017 we began to carry out endoscopic removal of herniated discs, following studies in Russia and abroad. We introduced the operation for patients with degenerative spinal diseases by using artificial disc implants. Moreover, we offer operations for spinal metastasis, after which patients receive a course of chemotherapy treatment here in the hospital.

Our department is equipped with modern equipment. The high precision Carl Zeiss microscope allows us to execute microsurgical operations on the spinal cord, while the X-ray C-arc allows the simultaneous installation of metal structures in the spine, bypassing the spinal cord.

We are pleased to note that today in Ufa we are able to carry out a range of operations for which only a few years ago the patients would have to go to other countries.

> Due to the high qualifications of our doctors, hi-tech equipment and the significant demand for urological services in Samara, we foresee great development potential for the unit in the local market.

Dr Mikhail Murushidi
Head of Urology Department
Samara Hospital

The Mother&Child Samara hospital opened in March 2018. An updated urology unit, which was earlier operating in the Group's Samara clinic, now operates as part of the new hospital.

The unit was opened in response to the significant demand from patients not only from the Samara Region, but neighbouring cities and countries, including Kazakhstan. Here urologists conduct out-patient visits and subsequent operational treatment if necessary. The unit can provide a full range of medical services in urology without any limits, including oncology treatment. Here in the hospital we can also provide additional services in cases of necessity – laboratory assistance, post-oncology treatment and others. As a result, the centre has become one of the few in Samara capable of providing such hi-tech medical assistance in our specialisation.

Over the course of 2017, we were actively preparing for the creation of the service within the new hospital. In particular, the unit acquired modern equipment from leading brands, including Olympus, Dornier, Karl Storz. This equipment allows us to carry out operations with live video transmission to our colleagues in other cities in order to discuss complicated questions and for training purposes. The preparation also involved consultation with colleagues from our hospitals in Lapino and Novosibirsk – to exchange successful experience and recommendations to create a centre from scratch. Moreover, we constantly improve our qualifications – all doctors in our unit regularly visit research-to-practice conferences in Russia and abroad, among them participating actively in the Congress of the Russian Society of Urology in Moscow. MD Medical Group also runs its own conferences in cities where it has a presence, in which we also participate.

Due to the high qualifications of our doctors, hi-tech equipment and the significant demand for urological services in Samara, we foresee great development potential for the unit in the local market.

The new hospital opened its doors in

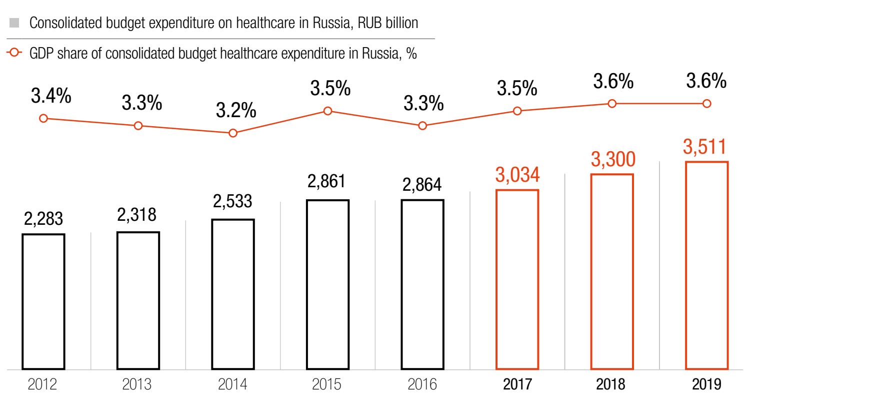
March 2018

Market
Trends in Russia

STATE ECONOMY OVERVIEW

- In 2017, the Russian economy recovered from an earlier recession. That year, Russian GDP rose by 1.4–1.8% after its 0.2% decline in 2016[1].
- Growth is expected to accelerate in 2018, as the Ministry of Economic Development and Trade expects GDP growth to reach 2%[1], while other experts such as investment bank Goldman Sachs forecast 3.3% growth in 2018[2].
- The share of the state's expenditure on healthcare is to exceed industry participants' initial expectations – in 2018, Russian government is planning to spend 4.1% of GDP[3] on healthcare (as opposed to the expected 3.5–3.6%[4]).
- According to the Ministry of Health, in 2018 the most significant increase in healthcare expenditure is expected to come via the Mandatory Health Insurance (MHI) fund that will receive RUB 333 billion – 21.5% more than in 2017[3].
- This increase is favourable for the private sector which is expected to obtain more funding through MHI. Already in 2016, the share of private healthcare facilities within the MHI system reached 29%[4].
- Investment projects within public – private partnership (PPP) are also expected to gain larger potential due to a decrease in the cost of debt, influenced by a lower level of inflation.

Trends in consolidated budget expenditure on healthcare in Russia



Source: Rosstat, the Ministry of Economic Development and Trade, Federal Compulsory Medical Insurance Fund

In 2018, MHI funding is expected to grow by

21.5 %

Planned government's healthcare expenditure as a share of GDP in 2018 is

4.1 %

[1] "View of the Economy" report by the Ministry of Economic Development, January 2018

[2] "As Good As It Gets" 2018 global economic outlook by Goldman Sachs Research, 15 November 2017

[3] "Healthcare expenditure to grow to 4.1% of GDP in 2018", Vademecum, 15 December 2017

[4] "Russian private healthcare market development outlook report for 2017-2019" by KPMG

PRIVATE HEALTHCARE MARKET RESULTS

- In 2016, the top 100 players in the private healthcare market earned a total of RUB 105.2 billion, demonstrating a 14% yearly revenue growth[5].
- Private healthcare experts predict a more moderate yearly market growth of 5–10% in the next five years[6].
- Being the number one private healthcare company in Russia according to rankings by Forbes Russia[7] and leading trade publication Vademecum[7], MD Medical Group, with a 2017 revenue of RUB 13,755 mln, should benefit from the positive trends while also taking advantage of high barriers to entry for new market players such as:
  - High capital investment requirement (in combination with upgrading costs)
  - Limited supply of skilled labour
  - High costs of personnel management
  - Importance of brand awareness and reputation.
- In particular, as the leader in Russia in terms of IVF cycles completed (16,806 cycles in 2017), MDMG continues opening new IVF facilities around the country.

Private healthcare market participants pay close attention to the performance of their competitors as well as government procurement trends.

- In 2017, the Russian government expressed its interest in actively supporting rehabilitation facilities, radiation therapy and telemedicine.
- In line with this intention, the President signed a telemedicine law that allows medical professionals to assist their patients remotely starting on 1 January 2018.
- Such flexibility is beneficial for the private healthcare sector, as the convenience of diagnostics and treatment are expected to bring more clients to innovative medical facilities and centres.
- As MHI services get increasingly more expensive and the number of services offered under corporate VHI plans decreases, private medical facilities are becoming more popular among patients.
- Continuing the global trend of recent years, an aging population also increases the demand for a wide spectrum of medical services that people over 40 years old are traditionally more willing to pay for.

In addition to the drivers listed by EY's survey participants, the growing popularity of medical tourism has been another beneficial trend for the healthcare industry. Given the relative affordability of Russian healthcare services, the country has been attracting more foreign patients who turn to Russian private healthcare companies looking for quality medical assistance that does not break the bank.

KEY AREAS OF MARKET DEVELOPMENT

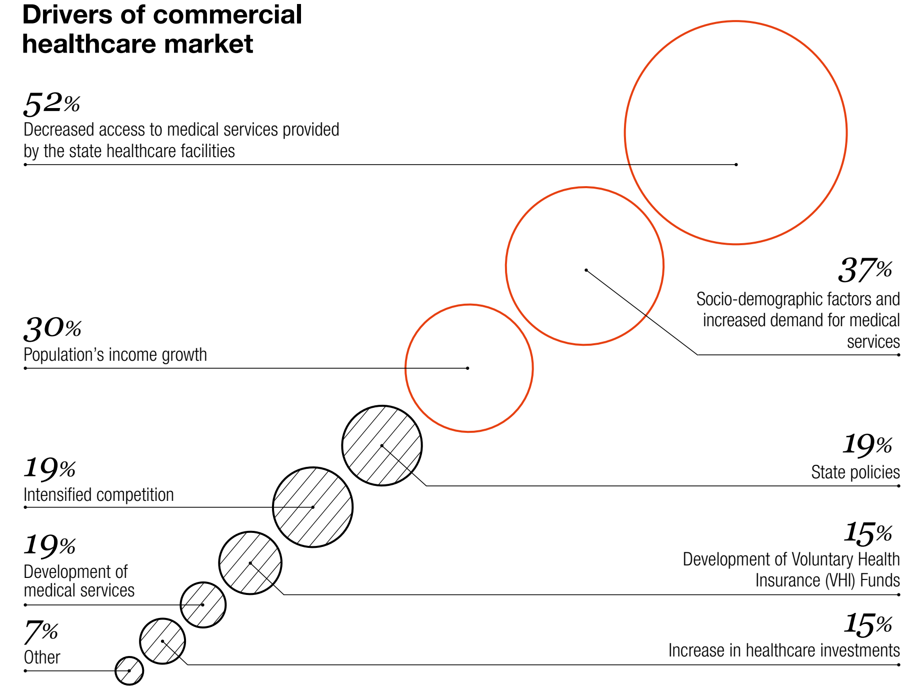
- According to EY's survey, the most rapidly growing healthcare sectors include in-patient facilities, laboratory diagnostics and IVF.
- All three of these areas are part of MDMG's key service offering, thus adding to the positive outlook of the Group's performance.

[5] "Top 100 private healthcare companies in Russia by revenue", Vademecum, 18 December 2017

[6] Research of Russian commercial medicine market for 2016- 2017 by EY

[7] "Private healthcare companies ranking", Forbes Russia, 26 October 2017

Drivers of commercial healthcare market



Source: EY survey of industry participants

Our Strongest Year To-Date

2017

was our best year so far in terms of key financial and operational metrics cementing our leadership in private healthcare in Russia

Operational Review

DELIVERIES

In 2017, the number of deliveries grew 2% year-on-year to 6,808 despite challenging demographics in Russia.

WEATHERING THE DEMOGRAPHICS STORM

MD Medical Group is well-known for setting a uniquely high standard in Russia for the level of quality, comfort and care in deliveries. This has enabled us to grow the number of deliveries we perform year by year even amid some challenges in the deliveries rate in Russia as a whole. Deliveries volumes at MDMG are also supported by the strongest in Russia IVF performance – many patients who become pregnant at our numerous IVF facilities in Russia later deliver at one of our hospitals.

SETTING A STANDARD IN THE MARKET

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

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

WIDE CHOICE OF DELIVERY OPTIONS

We do everything possible to ensure that our clients can give birth naturally, even following surgery or caesarean section.

We offer a wide range of different birth options for future mothers to choose from:

- Natural physiological childbirth
- Traditional or horizontal natural child birth
- Vertical birth
- Water birth
- “Home birth” in hospital in one of our luxury apartment rooms, furnished in the style of a home bedroom with an on hand medical team and equipment
- Partnership birth, allowing for loved ones to be present
- Natural birth after caesarean or previous gynaecological surgery
- Surgical birth via planned or emergency caesarean section.

POST-DELIVERY SERVICES

- Neonatal intensive care unit
- Neonatal pathology unit
- Premature babies unit
- ER unit with fleet of ambulances
- 24/7 emergency labour service
- Breastfeeding support and assistance for patients suffering from lactostatis or hypogalactia
- Stem cell bank, with international standards in collection, testing, processing and storage of cord blood including transportation services even if the birth is at another centre
- New parents school providing assistance and birth guidance for future parents-to-be.

The number of deliveries in 2017 was

6,808

“

We further strengthened our position as the undisputed leader in the IVF market in Russia in 2017.

IVF

THE LEADER KEEPS STRENGTHENING

In 2017, the total number of IVF cycles increased by 20% y-o-y to 16,806, representing a revenue increase of 24% y-o-y to RUB 3,258 mln.

MD Medical Group has further strengthened its position as the undisputed leader in the IVF market in Russia in 2017.

In January, we opened our first clinic in Vladimir which offers the first stage of IVF.

In February, we expanded and modernised our clinic in St Petersburg, where the capacity of IVF department was doubled to 2,000 cycles per year.

In June, our first clinic in Tyumen was opened and started to provide IVF cycles, including under the MHI programme.

Later in October, we opened our first clinic in Voronezh with annual capacity of 1,000 IVF cycles (including under the MHI programme).

HIGH-TECH SERVICES ACROSS RUSSIA

We provide our customers with high quality fertility services including:

- Diagnosis of possible causes of infertility within a family
- Preimplantation genetic diagnosis
- Effective treatment for one or both spouses
- Individually tailored programmes
- Achievement and maintenance of pregnancy
- Childbirth assistance
- Post-natal healthcare assistance for the child up to 16 years
- A team of highly qualified experts in areas of reproduction, gynaecology, immunology etc., providing medical expertise for every situation
- A range of alternative fertility services including auxiliary hatching, donor sperm insemination, ovulation stimulation etc.

Our facilities use cutting-edge specialised equipment in the provision of IVF services.

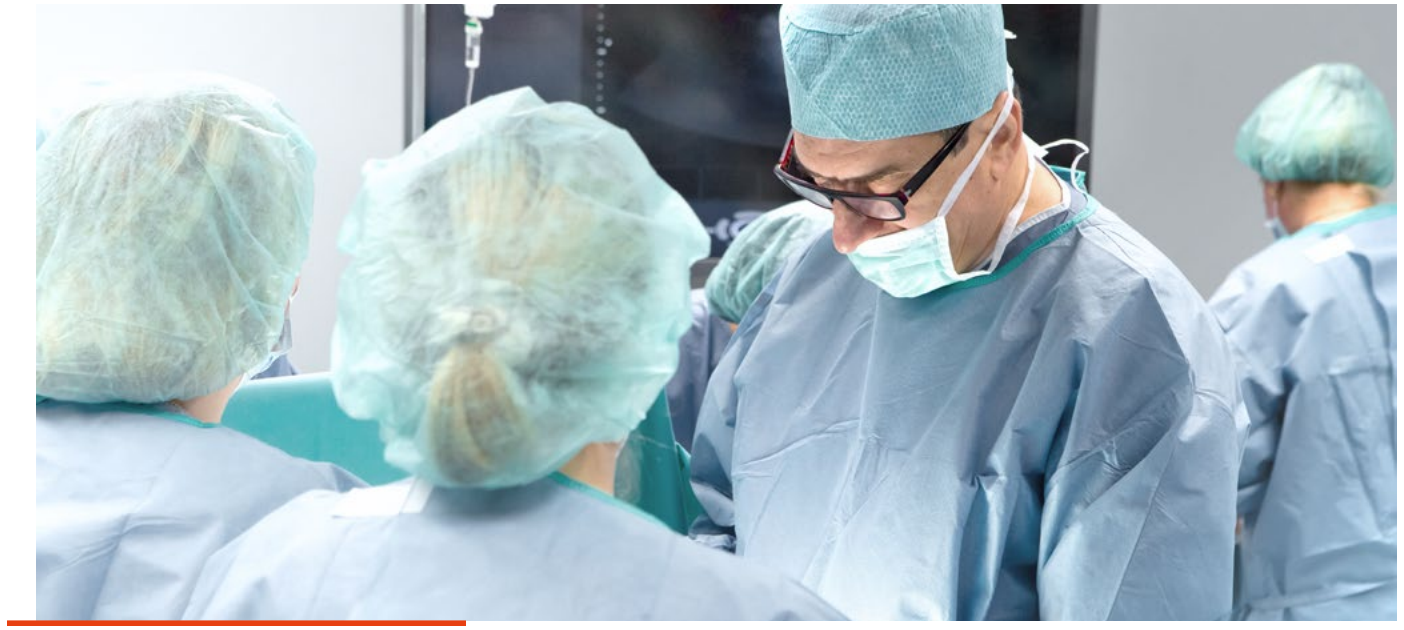
Our individual approach to each patient ensures a high standard of service, as well as a high probability of success.

IVF cycles carried out in 2017

16,806

IN-PATIENT TREATMENTS

In 2017, the total number of in-patient treatments increased by 15% to 61,344, which made up 13% of the Group's revenue for the year.



OBGYN

- Total number of OBGYN in-patient treatments increased by 7% y-o-y to 25,375.
- Revenue for the division increased by 4%.
- Division accounted for 7% of the total revenue.
- Drivers of growth were hospitals in Lapino and Novosibirsk.

PAEDIATRICS

- Total number of paediatrics in-patient treatments slightly decreased by 2% y-o-y to 18,580.
- However, revenue for the division increased by 7%.
- Division accounted for 3% of the total revenue.
- Drivers of growth were hospitals in Ufa and Novosibirsk.

OTHER MEDICAL SERVICES

- The total number of other medical in-patient treatments grew significantly by 67% y-o-y to 17,389.
- Revenue from other in-patient medical treatments increased by 58%.
- Division accounted for 6% of the total revenue.
- Lapino continued ramping up departments of interventional cardiology and cardiovascular surgery, traumatology, general surgery, and urology.
- Further advances in reaching design capacity at our Ufa hospital were driven by improvements in neurosurgery, urology, and general surgery.
- Novosibirsk hospital saw improvements in surgery performance.

61,344

the total number of in-patient treatments

OUT-PATIENT TREATMENTS

In 2017, the total number of out-patient treatments increased by 9% to 1,516,001 which made up 31% of the Group's revenue for the year.

OBGYN

- Total number of OBGYN out-patient treatments increased by 5% y-o-y to 534,187.
- Revenue for the division increased by 4%.
- Division accounted for 13% of the total revenue.
- Drivers of growth were hospitals in Ufa, Novosibirsk and Lapino.

PAEDIATRICS

- Total number of paediatrics out-patient treatments increased by 9% y-o-y to 431,256.
- Revenue for the division increased by 8%.
- Division accounted for 10% of the total revenue.
- Key growth triggers were performance of our hospitals in Ufa, Novosibirsk, and Lapino as well as Samara clinics.

OTHER MEDICAL SERVICES

- The total number of other out-patient treatments increased by 13% y-o-y to 550,558.
- Revenue for the division increased by 17%.
- Division accounted for 9% of the total revenue.
- The largest share in other medical out-patient growth was related to Mother&Child Novosibirsk, diagnostics centres at Lapino, Ufa and PMC as well as a number of rehabilitation treatments.
- The increase in the volume of services provided across the whole Group was supported by high-tech research and the application of new techniques at our diagnostics centres – the liquid-based cytology laboratory at Lapino hospital, the medical genetics centre at Savelovskaya clinic, and the molecular genetics laboratory at PMC.

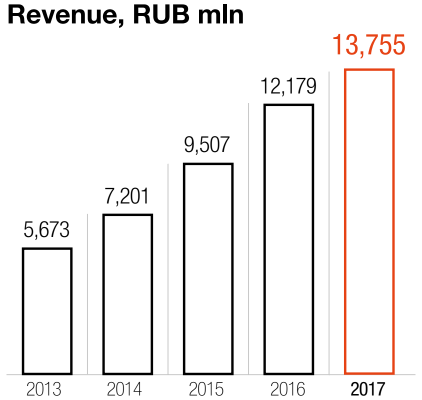
1,516,001

out-patient treatments carried out in 2017

Financial Review

In 2017, we continued to improve our financial performance and achieved another set of record-breaking results. This was made possible due to our strong operating performance and continued efficient implementation of our development strategy across Russia.

Revenue, RUB mln



REVENUE, RUB mln

13,755

▲ 13%

EBITDA margin

30.3%

Source: Company

REVENUE

Revenue grew by 13% to RUB 13,755 mln compared to RUB 12,179 mln in 2016 due to the following factors:

- continued capacity utilisation growth at the hospitals in Lapino and Ufa
- opening of a hospital in Novosibirsk.
- improved performance of the Siberian clinics acquired in 2016

In 2017, the contribution of regional clinics and hospitals to overall revenue continued to grow and amounted to 35%, mainly due to increased revenue from the hospitals in Ufa and Novosibirsk, as well as from the Siberian clinics.

EBITDA

EBITDA for the year amounted to RUB 4,165 mln, up 13% year-on-year due to:

- continued capacity utilisation growth at the hospitals in Lapino and Ufa
- opening of a hospital in Novosibirsk.
- improved performance of the Siberian clinics acquired in 2016
- Strict cost management

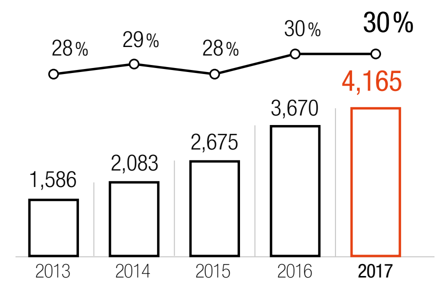
> Recently opened and acquired medical facilities play a significant role in our overall performance. This demonstrates that we are carefully taking the right steps as part of our strategic development.

EBITDA MARGIN

EBITDA margin for the year amounted to 30.3%.

> Our revenue more than trippled as compared to 2012 – the year we completed an IPO in London.

EBITDA



EBITDA, RUB mln

4,165

EPS, RUB

33.2

Source: Company

CAPEX

Total CAPEX amounted to RUB 3,463 mln (vs. RUB 2,222 mln in FY 2016).

Key major investments in 2017 included:

- Construction of a new hospital in Samara
- Start of construction of a new hospital in Tyumen
- Purchase of equipment and preparatory works for the construction of Lapino-2
- Maintenance

DEBT

Debt as of the end of 2017 amounted to RUB 4,570 mln. Net debt was RUB 2,065 mln, up 26% compared to 31 December 2016.

This increase was mainly due to the construction of new hospitals in Samara and Tyumen.

Despite higher net debt, net debt-to-EBITDA ratio for 2017 was at comfortable level of 0.5x, slightly up from 0.4x a year before.

> We continue to invest in building and upgrading our hi-tech hospitals and clinics to secure our long-term successful growth, ultimately increasing shareholder value.

Corporate social responsibility

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

Our People

In the core of our continued growth and strengthening of our market leadership are people. 24/7, our highly-qualified and talented personnel, from doctors to management team, work hard to ensure the long-term success of our business. In return, we offer our staff comfortable and supporting working environment, competitive wages and social packages, and broad possibilities for further professional growth.

PERSONNEL

We never stop raising the already high professional level of our doctors and other employees. We primarily accomplish this thanks to our personnel training and development structure.
Our HR policy is aimed at the following:

- Retention of existing staff and addition of highly skilled employees
- Development of the personnel management system, including in the area of personnel administration
- Selection of the most talented students for education in residence at our facilities. For this purpose, since 2015 we have implemented a special project called Residents. In 2017, 6 people completed their studies in residency within the framework of the project; 25 current participants will finish their studies in 2018
- Opportunities for personal and career growth
- Constant monitoring and adoption of the best available technologies
- Provision of the state-of-the-art equipment via regular upgrades
- Placing the best staff in leading positions at the right time to maximise potential and encourage internal growth
- Provision of better working conditions to maintain low staff turnover
- Incentive programmes for employees
- Training programmes across various fields as part of our corporate education system

AMONG OUR TRAINING PROGRAMMES WE HAVE PROVIDED STAFF WITH:

- Webinars, featuring online training in most relevant topics – in 2017, MDMG doctors carried out 22 webinars for their colleagues focusing on relevant topics within OBGYN and perinatology
- Career enhancement courses
- Short-term thematic advanced training
- Business trips for specialists from Moscow to help specialists in the regions take over the leadership of regional hospitals
- International exhibitions, conferences, and symposia
- Training centre, a system of improving soft skills and knowledge acquisition across different areas

LONG-TERM INCENTIVE PLAN

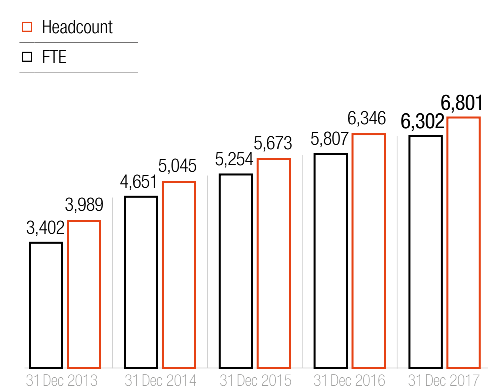
In 2017, we continued to implement our long-term incentive plan for doctors and key staff members from the management team. The programme is aimed at achieving closer alignment of interests between management and shareholders and increasing management's motivation to build sustainable shareholder value over the long term.

6,801
total number of our employees

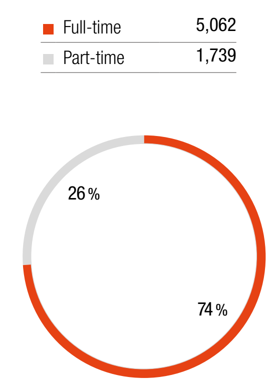
> We are proud to work with some of the best talents in Russia.

PERSONNEL FIGURES (AS OF DECEMBER 2017)

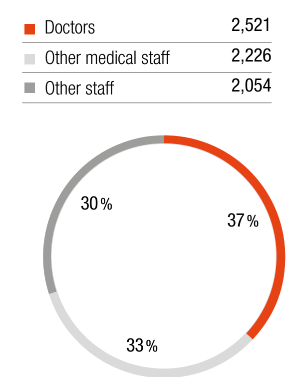
Total number of employees



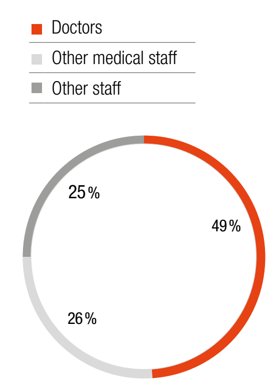
Employees



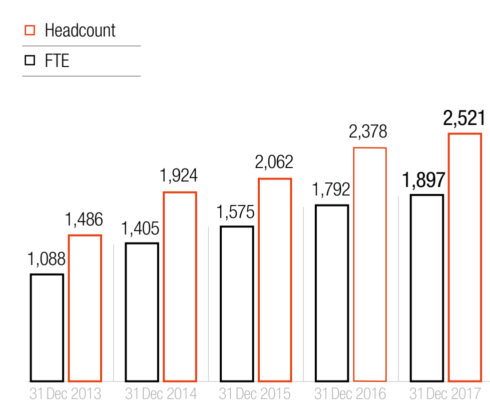
Personnel structure



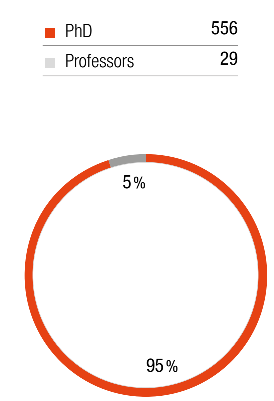
Payroll structure



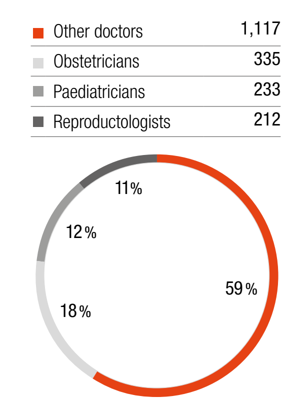
Total number of doctors



Doctorial qualifications



Doctors by speciality



Corporate
Social Responsibility

Our role as a responsible corporate citizen is important to us and is something we discuss regularly at Board and management meetings. While we have already made significant contributions to our local communities, we recognise that we can always do more.

OUR MISSION

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

OUR PEOPLE

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

OUR TECHNOLOGY

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

OUR COMMUNITIES

As we continuously expand our network throughout Russia and bring often unique services to new regions, we not only provide people with high-quality services near their homes but also encourage every employee to be helpful in their own communities.

OUR PROFESSION

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

> “While our core aim is to look after our patients' health, we also try to have a positive impact on the world around us.

KEY CSR ACTIVITIES IN 2017

PMC DONOR'S DAY

- On 22 November, MD Medical Group's PMC hosted a Donor Day event together with Gavrilov Blood Centre's team of employees.
- 70 people participated in the donor event – 39 of them went through the necessary check-up and donated blood.
- 18 liters of blood were collected as the result of this initiative.

LAPINO DONOR'S DAY

- On 16 May, another donor event took place at Lapino hospital. It attracted 49 participants who donated 17.1 liters of blood.

Shareholder Equity

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

MD Medical Group has a free float of approximately 32.1%, with the remaining 67.9% owned by MD Medical Holding Limited, which is beneficially owned by Dr Mark Kurtser.

The investor portfolio is represented by a number of global institutional investors.

75,125,010

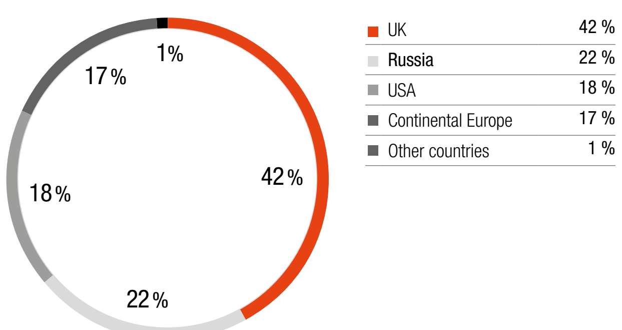
The total number of shares outstanding

Shareholders owning over 1% of the issued capital

Shareholder name	Number of shares as of 31.12.2016	Share of shares outstanding	Number of shares as of 31.12.2017	Share of shares outstanding
Russian Direct Investment Fund[1]	4,166,667	5.5%	4,166,667	5.5%
Russia Partners	3,235,000	4.3%	3,235,000	4.3%
J.P. Morgan Asset Management (UK), LTD	2,531,308	3.4%	3,041,436	4.0%
Prosperity	1,121,913	1.5%	1,105,659	1.5%
BlackRock Investment Management (U.K.), LTD	1,960,037	2.6%	1,091,573	1.5%
M&G Investment Management, LTD	1,454,000	1.9%	903,724	1.2%
Baring Asset Management, LTD (U.K.)	1,170,595	1.6%	898,204	1.2%
Comgest S.A.	764,600	1.0%	764,600	1.0%

Source: IPREO BD Corporate as of January 2018; Company information

Our investors represent various geographies



Source: IPREO BD Corporate as of January 2018; Company information

32.1%

Shares represent free float

[1] Shares managed by RDIF Management Company LLC., including co-investors' shares managed by RDIF Management Company LLC

ANALYST COVERAGE

As of 31 December 2017, MDMG was covered by equity research analysts representing leading banks such as Bank of America Merrill Lynch, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Renaissance Capital, and VTB Capital.

DIVIDENDS

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

30%

Growth in dividends declared for 2017 vs 2016

MD Medical Group's dividend history

	2012	2013	2014	2015	H1 2016	2016	H1 2017
Dividend approval	07.06.2013	23.05.2014	05.06.2015	15.04.2016	02.09.2016	21.04.2017	**08.09.2017**
Record date	07.06.2013	23.05.2014	05.06.2015	22.04.2016	09.09.2016	28.04.2017	**19.09.2017**
Payout date	12.06.2013	30.05.2014	03.07.2015	20.05.2016	18.10.2016	23.05.2017	**24.10.2017**
Total dividends paid, ths USD	9,766	5,259	5,455	7,310	4,325	5,060	**5,311**
Dividends per share, USD[1]	0.13	0.07	0.07	0.10	0.06	0.08	**0.08**

[1] at the exchange rate as of the date of the Annual General Meeting of Shareholders or Board meeting

DIVIDEND FREQUENCY

At the meeting held on 2 September 2016, the Board of Directors approved changes to the frequency for considering dividend payments for the benefit of its shareholders. Since H1 2016, the Company is considering payment of dividends to shareholders twice a year. Decision on payment of interim dividends will be made by the Board of Directors based on MD Medical Group's results for the first six months of the year. Payment of dividends based on the Company's full-year IFRS financial results will be approved by the General Meeting of shareholders.

DIVIDEND TAXATION

Since 1 January 2015, MD Medical Group has been a Russian tax resident and pays dividends in line with the Russian Tax Code, according to which dividends paid by Russian companies are generally subject to a tax rate of 15%. A reduced rate may be applied in the case of Russian tax residents and residents of foreign jurisdictions whose Governments have signed a double taxation treaty ("DTT") with the Government of Russia. MD Medical Group acts as a tax agent and withholds tax in order to transfer it to the Russian tax authorities when paying dividends. For a list of countries that have signed a DTT with Russia and terms for applying a reduced tax rate, please see the Company's corporate website at http://www.mcclinics.com/media/news/112.html

INVESTOR RELATIONS

We see our investor relations as an important priority and have focused on maintaining a continued active dialogue with the investment community since our successful listing on the London Stock Exchange in 2012. Our goal is to rigorously adhere to the best practices in terms of transparency and information disclosure to our investors and analysts. We regularly provide updates on operational and financial performance, new openings and acquisitions, key Board of Directors and shareholder meetings decisions, as well as other important corporate developments.

Through our investor relations function we are committed to ensuring that the investment community has a good understanding of our story and promptly receives all relevant information. We do that by making ourselves, including senior management, available for productive dialogue.

In February 2017, we held our inaugural Strategy Day in London. At the event which gathered 28 representatives of the international investment community, MDMG's senior management team provided an update on the Company's strategy and goals as Russia's leading private healthcare provider.

During 2017, we also held more than 160 meetings with investors, attended 4 investor conferences in Russia and the UK.

Corporate Governance and Risk Management

Corporate Governance Report

> “Every member of the Board has unparalleled experience in key areas that are crucial for the efficient operation of the company.

Dr Mark Kurtser
CEO

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

Corporate governance and control structure

General Meeting of Shareholders

Board of Directors	Board Committees
CEO	Audit (Internal auditor) Nomination Remuneration

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

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

AUDIT COMMITTEE

The Audit Committee comprises 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, 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 auditors;
- approval of the remuneration and terms of engagement of the external auditors in respect of audit services provided;
- the audit process, including monitoring and review of the external auditors' performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditors; 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 one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Mr Vladimir Mekler (since June 2016); non-executive director Mr Simon Rowlands and executive director Dr Mark Kurtser are other members since September 2015.

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

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.

INTERNAL AUDITOR

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Company's internal audit service. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit Service into any activities of the Group which may be of interest or concern to the Audit Committee.

The Company's internal auditor is responsible for recommending of an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company's compliance with the plan recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

Risk Management

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

“Over the years we have developed an efficient risk management system which runs through all our operations.

RISK	POTENTIAL IMPACT	MITIGATION
Reputation risk	The main danger of this risk is that it can be caused by a number of different factors. In this way it is closely connected to other risks mentioned below. We endeavour to maintain a low level of reputation risk by updating information sources and launching new system controls. In 2018, we will provide a range of measures to reduce the level of reputational risk, all based on the Group's development strategy.	During 2017, a lot of risks were significantly mitigated. The most successful mitigations came in regards to Medical Service risk, Control & Efficiency risk and Recruitment risk. In particular, areas that required working with patients were launched and automated and the time management controls system was introduced. Increased control of service quality with respect to major company activities was also implemented.
Medical Service Risk	By its very 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.	We pay great attention to the qualifications of medical personnel and provide opportunities to improve them. We perform regular revisions of key medical processes and supervise the quality of services provided. In complex medical cases, recommendations are carefully analysed and presented to all key staff responsible for healthcare. We use exclusively high-tech equipment and consumables. We preserve medical confidentiality and personal data by constantly improving protection mechanisms. We apply the same high standards of care in all our institutions.
Compliance 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. That 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 the federal and regional level, and we work continually to make them even stronger. 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. At times, we actively advocate for laws aimed at supporting the continued development of the medical sector. We also cooperate with the regulatory bodies of Great Britain for the requirements of the London Stock Exchange. We constantly review the updates in the UK and EU legislation and update our internal standards to match.
Macroeconomic Risk	There is a risk that the macroeconomic environment in Russia will 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 as needed and respond to changes in the general economic environment.
Control & Efficiency Risk	The rapid development of our business, the integration of new legal entities, the increase in staff numbers and the expansion in our range of services requires effective monitoring and control of the entire team. The business requires a constant updating of existing control systems, as well as introducing new procedures to safeguard the Group's assets and increase business efficiency.	We are constantly seeking new ways of increasing 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.
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 expanding our network throughout the regions of Russia. We are pioneers in the field of regional expansion, where the effectiveness of expansion of private medicine into the regions has not been fully measured and proven. It can be challenging to forecast with precision the likely return on investment and the probable payback periods resulting from a lack of reliable information on the potential number of private patients in a given region. If expansion projects are not implemented effectively, projects can either have an extremely long pay-back period or even fail to deliver a profit entirely	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 highquality private medical services that is targeting regional expansion.
Recruitment Risk	Our strategy, which is largely based on the construction of new hospitals and clinics in regional areas, implies a risk that will not be able to find enough medical professionals, with the required qualifications and experience to match our high standards. This risk is compounded by the General standard of medical education in Russia, which often does not conform to standards set by private clinics, whose Reputation is largely dependent on the quality of their service. There is also a risk of a lack of qualified management staff that are able to directly evaluate risks and improve or simply maintain business efficiency.	Bearing in mind the effect to the Company's reputation, we prioritise investment in programmes that improve upon the qualifications of medical personnel throughout Russia. We place a considerable emphasis on our recruitment process and liaise actively with heads of departments at the top universities in our search for 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. Our team is actively working on improving the motivation system that covers staff development needs.
Financial Risk	The financial risk includes such significant risks as: • Credit risk – the risk arising from the chance that debtors will not make promised payments either on time or in full; • Operational risk – contingent losses of the Company due to technical failures, intentional and accidental human errors; • Liquidity risk – probability of loss arising from a situation where (1) there will not be enough cash and/or cash equivalents to meet the needs of depositors and borrowers, (2) sale of illiquid assets will yield less than their fair value, or (3) illiquid assets will not be sold at the desired time due to lack of buyers.	All managerial decisions within the Group are taken with the participation of the Finance Department, which provides decision makers with reliable and timely information on the financial standing of the Group. Divisions of the Finance Department regularly improve their expertise and maintain a high degree of interaction with one another and with other departments.

Board of Directors

Mr Vladimir Mekler

Chairman of the Board of Directors

Mr Vladimir Mekler became Chairman of the Board of Directors in June 2016. Mr Mekler was appointed as Non-Executive Director in February 2015. He is a senior and managing partner of Mekler & Partners. Mr Mekler specialises in corporate law, including supporting and structuring complex and cross-border contracts; creating systems of corporate governance; legal structuring development; optimisation of criminal and antitrust legislation; legal support of mergers and acquisitions; settling corporate disputes; and organising and coordinating legal representation and defence in complex 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 Lomonosov Moscow State University.

Dr Mark Kurtser

Member of Russian Academy of Sciences
CEO and Member of the Board of Directors

Dr Mark Kurtser is the founder of MD Medical Group, CEO and Member of the Board of Directors. Dr Kurtser began his career as a graduate assistant to the associate professor at the obstetrics and gynaecology department of Pirogov Medical University. From 1994 to 2012, he was Head of the Centre for Family Planning and Reproduction, the largest public obstetrics hospital in Moscow. From 2003 to 2013, Dr Kurtser was the Chief Obstetrician and Gynaecologist of the City of Moscow. He holds a degree in medicine from Pirogov Medical University in addition to a postdoctoral degree in medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

Mr Simon Rowlands

Independent Member of the Board of Directors

Mr Simon Rowlands was appointed as an independent non-executive director in September 2012. His other current appointments include non-executive directorship at Spire Healthcare. Mr Rowlands is a Founding Partner of European private equity firm Cinven Partners, where he established and led the healthcare team and was involved in a number of transactions including those of General Healthcare Group, Spire Healthcare and Classic Hospitals in the UK, USP in Spain and 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

Member of the Board of Directors

Mr Kirill Dmitriev was elected to the Board of Directors in October 2012. He is CEO of the Russian Direct Investment Fund, Russia's sovereign wealth fund with reserved capital of $10 billion under management. Working alongside the world's foremost investors, RDIF makes direct investments in leading, as well as promising, Russian companies. Prior to becoming CEO of RDIF in 2011, Mr Dmitriev headed a number of large private equity funds and completed a series of landmark transactions, including the sale of Delta Bank to General Electric, Delta Credit Bank to Société Générale, STS Media to Fidelity Investments, among others. Mr Dmitriev began his career at Goldman Sachs and McKinsey & Company. He holds a BA in Economics with Honors and Distinction from Stanford University and an MBA with High Distinction (Baker Scholar) from Harvard Business School.

Mr Vitaly Ustimenko

PhD, Member of the Board of Directors

Mr Vitaly Ustimenko was the Group's Chief Financial Officer from 2012–2016. He was elected to the Board of Directors in February 2015. Mr Ustimenko has more than ten years of experience in finance. He has been CFO of Solnechnye Produkty Holding Company since June 2017. Prior to joining the Group, he was the Head of Strategic and Business Planning at Russian Helicopters, and before that held the position of Senior Manager at Deloitte Touche Tomatsu Ltd. Mr Ustimenko holds a bachelor's degree from the Finance University under the Government of the Russian Federation and a PhD in finance from the State University of Management.

Dr Alsou Nazyrova

PhD, Member of the Board of Directors

Dr Alsou Nazyrova joined the Group in 2009 and became a member of the Board in June 2016. In 2016 she was appointed Director of Mother&Child Urals and Head of Regional Projects Department. Dr Nazyrova has held the CEO position at Mother&Child hospital in Ufa since 2014 and the CEO position at Mother&Child clinic in Ufa since 2009.
Alsou Nazyrova has more than 15 years of experience in medicine and pharmaceutical business and is the Head of the Reproductive Health faculty at Bashkir State Medical University.
Dr Nazyrova graduated from Bashkir State Medical University and had specialty training in Paediatrics, she also holds a PhD degree.

Mrs Liubov Malyarevskaya

Independent Member of the Board of Directors

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

Board of Directors
Activity in 2017

Participation of the Directors in the Board meetings during 2017

BOARD MEMBER	NUMBER OF BOARD MEETINGS ATTENDED IN PERSON OR VIA PHONE	NUMBER OF MEETINGS HELD FOR THE PERIOD AS A BOARD MEMBER
Vladimir Mekler	10	10
Mark Kurtser	10	10
Simon Rowlands	10	10
Kirill Dmitriev	6	10
Vitaly Ustimenko	10	10
Alsou Nazyrova	10	10
Liubov Malyarevskaya	10	10
Nikolay Ishmetov[1]	10	10

[1] Alternate director for Kirill Dmitriev

Remuneration paid to Members of the Board in 2017

BOARD MEMBER	TOTAL AMOUNT PAID
Simon Rowlands	RUB 4.5 mln
Liubov Malyarevskaya	RUB 782 ths
Vitaly Ustimenko	RUB 1.2 mln

45

Agenda items were discussed in 2017

> Key goal of the Board is to enable successful implementation of the Group's strategy.

Senior Management

Dr Mark Kurtser

Member of Russian Academy of Science
CEO and Member of the Board of Directors

Dr Mark Kurtser is the founder of MD Medical Group, CEO and Member of the Board of Directors. Dr Kurtser began his career as a graduate assistant to the associate professor at the Obstetrics and Gynaecology Department of Pirogov Medical University. From 1994 to 2012, was Head of the Centre for Family Planning and Reproduction, the largest public obstetrics hospital in Moscow. From 2003 to 2013, Dr Kurtser was the Chief Obstetrician and Gynaecologist of the City of Moscow. He holds a degree in Medicine from Pirogov Medical University in addition to a postdoctoral degree in Medicine. Dr Kurtser remains actively involved in the Group's healthcare practice and day-to-day operations.

Mr Andrey Khoperskiy

Deputy CEO for Economics and Finance

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

Dr Natalia Yakunina

PhD, Deputy CEO for Patient Care

Dr Natalia Yakunina joined the Group in 2011. In 2016, she was appointed Deputy CEO for Patient Care; in 2014–2016 she worked as Chief Doctor and CEO of Mother & Child Savelovskaya clinic in Moscow; in 2012–2014 she was Head of the OBGYN out-patient department at PMC; before that, starting from 2011 Natalia worked as Chief Doctor at Mother & Child Yugo-Zapad clinic in Moscow. Before joining the Group, Dr Yakunina was Chief Obstetrician and Gynaecologist of the Central District of Moscow. Dr Yakunina has more than 20 years of experience in obstetrics-gynaecology. She holds a degree in Medicine from Turkmen State Medical University.

Mr Alexander Rayt

Deputy CEO for Operations

Mr Rayt joined the Group in 2012. He was appointed to a position Deputy CEO for Operations in October 2017. From 2016 to October 2017 he worked as Director of Mother & Child Siberia. Prior to that he was Head of Finance Department in 2014–2016, and Head of IFRS Reporting Department in 2012–2014. Before joining the Company, Mr Rayt held the position of Deputy Head of IFRS Reporting Department at JSC Russian Helicopters, he also worked in Audit Department at JSC BDO Russia. Mr Rayt graduated from the Finance and Credit Faculty of the Academy of Economic Studies of Moldova.

Dr Boris Konoplev

Medical Director of Mother & Child, Head of Hospital Group

Dr Boris Konoplev joined the Group in 2010. In 2017, he was appointed Medical Director and Head of Hospital Group of Mother & Child. Prior to that, in 2014–2017, Dr Konoplev was Chief Doctor of Mother and Child Ufa Hospital. Earlier, from 2012 to 2014, he was Head of Obstetrics Department at Lapino Hospital. In 2010–2012, Dr Konoplev was Obstetric gynaecologist of Maternity Department at Perinatal Medical Centre. Dr Konoplev graduated from the Paediatric Faculty of Pirogov Medical University. In 2015, he became an assistant at the Department of Reproductive Health, with speciality training in Immunology at Bashkir State Medical University. Dr Konoplev is a practicing obstetrician-gynaecologist and has undertaken a number of trainings in leading European clinics.

Dr Yulia Kutakova

PhD, Medical Director for Organisational and Scientific-Educational Work

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

Regional Directors

Dr Alsou Nazyrova
PhD, Director of Mother&Child Urals

Dr Alsou Nazyrova joined the Group in 2009. In 2016 she was appointed Director of Mother&Child Urals and Head of Regional Projects Department. Dr Nazyrova has held the CEO position at Mother&Child hospital in Ufa since 2014 and the CEO position at Mother & Child clinic in Ufa since 2009. Alsou Nazyrova has more than 15 years of experience in medicine and pharmaceutical business and is the Head of Reproductive Health Faculty at Bashkir State Medical University. Dr Nazyrova graduated from Bashkir State Medical University and had specialty training in Paediatrics, she also holds a PhD degree.

Dr Marat Tugushev
PhD, Director of Mother&Child Volga

Dr Marat Tugushev has been Chief Doctor at five Mother&Child clinics in the Samara Region since 1992. In 2017, he was also appointed as Director of Mother&Child Volga. Dr Tugushev graduated from Samara State Medical University with a degree in General Medicine. With more than 27 years of experience in healthcare, he is currently a practicing obstetrician and gynaecologist as well as a surgeon of the highest qualification category. Dr Marat Tugushev is actively engaged in medical research. He is also Head of Reproductive Medicine, Clinical Embryology and Genetics Department at Samara State Medical University. Dr Tugushev holds a PhD in Medical Science.

Mr Ivan Volkov
Director of Mother&Child Siberia

Mr Ivan Volkov joined the Group in 2012. In 2017, he was appointed as Director of Mother&Child Siberia. From 2015–2017, he headed the Group's Financial Department in Novosibirsk. Earlier, he worked at various positions in MDMG's Financial Department in Moscow. Before joining the Group, Mr Volkov was an auditor at BDO Russia offices in Arkhangelsk and Moscow. Mr Volkov graduated from Arkhangelsk State Technical University with degrees in Finance and Credit, as well as in Information Systems and Technologies. He also holds a DipIFR Russian diploma.

Report and consolidated financial statements

For the year ended 31 December 2017

Contents

Officers, Professional Advisers and Registered Office

BOARD OF DIRECTORS	- Vladimir Mekler – Chairman - Mark Kurtser - Vitaly Ustimenko - Kirill Dmitriev - Nikolay Ishmetov (alternate director to Kirill Dmitriev) - Simon Rowlands - Alsu Nazyrova - Liubov Malyarevskaya
SECRETARY	Menustrust Limited
SECRETARY ASSISTANT	Mikhail Melnikov
INDEPENDENT AUDITORS	KPMG Limited
REGISTERED OFFICE	15 Dimitriou Karatasou street, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus

Management 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 2017.

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. Note 4 to the consolidated financial statements gives more detailed information about the service provided by the Group`s medical centres.

Financial results

The Group's results of operations are affected by a number of factors, including acquisitions, regulatory conditions, demand for private healthcare services, patient capacity and utilisation rate, pricing and volume, staff costs, capital expenditure programmes and currency exchange fluctuations.

The Group's financial results for the year ended 31 December 2017 and its financial position at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 and in the consolidated statement of financial position on page 76 of the consolidated financial statements.

Profit for the year ended 31 December 2017 amounted to RUB 2,704,250 thousand (2016: RUB 2,277,427 thousand). The total assets of the Group as at 31 December 2017 were RUB 22,271,953 thousand (31 December 2016: RUB 18,715,770 thousand) and the net assets were RUB 14,567,665 thousand (31 December 2016: RUB 12,770,137 thousand).

The main reason for the increased profit was the continuing ramp-up of Lapino and Ufa hospitals and expansion of services provided by existing facilities, as PMC hospital and clinics in Samara and Moscow (M&C Ugo-Zapad and M&C Khodynskoe pole). The main reason for increase in total assets was the equipment purchased for the new opened hospital in Novosibirsk and the construction of multifunctional hospitals in Samara and Tyumen.

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 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB 338,063 thousand (USD 5,804 thousand), which corresponds to RUB 4.5 (USD 0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared an interim dividend for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB 350,833 thousand (USD 6,140 thousand), which corresponds to RUB 4.67 (USD 0.08) per share. The dividend was paid on 24 October 2017.

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 attributable to the owners of the Company amounting to RUB 500,332 thousand (USD 7,298 thousand), which corresponds to RUB 6.66 (USD 0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

On 2 September 2016 the Board of Directors declared an interim dividend for the six months ended 30 June 2016 attributable to the owners of the Company amounting to RUB 285,475 thousand (USD 4,375 thousand), which corresponds to RUB 3.8 (USD 0.06) per share. The dividend was paid on 18 October 2016.

The Board of Directors recommends the payment of RUB 450,750 thousand as final dividend for the year 2017 which correspond to RUB 6.0 per share.

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

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

The Group has developed its growth strategy to meet the increasing demand for high-quality private healthcare services in Russia. The Group has grown significantly through strategic acquisitions and expansion through the construction of new facilities.

During 2017 the Company has acquired additional 10% share in LLC Mother and Child Saint Petersburg and 15% share in LLC Centre of Reproductive Medicine for RUB 53,000 thousand.

The Group has one of the largest nationwide private healthcare regional networks for its core services and is expanding into new services. It has significant experience in the provision of full-service private maternity healthcare services. The Group has secured leading positions in the Russian private healthcare market across a range of services including obstetrics and gynaecology, fertility and IVF treatment, and paediatrics.

The Group's principal objective is to use its strong existing platform and experience in the regions to create a scalable concept of establishing new regional hospitals and other medical facilities, utilising rigorous investment decision-making targeting the most attractive regions and ensuring seamless execution.

The Group believes the experience, depth and diversity of its management team to be a distinct competitive advantage in the complex and rapidly growing healthcare industry in which it operates.

Principal risks and uncertainties

The Group operates in a highly regulated industry and is subject to supervision by federal and local authorities. As a result, the Group would be significantly affected by material changes to the existing, or implementation of additional, government regulations in Russia.

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

Details in relation to principal risks and uncertainties and steps taken to manage these risks and uncertainties are given in Notes 23 and 25 of the consolidated financial statements.

The reputation, expertise and professionalism of the Group's medical personnel are instrumental to the Group's ability to attract new and repeat patients. The Group's operating success depends on its medical personnel providing high-quality healthcare services throughout the Group's medical network.

Directors' interest

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2017, 31 December 2016 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, including treasury shares acquired by the Company.

Future developments

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

As the Group will be growing it intends to expand its portfolio of hospital and outpatient facilities, broaden its service offerings by providing patients with the most up-to-date treatment procedures and medical technology available on the market, expand its services in Moscow and other regions, exploit the value of its integrated healthcare network by making effective use of services across its facilities, optimising 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 64.

Refer to Note 22 of the consolidated financial statements for the remuneration of the directors and other key management personnel.

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 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, 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 auditors;
- approval of the remuneration and terms of engagement of the external auditor's in respect of audit services provided;
- the audit process, including monitoring and review of the external auditors' performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditors; 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.

Internal audit

The Audit Committee is responsible to monitor and review the effectiveness of the Company's internal audit service. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit Service into any activities of the Group which may be of interest or concern to the Audit Committee.

The Company`s internal auditor is responsible for the recommendation of an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company`s compliance with the plan`s recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

Nomination Committee

The Nomination Committee comprises one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Mr Vladimir Mekler (since June 2016); non-executive director Mr Simon Rowlands and executive director Dr Mark Kurtser are other members since September 2015.

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

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

Since 2012, the Company has maintained full compliance with the UK Corporate Governance Code. 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;
- Regulation on Insider Information;
- Risk Management Policy; and
- Anti-Fraud Policy.

Internal control in relation to the financial reporting process

The Group has set formal policies and written term of reference in relation to the financial reporting process that include:

- Corporate Accounting policy Guidelines;
- Methodology for the Transformation of Financial Statements from RAS to IFRS;
- Methodology for the Consolidation of IFRS Financial Statements;
- Financial Reporting Preparation Procedure; and
- The Group's structure.

The objective of this policy is to establish uniform procedures and to implement requirements for the preparation of the consolidated financial statements of the Group. The procedure should be reviewed for compliance with the International Financial Reporting Standards as well as current conditions and planned changes in the Group's business activities at least once a year. When necessary, amendments and additions to this Procedure should be adopted.

Meetings of shareholders

The Company shall each year hold a general meeting as its annual general meeting in addition to any other meetings that year. An annual general meeting and any other shareholders' meeting called to pass a special resolution can be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 21 days before the meeting. Any other meetings shall be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 14 days before the meeting. If the notice period is less than 21 days or 14 days as applicable, the meeting will be deemed to have been duly called if it is so agreed:

- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

A notice convening a general meeting must be sent to each of the shareholders.

All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. In the general meeting, on a poll, every share gives the holder the right to cast one vote, whereas, on a show of hands, each member has one vote. A corporate member may, by resolution of its directors or other governing body, authorise a person as the corporate member could exercise if it were an individual member of the Company.

Branches

MD Medical Group Investments Plc has a branch in Moscow.

Treasury shares

During the year ended 31 December 2017 the Company did not acquire any treasury shares.

As at 31 December 2017, an escrow agent holds 230,000 GDRs earlier acquired by the Company. Escrow agent acts in accordance with the Long-Term Management Incentive Plan (LTIP) signed in 2014 and shall distribute these GDRs in 2018 to the participants of the LTIP.

Each GDR represents an interest in one ordinary share with a nominal value of USD 0.08.

Events after the reporting period

In January 2018 the Group made the early repayment of secured bank loan related to Lapino hospital in the amount of RUB 390,385 thousand.

Since January 2018 the Group expanded the operations of the clinic in Vladimir and opened a new clinic in Nizhny Novgorod.

In March 2018 the Group opened a new hospital in Samara, the total cost of which was approximately RUB 3.2 billion. The opening of the new hospital delivered a significant capacity increase, with the total floor space increase of about 15,000 sq. m. The hospital is able to offer a range of new services, including services not currently available in the city or the region.

In March 2018 the Group started the procedure for the acquisition of the non-controlling interest in the subsidiaries which it controls. Purchase price is estimated to be around RUB 690,000 thousand. As at the date of this consolidated financial statements approval, the necessary documents are reviewed by the Federal Antimonopoly Service of the Russian Federation.

In March 2018 the Group negotiated the decrease of interest rate for the secured bank loan related to Samara from 10.75% to 8.45%.

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
Managing Director,
member of the Board of Directors
Moscow, 16 March 2018

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 and the requirements of the Cyprus Companies Law, Cap.113, 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 Management 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:

VLADIMIR MEKLER	Chairman, non-executive director
MARK KURTSER	Executive director
VITALY USTIMENKO	Non-executive director
ALSU NAZYROVA	Executive director
KIRILL DMITRIEV	Non-executive director
SIMON ROWLANDS	Non-executive independent director
LIUBOV MALYAREVSKAYA	Non-executive independent director

Independent Auditors'
Report to the Members of MD Medical Group Investments Plc

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of MD Medical Group Investments Plc (the "Company'') and its subsidiaries (together with the Company, referred to as "the Group") which are presented on pages 75 to 106 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill

Please refer to Note 14 of the consolidated financial statements (RUB 2,032,320 thousand).

The key audit matter	How the matter was addressed in our audit
As a result of the Group's expansion, a significant amount of goodwill arising from business combinations has been recognised over the years. The management of the Group reviews annually goodwill for impairment purposes. Inherent uncertainty and subjectivity is involved in forecasting and discounting future cash flows, which are the basis of the assessment of the recoverability of the goodwill and hence its carrying value recorded in the consolidated financial statements. It is for this reason that this is one of the key judgmental areas that our audit is concentrated on.	Our audit procedures included among others: - Testing the assumptions and methodologies used by the management of the Group based on which the forecast cash flows were prepared. Particular attention was given to the assumptions relating to terminal growth, after-tax profitability and discount rates. - Using our own valuation specialists to assist us in evaluating the assumptions and methodologies. - Comparing the Group's assumptions on revenue growth and after-tax profitability margins with equivalent medical centres of the Group in nearby regions, externally derived data as well as our own assessment in relation to key inputs into the models. - Preparing our own sensitivity analysis around the key assumptions. - Assessing whether the disclosures in Note 14 of the consolidated financial statements relating to key inputs in the impairment assessment model are consistent with those employed in the model.

Revenue recognition

Please refer to Note 4 of the consolidated financial statements (RUB 13,755,167 thousand).

The key audit matter	How the matter was addressed in our audit
The Group has a number of revenue streams with different revenue recognition policies. The majority of the revenue is generated from individual patients who receive medical care either based on concluded contracts or based on daily tickets for one-off visits. Contracts may last for longer periods. Generally, patients prepay for the whole amount of the contracts and visit doctors within the period of the contract. The number of visits in all medical centres of the Group is significant. Therefore, the Group relies on automation within the medical IT system for complete and accurate revenue recognition through interface with the accounting system. Given the number of different revenue streams, the volume of transactions and related reliance on the medical IT system, we consider that a risk exists in relation to revenue being recorded in the correct period at the correct amount, including related deferred income in the consolidated statement of financial position. As such, revenue recognition is an area that our audit is focused on.	Our procedures included among others: – Testing of general IT controls and IT application controls relevant to the revenue recognition, including segregation of duties for inputs and modification of data in the medical IT system, allocation of cash receipts and visits of patients for each individual contract, accuracy of data transfers from cash registers to the medical IT system through to the accounting system. – Assessing the design and implementation and we tested the operating effectiveness of controls over daily cash movements and the completeness of the daily encashment to the bank accounts of the Group. – Evaluating controls over approval of prices and discounts for individual agreements with patients, as all prices and discounts, which are included in the medical IT system, require authorisation. – Obtaining external confirmations from banks and compared annual cash receipts and cash balances on bank accounts to the data recorded in the accounting systems. – Performing substantive analytical procedures to verify the deferred revenue recognised in the year (prepayments).

Other information

The Board of Directors is responsible for the other information. The other information comprises the management report, the corporate governance statement and the corporate social responsibility statement, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement, we have nothing to report.

With regards to the management report and the corporate governance statement, our report is presented in the "Report on other legal and regulatory requirements" section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal controls as the Board of Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Other regulatory requirements
Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

- Date of our appointment and period of engagement
  We were first appointed auditors of the Group by the General Meeting of the Company's members on 10 July 2012. Our appointment has been renewed annually by shareholder resolution. Our total uninterrupted period of engagement is 9 years covering the periods ending 31 December 2009 to 31 December 2017.
- Consistency of the additional report to the Audit Committee
  Our audit opinion is consistent with the additional report presented to the Audit Committee, dated 16 March 2018.
- Provision of non-audit services ("NAS")
  We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements
Pursuant to the additional requirements of law L. 53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the consolidated management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the Group's business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, has been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L. 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

The engagement partner on the audit resulting in this independent auditors' report is Zakis E. Hadjizacharias.

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

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

No. 11, June 16th 1943 Street,
3022 Limassol,
Cyprus.

16 March 2018

Consolidated
Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RUB'000	2016 RUB'000
REVENUE	4	**13,755,167**	**12,179,082**
Cost of sales	5	(8,358,369)	(7,399,833)
GROSS PROFIT		**5,396,798**	**4,779,249**
Other income	8	104,808	30,043
Administrative expenses	6	(2,254,079)	(2,067,344)
Other expenses		(21,407)	(18,230)
OPERATING PROFIT		**3,226,120**	**2,723,718**
Finance income	9	97,321	49,322
Finance expenses	9	(492,084)	(443,079)
Net foreign exchange transactions loss	9	(50,201)	(90,847)
Net finance expenses	9	(444,964)	(484,604)
PROFIT BEFORE TAX		**2,781,156**	**2,239,114**
Income tax (expense) / benefit	10	(76,906)	38,313
PROFIT FOR THE YEAR		2,704,250	2,277,427
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,704,250	2,277,427
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		2,488,812	2,065,848
Non-controlling interests		215,438	211,579
		2,704,250	**2,277,427**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		2,488,812	2,065,848
Non-controlling interests		215,438	211,579
		2,704,250	**2,277,427**
BASIC AND FULLY DILUTED EARNINGS PER SHARE (RUB)	**11**	**33.23**	**27.58**

The Notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Consolidated
statement of financial position

As at 31 December 2017

	Note	31 December 2017 RUB'000	31 December 2016 RUB'000
ASSETS			
Property, plant and equipment	13	15,323,649	13,410,453
Intangible assets	14	2,335,477	2,441,586
Trade, other receivables and deferred expenses	15	889,933	184,984
Deferred tax assets	10	243,165	175,751
TOTAL NON-CURRENT ASSETS		18,792,224	16,212,774
Inventories		525,356	445,183
Trade, other receivables and deferred expenses	15	421,203	359,855
Other assets		28,568	55,014
Cash and cash equivalents	16	2,504,602	1,642,944
TOTAL CURRENT ASSETS		3,479,729	2,502,996
TOTAL ASSETS		22,271,953	18,715,770
EQUITY			
Share capital	17	180,585	180,585
Share premium	18	5,243,319	5,243,319
Reserves	18	(659,896)	(674,089)
Retained earnings	18	9,377,710	7,597,472
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		14,141,718	12,347,287
Non-controlling interests	26	425,947	422,850
TOTAL EQUITY		14,567,665	12,770,137

	Note	31 December 2017 RUB'000	31 December 2016 RUB'000
LIABILITIES			
Loans and borrowings	19	3,585,213	2,199,768
Trade and other payables	20	277,320	238,618
Deferred tax liabilities	10	250,504	118,020
Deferred income	21	144,860	129,936
TOTAL NON-CURRENT LIABILITIES		4,257,897	2,686,342
Loans and borrowings	19	985,234	1,083,647
Trade and other payables	20	1,332,364	1,173,795
Deferred income	21	1,128,793	1,001,849
TOTAL CURRENT LIABILITIES		3,446,391	3,259,291
TOTAL LIABILITIES		7,704,288	5,945,633
TOTAL EQUITY AND LIABILITIES		22,271,953	18,715,770

On 16 March 2018 the Board of Directors of MD Medical Group Investments Plc approved and authorised these consolidated financial statements for issue.

Vladimir Mekler
Chairman of the Board
of Directors

Mark Kurtser
Managing Director

Andrey Khoperskiy
Chief Financial Officer

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Consolidated
Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Attributable to owners of the Company Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Attributable to owners of the Company Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total equity RUB'000
BALANCE AT 1 JANUARY 2017		180,585	(18,737)	5,243,319	(655,352)	7,597,472	12,347,287	422,850	12,770,137
Profit and total comprehensive income for the year		-	-	-	-	2,488,812	2,488,812	215,438	2,704,250
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS									
Equity-settled share-based payment	18	-	34,754	-	-	-	34,754	-	34,754
Closing of motivation programme	18	-	(20,561)	-	-	20,561	-	-	-
Dividends declared	12	-	-	-	-	(688,896)	(688,896)	(199,580)	(888,476)
TOTAL TRANSACTIONS WITH OWNERS		-	14,193	-	-	(668,335)	(654,142)	(199,580)	(853,722)
CHANGES IN OWNERSHIP INTERESTS									
Acquisition of a non-controlling interests without a change in control	18	-	-	-	-	(40,239)	(40,239)	(12,761)	(53,000)
TOTAL CHANGES IN OWNERSHIP INTERESTS		-	-	-	-	(40,239)	(40,239)	(12,761)	(53,000)
BALANCE AT 31 DECEMBER 2017		180,585	(4,544)	5,243,319	(655,352)	9,377,710	14,141,718	425,947	14,567,665

Share premium is not available for distribution.

For the year ended 31 December 2016

	Note	Attributable to owners of the Company Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Attributable to owners of the Company Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000	Non-controlling interests RUB'000	Total equity RUB'000
BALANCE AT 1 JANUARY 2016		180,585	(43,751)	5,243,319	(655,352)	6,361,881	11,086,682	422,732	11,509,414
Profit and total comprehensive income for the year		-	-	-	-	2,065,848	2,065,848	211,579	2,277,427
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS									
Equity-settled share-based payment	18	-	25,014	-	-	-	25,014	-	25,014
Dividends declared	12	-	-	-	-	(785,807)	(785,807)	(199,911)	(985,718)
TOTAL TRANSACTIONS WITH OWNERS		-	25,014	-	-	(785,807)	(760,793)	(199,911)	(960,704)
CHANGES IN OWNERSHIP INTERESTS									
Acquisition of a non-controlling interests without a change in control	18	-	-	-	-	(44,450)	(44,450)	(11,550)	(56,000)
TOTAL CHANGES IN OWNERSHIP INTERESTS		-	-	-	-	(44,450)	(44,450)	(11,550)	(56,000)
BALANCE AT 31 DECEMBER 2016		180,585	(18,737)	5,243,319	(655,352)	7,597,472	12,347,287	422,850	12,770,137

Share premium is not available for distribution.

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Consolidated
Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RUB'000	2016 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FOR THE YEAR		2,704,250	2,277,427
Adjustments for:			
Depreciation of property, plant and equipment	13	938,621	850,262
Equity-settled share-based payment transaction	18	34,754	25,014
Loss from the sale of property, plant and equipment		418	877
Write-off of property, plant and equipment		9,602	-
Amortisation of intangible assets	14	97,219	96,126
Finance income	9	(97,321)	(49,322)
Finance expenses	9	492,084	443,079
Gain under Escrow Agreement	8	(96,592)	-
Write-off of accounts payable		(3,916)	-
Net foreign exchange transactions loss	9	50,201	90,847
Income tax expense / (benefit)	10	76,906	(38,313)
		4,206,226	**3,695,997**
Increase in inventories		(80,173)	(73,332)
Increase in trade and other receivables		(118,056)	(86,333)
Increase in trade and other payables		40,143	216,183
Increase in deferred income		141,868	127,919
CASH FLOWS FROM OPERATIONS		**4,190,008**	**3,880,434**
Tax paid		(4,138)	(19,604)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**4,185,870**	**3,860,830**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition/construction of property, plant and equipment		(3,445,028)	(1,716,097)
Proceeds from disposal of property, plant and equipment		4,136	21,426
Payment for acquisition of intangible assets		(17,530)	(31,359)
Acquisition of subsidiaries, net cash outflow on acquisition		-	(474,873)
Proceeds from escrow agreement		96,592	-
Short-term deposits		(2,700)	-
Interest received		57,572	46,311
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,306,958)**	**(2,154,592)**

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

	Note	2017 RUB'000	2016 RUB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		2,332,688	987,125
Repayment of loans and borrowings		(1,078,923)	(1,173,100)
Proceeds from the reimbursed VAT		124,246	-
Payments on settlement of derivative financial instruments		-	(10,052)
Finance expenses paid		(353,115)	(449,145)
Increase in ownership in subsidiary		(53,000)	(56,000)
Repayment of reimbursed VAT		(53,205)	(50,445)
Dividends paid to the owners of the Company		(680,791)	(785,807)
Dividends paid to non-controlling interests		(199,445)	(199,472)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**38,455**	**(1,736,896)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**917,367**	**(30,658)**
Cash and cash equivalents as at the beginning of the year	16	1,642,944	1,774,312
Effect of exchange rate changes on cash and cash equivalents		(55,709)	(100,710)
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	16	2,504,602	1,642,944

The notes on pages 82 to 106 are an integral part of these consolidated financial statements.

Notes
to the Consolidated Financial Statements

For the year ended 31 December 2017

1. Incorporation and principal activities

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

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

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

Name	Country of incorporation	Activities	31 December 2017 Effective holding %	31 December 2016 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	64	64
LLC Capital Group	Russian Federation	Pharmaceutics retail	80	80
LLC FimedLab	Russian Federation	Medical services	60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services	60	60
LLC Ivamed	Russian Federation	Medical services	100	100
LLC Dilamed	Russian Federation	Medical services	100	100
CJSC Listom	Russian Federation	Service company	100	100
LLC Ustic-ECO	Russian Federation	Medical services	70	70
LLC Mother and Child Perm	Russian Federation	Medical services	80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	80	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	70	60
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	95	95
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services	100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services	100	100
LLC TechMedCom	Russian Federation	Service company	-	-
LLC Service Hospital Company	Russian Federation	Service company	-	-
LLC Mother and Child Tyumen	Russian Federation	Medical services	100	100
Vitanostra Ltd	Cyprus	Holding of investments	-	100
CJSC MK IDK	Russian Federation	Medical services	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	100	100
LLC CSR	Russian Federation	Medical services	100	100
LLC Elleprof	Russian Federation	Service company	-	-
LLC Medtechnoservice	Russian Federation	Service company	-	-
LLC MD Assistance	Russian Federation	Assistance services	100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services	80	80
LLC Mother and Child Kostroma	Russian Federation	Medical services	80	80
LLC Mother and Child Vladimir	Russian Federation	Medical services	80	80
LLC MD Management	Russian Federation	Management company	100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services	100	100
LLC Mother and Child Kazan	Russian Federation	Medical services	100	-
Ivicend Holding Ltd	Cyprus	Holding of investments	100	100
CJSC MC Avicenna	Russian Federation	Medical services	100	100
LLC H&C Medical Group	Russian Federation	Medical services	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	100	85
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	100
LLC Siberia service company	Russian Federation	Service company	-	-
LLC Krasnoyarskii centre of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Novosibirskii centre of Reproductive Medicine	Russian Federation	Medical services	100	100

Name	Country of incorporation	Activities	31 December 2017 Effective holding %	31 December 2016 Effective holding %
LLC Omskii centre of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Barnaulskii centre of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Nika	Russian Federation	Holding of land	100	-
LLC Stroy Vector Pluss	Russian Federation	Rental services	100	-
LLC Mother and Child Vladivostok	Russian Federation	Medical services	100	-
LLC Irkutsk Clinical Hospital	Russian Federation	Medical services	100	-

As at 31 December 2017, 67.9% of the Company's share capital is owned by MD Medical Holding Limited, a company beneficially owned by Dr Mark Kurtser. The 31.8% of the Company's share capital is owned by Guarantee Nominee Limited, who holds the shares on behalf of the GDR holders. The remaining 0.3% of the Company's share capital is owned by the Company (Note 18).

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors and were authorised for issue on 16 March 2018.

(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 2017, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. Those which may be relevant to the Company are set out below. This adoption did not have a material effect on the consolidated financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2017. The Group does not plan to adopt these Standards early.

(i) Standards and Interpretations adopted by the EU as at 1 January 2018

IFRS 9 ''Financial Instruments'' (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 ''Revenue from contracts with customers'' including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018). The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

Based on the Group preliminary analysis the effect of the application of IFRS 9 and IFRS 15 including amendments is not material.

IFRS 16 ''Leases'' (effective for annual periods beginning on or after 1 January 2019).
The application of the standard will have the effect on the consolidated financial statements of the Group. The effect is now evaluated by the Group's management.

Annual Improvements to IFRSs 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2017 and 1 January 2018 (IFRS 1 and IAS 28)).

(ii) Standards and Interpretations not adopted by the EU as at 1 January 2018

Amendments to IAS 40: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).

Amendments to IFRS 2: Clarification and Measurement of Share-based Payments Transactions (effective for annual periods beginning on or after 1 January 2018).

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).

Annual Improvements to IFRSs 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019).

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

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

(d) Use of estimates and judgements

Preparing consolidated financial statements in accordance with IFRSs requires management to exercise their judgement to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed reasonable based on knowledge available at that time. Actual results may differ from these estimates.

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

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

Impairment of intangible assets and property, plant and equipment

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

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

Equity-settled share-based arrangements

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

(e) Functional and presentation currency

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

The consolidated financial statements of the Group 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 2016 and for the year then ended.

Several new standards and amendments apply for the first time in 2017. 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 exposed 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established or, if later, at the date the Company was incorporated. The assets and liabilities acquired are recognised at their book values. Any difference between the consideration paid and the book values is recognised directly in equity.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

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

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

- Sales 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.

Deferred income

Deferred income represents advances received from patients.

Finance income

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

Finance expenses

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

Foreign currency translation

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

Tax

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

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

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

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

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

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

Dividends declared

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements when the shareholders' right to receive the dividend is established, 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
Leasehold improvements	10-20
Plant and equipment	5-10

No depreciation is provided on land.

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

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

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

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

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

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. Their estimated useful life is from five to seven years.

(iii) Software and 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. 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

The Group classifies non-derivative financial assets into loans and receivables and financial liabilities into other financial liabilities.

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are classified as current assets unless the Group has an unconditional responsibility to accept deferral of receipt for at least twelve months after the balance sheet date, in which case they are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Other financial liabilities are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as current liabilities unless there is an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities. The Group's other financial liabilities comprise trade and other payables and borrowings.

Recognition

The Group initially recognises loans and receivables when they are originated. Other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Measurement

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business and are stated after deducting the appropriate allowances for any impairment.

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and short term highly liquid investments with maturity of three 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.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Impairment of non-derivative financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Derecognition of 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.

Any interest in such derecognised financial assets that is created or retained by the Group, is recognised as a separate asset or liability.

Derecognition of 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.

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.

Impairment of non-financial 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).

Inventories

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

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

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

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

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

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

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

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

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

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

4. Revenue

	2017 RUB'000	2016 RUB'000
In vitro fertilisation (IVF)	3,257,639	2,627,666
Deliveries	2,235,825	2,245,285
Obstetrics and gynaecology out-patient treatments	1,768,001	1,704,702
Other medical services	1,338,813	1,067,278
Paediatrics out-patient treatments	1,306,107	1,205,151
Other out-patient medical services	1,194,798	1,020,418
Obstetrics and gynaecology in-patient treatments	965,261	929,432
Other in-patient medical services	818,720	518,938
Paediatrics in-patient treatments	431,749	404,451
Sales of goods	302,282	315,682
Other income	135,972	140,079
	13,755,167	12,179,082

Significant increase in IVF revenue is due to the opening of IVF departments in M&C Ugo-Zapad and M&C Khodynskoe pole, opening of new facilities in Novosibirsk and continuing ramp-up of the clinic in Samara.

Other medical services include but are not limited to laboratory examinations, diagnostics, surgery, cardiology and oncology. The increase of other medical services revenue is maily represented by continuing ramp-up of Lapino, Novosibirsk and Ufa hospitals.

5. Cost of sales

	2017 RUB'000	2016 RUB'000
Payroll and related social taxes	4,517,572	3,980,084
Materials and supplies used	2,292,818	2,020,849
Depreciation	803,504	728,751
Medical services	244,461	204,600
Energy and utilities	147,916	137,796
Property tax	129,869	96,549
Repair and maintenance	97,733	101,089
Other expenses	124,496	130,115
	8,358,369	7,399,833

6. Administrative expenses

	2017 RUB'000	2016 RUB'000
Payroll and related social taxes	1,269,232	1,169,776
Other professional services	238,117	172,817
Utilities and materials	225,294	226,200
Depreciation	135,117	121,511
Advertising	128,661	149,739
Amortisation	97,219	96,126
Communication costs	31,112	29,361
Independent auditors' remuneration	23,096	23,510
Other expenses	106,231	78,304
	2,254,079	2,067,344

The remuneration of the independent auditors include an amount of RUB 22,304 thousand regarding audit services, RUB 689 thousand regarding audit related services and an amount of RUB 103 thousand regarding tax services.

7. Staff costs

	2017 RUB'000	2016 RUB'000
Wages and salaries	4,598,610	4,098,759
Social insurance contributions and other taxes	1,188,194	1,051,101
TOTAL STAFF COSTS	5,786,804	5,149,860

The average number of employees of the Group during the year ended 31 December 2017 was 6,091 (31 December 2016: 5,594), which was calculated in proportion to the hours worked.

8. Other income

During the year the Group received other income of RUB 104,808 thousand. This income arose mostly from the Escrow Deed approved on 26 September 2014, under which the Group received RUB 96,592 thousand (USD 1,575 thousand) from Escrow Agent in March 2017 as a result of negotiations with the seller of Ivicend Holding Ltd.

9. Net finance expenses

	Note	2017 RUB'000	2016 RUB'000
FINANCE INCOME			
INTEREST INCOME			
Bank interest received		58,052	45,923
Interest from loans to third parties		613	388
Bad debts recovered		-	3,011
Other financial income on discounting		38,656	-
		97,321	49,322
FINANCE EXPENSES			
INTEREST EXPENSE			
Interest on bank loans		(261,253)	(265,662)
Unwinding of discount on other payables to tax authorities		(29,704)	(32,799)
Interest on loans from third parties		-	(3,093)
Finance leases interest		(229)	(270)
OTHER FINANCE EXPENSE			
Bank charges		(125,301)	(123,934)
Impairment of goodwill	14	(14,352)	-
Other impairment provision		(27,261)	-
Impairment of trade and other receivables	15	(33,984)	(17,321)
		(492,084)	**(443,079)**
NET FOREIGN EXCHANGE TRANSACTIONS LOSS		**(50,201)**	**(90,847)**
NET FINANCE EXPENSES		(444,964)	(484,604)

10. Taxation

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% or 15%.

Reconciliation of effective tax rate:

	2017 RUB'000	2016 RUB'000
Profit before taxation	2,781,156	2,239,114
Less profit before taxation of non-taxable subsidiaries	(3,332,468)	(2,768,532)
LOSS BEFORE TAXATION EXCLUDING NOT-TAXABLE SUBSIDIARIES	**(551,312)**	**(529,418)**
Tax using the Group's domestic tax rate	110,262	105,884
Effect of subsidiaries taxable at lower tax rates	455	344
Non-deductible expenses	(4,781)	(1,637)
Current-year losses for which no deferred tax asset is recognised	(57,411)	(50,149)
Recognised temporary differences relating to property, plant and equipment on non-taxable medical subsidiaries expected to be utilized after 1 January 2020 at 20% corporate income tax rate	(125,431)	(16,129)
TOTAL INCOME TAX (EXPENSE) / BENEFIT	(76,906)	38,313

The Group recognized tax expense of RUB 76,906 thousand in the reporting period mostly due to the temporary differences relating to property, plant and equipment (especially differences on the new hospital located in Novosibirsk).

Deferred tax assets of RUB 243,165 thousand as at 31 December 2017 and RUB 175,751 thousand as at 31 December 2016 were mostly recognised on tax losses related to LLC MD Project 2010. According to Russian tax rules such tax losses will not expire.

Deferred tax liabilities of RUB 250,504 thousand as at 31 December 2017 and RUB 118,020 thousand as at 31 December 2016 were mostly recognised on temporary differences relating to property, plant and equipment. These temporary differences are expected to be utilised after 1 January 2020 at 20% corporate income tax rate when the currently enacted tax concession with 0% corporate income tax rate will expire.

As at 31 December 2017 deferred tax assets relating to tax losses carried forward in the amount of RUB 107,560 thousand (31 December 2016: RUB 50,149 thousand) have not been recognised. The tax losses do not expire. Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable tax profit will be available against which the Group can utilise the benefits therefrom.

As at 31 December 2017, there were temporary differences (before calculating tax effect) of RUB 4,921,266 thousand (31 December 2016: RUB 3,496,686 thousand) related to investments in subsidiaries. Deferred tax liabilities related to these temporary differences were not recognised because the Group controls the dividend policy of its subsidiaries and, therefore, controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

11. Earnings per share

	2017	2016
Basic and fully diluted earnings attributable to the owners of the Company (RUB'000)	2,488,812	2,065,848
Weighted average number of ordinary shares in issue during the year	74,895,010	74,895,010
BASIC AND FULLY DILUTED EARNINGS PER SHARE (RUB)	33.23	27.58

12. Dividends

On 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB 338,063 thousand (USD 5,804 thousand), which corresponds to RUB 4.5 (USD 0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared an interim dividend for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB 350,833 thousand (USD 6,140 thousand), which corresponds to RUB 4.67 (USD 0.08) per share. The dividend was paid on 24 October 2017.

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 attributable to the owners of the Company amounting to RUB 500,332 thousand (USD 7,298 thousand), which corresponds to RUB 6.66 (USD 0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

On 2 September 2016 the Board of Directors declared an interim dividend for the six months ended 30 June 2016 attributable to the owners of the Company amounting to RUB 285,475 thousand (USD 4,375 thousand), which corresponds to RUB 3.8 (USD 0.06) per share. The dividend was paid on 18 October 2016.

The Board of Directors recommends the payment of RUB 450,750 thousand as final dividend for the year 2017 which correspond to RUB 6.0 per share.

13. Property, plant and equipment

	Freehold land and buildings RUB'000	Property under construction RUB'000	Plant and equipment RUB'000	Total RUB'000
INITIAL COST				
BALANCE AT 1 JANUARY 2016	**10,339,884**	**163,117**	**4,381,424**	**14,884,425**
Acquisitions through business combinations	37,157	7,132	86,964	131,253
Additions	104,917	1,234,642	454,229	1,793,788
Disposals	(18,713)	-	(26,433)	(45,146)
Transfer from construction in progress	20,065	(37,661)	17,596	-
BALANCE AT 31 DECEMBER 2016	**10,483,310**	**1,367,230**	**4,913,780**	**16,764,320**
Additions	395,218	2,046,445	425,278	2,866,941
Disposals	(5,632)	(2,346)	(30,733)	(38,711)
Transfer from construction in progress	818,299	(1,117,393)	299,094	-
BALANCE AT 31 DECEMBER 2017	11,691,195	2,293,936	5,607,419	19,592,550
DEPRECIATION				
BALANCE AT 1 JANUARY 2016	**731,556**	**-**	**1,788,420**	**2,519,976**
Depreciation during the year	219,929	-	630,333	850,262
Accumulated depreciation on disposals	(1,819)	-	(14,552)	(16,371)
BALANCE AT 31 DECEMBER 2016	**949,666**	**-**	**2,404,201**	**3,353,867**
Depreciation during the year	241,099	-	697,522	938,621
Accumulated depreciation on disposals	(567)	-	(23,020)	(23,587)
BALANCE AT 31 DECEMBER 2017	1,190,198	-	3,078,703	4,268,901
CARRYING AMOUNTS				
BALANCE AT 1 JANUARY 2016	**9,608,328**	**163,117**	**2,593,004**	**12,364,449**
BALANCE AT 31 DECEMBER 2016	**9,533,644**	**1,367,230**	**2,509,579**	**13,410,453**
BALANCE AT 31 DECEMBER 2017	10,500,997	2,293,936	2,528,716	15,323,649

The amount of borrowing costs capitalised during the year ended 31 December 2017 was RUB 110,009 thousand (RUB 55,188 thousand for the year ended 31 December 2016). Capitalisation rate for loans varied from 10,15% to 11,75% for the year ended 31 December 2017 (from 8,65% to 11,75% for the year ended 31 December 2016).

As at 31 December 2017 construction in progress mainly includes construction costs of a hospital in Samara of RUB 1,964,592 thousand and a hospital in Tyumen of RUB 235,921 thousand.

The total net book value of property, plant and equipment which is held as collateral for the loans and borrowings is RUB 7,866,555 thousand as at 31 December 2017 (31 December 2016: RUB 5,430,699 thousand).

14. Intangible assets

	Goodwill RUB'000	Patents and trademarks RUB'000	Software and website RUB'000	Total RUB'000
INITIAL COST				
BALANCE AT 1 JANUARY 2016	1,686,518	564,783	34,098	2,285,399
Acquisitions through business combinations	360,154	-	1,381	361,535
Additions	-	-	31,359	31,359
BALANCE AT 31 DECEMBER 2016	2,046,672	564,783	66,838	2,678,293
Additions	-	29	5,851	5,880
Disposals	(14,352)	-	(1,130)	(15,482)
BALANCE AT 31 DECEMBER 2017	2,032,320	564,812	71,559	2,668,691
AMORTISATION				
BALANCE AT 1 JANUARY 2016	-	124,726	15,855	140,581
Amortisation during the year	-	84,767	11,359	96,126
BALANCE AT 31 DECEMBER 2016	-	209,493	27,214	236,707
Amortisation during the year	-	84,772	12,447	97,219
Accumulated amortisation on disposals	-	-	(712)	(712)
BALANCE AT 31 DECEMBER 2017	-	294,265	38,949	333,214
CARRYING AMOUNTS				
BALANCE AT 1 JANUARY 2016	1,686,518	440,057	18,243	2,144,818
BALANCE AT 31 DECEMBER 2016	2,046,672	355,290	39,624	2,441,586
BALANCE AT 31 DECEMBER 2017	2,032,320	270,547	32,610	2,335,477

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.

	31 December 2017 RUB'000	31 December 2016 RUB'000
CJSC MC Avicenna	1,055,593	1,055,593
A group of 4 cash generating units located in Krasnoyarsk, Omsk, Novosibirsk and Barnaul (acquired in January 2016)	360,154	360,154
LLC Medica-2	248,250	248,250
LLC MK IDK	211,303	211,303
LLC Centre of Reproductive Medicine	142,193	142,193
Subsidiaries acquired in 2011	14,827	29,179
	2,032,320	2,046,672

Goodwill has been allocated for impairment testing purposes to 6 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 measures as fair value less cost to sell. The calculation of the enterprise values of each subsidiary is based on the current and estimated future after-tax profitability. The management has projected cash flows for the period of the five years based on the approved financial forecasts. The growth rate in terminal period is estimated to be 4%. Discount after-tax rate applied to the cash flow projections is in the range from 12% to 14%.

No impairment of goodwill was recognised in 2017, except for RUB 14,352 thousand of goodwill related to closed clinic. For all cash generating units management believes that any reasonable possible change in the key assumptions on which these units' estimated future profitability and recoverable amounts are based would not cause carrying amounts of these units to exceed their recoverable amounts materially.

15. Trade, other receivables and deferred expenses

	31 December 2017 RUB'000	31 December 2016 RUB'000
Trade receivables	287,140	241,166
CAPEX prepayments	889,933	180,659
Advances paid to suppliers	87,311	76,695
Deferred expenses	8,061	14,080
Other receivables	38,691	32,239
	1,311,136	544,839
Non-current portion	889,933	184,984
Current portion	421,203	359,855
	1,311,136	544,839

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

Ageing analysis of trade receivables:

	Gross amount 31 December 2017 RUB'000	Impairment 31 December 2017 RUB'000	Gross amount 31 December 2016 RUB'000	Impairment 31 December 2016 RUB'000
Not past due	287,140	-	241,166	-
Past due	55,906	(55,906)	32,867	(32,867)
	343,046	(55,906)	274,033	(32,867)

In addition to the bad debt provision accrued during 2017 the accounts receivable in the amount of RUB 10,945 thousand were written-off during the year ended 31 December 2017 (year ended 31 December 2016: nil).

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

16. Cash and cash equivalents

	31 December 2017 RUB'000	31 December 2016 RUB'000
Cash at bank and in hand	350,827	318,800
Bank deposits with maturity less than 3 months	2,153,775	1,324,144
	2,504,602	1,642,944

Currency:

	31 December 2017 RUB'000	31 December 2016 RUB'000
RUB	1,559,268	819,272
EUR	1,021	1,094
USD	944,313	822,578
	2,504,602	1,642,944

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

17. Share capital

	Number of shares	Nominal value USD	Share capital RUB'000	Share capital USD'000
Authorised	125,250,000	0.08	-	10,020
Issued and fully paid ordinary shares 1 January / 31 December	75,125,010	0.08	180,585	6,010

18. Reserves

Share premium

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

Treasury shares

During the year ended 31 December 2014, the Company has acquired 230,000 own shares (0.3% of total shares issued) at total cost of RUB 73,086 thousand.

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

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

The management of the Company expects the target conditions to be met, therefore during 2017 the shares amounted to RUB 34,754 thousand were credited to equity account and debited to expense account as employee remuneration (in 2016: RUB 25,014 thousand).

The difference amounted to RUB 20,561 thousand between the total value of equity-settled share-based programme and the amount of accrued employee remuneration was settled in equity. The remaining treasury shares in the amount of RUB 4,544 thousand represents the shares of retired employees.

Retained earnings

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

In 2017 the Company acquired 15% share in a subsidiary, which it controls, for RUB 33,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB 5,433 thousand. The difference of RUB 27,567 thousand between consideration paid to a minority shareholder and the amount of non- controlling interest acquired was accounted as an equity transaction.

In 2017 the Company acquired 10% share in a subsidiary, which it controls, for RUB 20,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB 7,328 thousand. The difference of RUB 12,672 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

In 2016 the Company acquired 10% share in a subsidiary, which it controls, for RUB 56,000 thousand. As a result non-controlling interest in this subsidiary decreased by RUB 11,550 thousand. The difference of RUB 44,450 thousand between consideration paid to a minority shareholder and the amount of non-controlling interest acquired was accounted as an equity transaction.

Other reserves

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

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

There were no changes during 2017 year.

19. Loans and borrowings

	31 December 2017 RUB'000	31 December 2016 RUB'000
Long-term liabilities		
Bank loans	3,585,213	2,199,768
Short-term liabilities		
Bank loans	985,234	1,083,647
TOTAL LOANS AND BORROWINGS	4,570,447	3,283,415

Maturity of loans and borrowings:

	31 December 2017 RUB'000	31 December 2016 RUB'000
Within one year	985,234	1,083,647
Between one and five years	3,071,796	1,949,869
More than 5 years	513,417	249,899
	4,570,447	**3,283,415**

The total net book value of property, plant and equipment which is held as collateral for the bank loans is disclosed in Note 13. As additional collateral the Company has pledged the shares of CJSC MD Project 2000 and LLC Khaven.

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

	Currency	Effective interest rate	Maturity	31 December 2017		31 December 2016	
				Face value RUB'000	Carrying amount RUB'000	Face value RUB'000	Carrying amount RUB'000
Secured bank loan	RUB	10.75%	2023	2,075,780	2,075,780	100,558	100,558
Secured bank loan	RUB	8.65%	2022	1,050,350	1,050,350	1,103,604	1,103,604
Secured bank loan	RUB	10.80%	2019	658,446	658,446	947,338	947,338
Secured bank loan	RUB	9%	2018-2019	393,369	393,369	1,099,550	1,099,550
Unsecured bank loan	RUB	9.5%	2024	351,664	351,664	-	-
Unsecured bank loan	RUB	14.20%	2019	20,858	20,858	32,365	32,365
Unsecured bank loan	RUB	9.15%	2020	19,980	19,980	-	-
				4,570,447	4,570,447	3,283,415	3,283,415

The contractual cash flows and the exposure of the Group to liquidity risk in relation to loans and borrowings is reported in Note 23 of the consolidated financial statements.

20. Trade and other payables

	31 December 2017 RUB'000	31 December 2016 RUB'000
Accruals	353,487	308,512
Other payables to tax authorities	336,061	270,593
Trade payables	318,727	323,369
Payables to employees	291,555	260,997
Taxes payable	142,301	143,593
CAPEX payables	125,306	60,305
Income tax liability	21,879	20,804
Other payables	20,368	24,240
	1,609,684	1,412,413
Non-current portion	277,320	238,618
Current portion	1,332,364	1,173,795
	1,609,684	1,412,413

The contractual cash flows (except income tax liability) and the exposure of the Group to liquidity risk in relation to trade and other payables is reported in Note 23 of the consolidated financial statements.

21. Deferred income

	31 December 2017 RUB'000	31 December 2016 RUB'000
Patient advances	1,273,653	1,131,785
including:		
Deferred income after more than one year	144,860	129,936
Deferred income within one year	1,128,793	1,001,849

Deferred income that relates to long term client advances represents money received from patients on stem cells storage contracts lasting from 1 to 30 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 up to 1 year.

22. Related party transactions

The following transactions were carried out with related parties:

22.1. Operations with key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2017 was RUB 56,791 thousand (31 December 2016: RUB 51,277 thousand). The key management personnel participated in the equity-settled share-based arrangements with total 32,000 shares to be granted in 2018 if target conditions are met (31 December 2016: 24,000 shares).

The remuneration of the members of the key management personnel which remained unpaid as at 31 December 2017 was RUB 2,908 thousand (31 December 2016: RUB 14,274 thousand).

The Group did not receive legal services from the key management personnel for the year ended 31 December 2017 (for the year ended 31 December 2016: RUB 730 thousand).

The Group received advertising services from the key management personnel for the year ended 31 December 2017 amounted to RUB 762 thousand (for the year ended 31 December 2016: nil).

22.2. Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2017, 31 December 2016 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, including treasury shares acquired by the Company.

22.3. Dividends declared to related parties

Dividends declared to the parent company MD Medical Holding Limited amounted to RUB 467,885 thousand for the year ended 31 December 2017 (31 December 2016: RUB 533,705 thousand).

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

Exposure to credit risk

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

	31 December 2017 RUB'000	31 December 2016 RUB'000
Trade and other receivables	326,541	269,047
Other assets	2,700	-
Cash and cash equivalents excluding cash in hand	2,494,320	1,633,206
	2,823,561	1,902,253

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 fact 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 and cash equivalents excluding cash in hand of RUB 2,494,320 thousand as at 31 December 2017 (31 December 2016: RUB 1,633,206 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are mostly held with bank and financial institution counterparties, which are rated Ba1-A3, based on rating agency Moody's Investors Service ratings.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets. The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2017	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Bank loans	4,570,447	5,803,410	339,332	1,028,436	1,220,585	2,671,631	543,426
CAPEX payables	125,306	125,306	118,184	7,122	-	-	-
Trade payables	318,727	318,727	318,727	-	-	-	-
Other payables and accrued expenses	1,143,772	1,290,250	513,879	342,708	67,315	201,912	164,436
	6,158,252	7,537,693	1,290,122	1,378,266	1,287,900	2,873,543	707,862

31 December 2016	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Bank loans	3,283,415	3,967,413	223,714	1,118,458	1,114,249	1,244,922	266,070
CAPEX payables	60,305	60,305	47,091	12,817	397	-	-
Trade payables	323,369	323,369	323,369	-	-	-	-
Other payables and accrued expenses	1,007,935	1,147,361	518,849	250,868	65,073	158,120	154,451
	4,675,024	5,498,448	1,113,023	1,382,143	1,179,719	1,403,042	420,521

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 2017 RUB'000	31 December 2016 RUB'000
Fixed rate instruments		
Financial assets	2,156,475	1,324,144
Financial liabilities	(4,570,447)	(3,283,415)
	(2,413,972)	(1,959,271)

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 2017			31 December 2016		
	USD`000	EUR`000	GBP`000	USD`000	EUR`000	GBP`000
ASSETS						
Cash at bank	944,313	1,021	-	822,578	1,094	-
Trade and other receivables	2,431	1,375	-	-	-	-
LIABILITIES			-			
CAPEX payables	(1,899)	-	-	(10,178)	(1,037)	-
Trade and other payables and accruals	(91)	(127)	-	(2,939)	(1,023)	(7,306)
NET EXPOSURE	944,754	2,269	-	809,461	(966)	(7,306)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
USD	58.3529	67.0349	57.6002	60.6569
EUR	65.9014	74.2310	68.8668	63.8111
GBP	75.2379	91.2578	77.6739	74.5595

Sensitivity analysis

A 10% weakening of the Russian Rouble against the above currencies will result in the increase in profit and equity of RUB 1,633,206 thousand as at 31 December 2017 (31 December 2016: RUB 80,119 thousand). A 10% strengthening of the Russian Rouble would have an opposite impact on the profit and other equity.

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.

	31 December 2017 RUB'000	31 December 2016 RUB'000
Financial liabilities	4,570,447	3,283,415
Less: cash and cash equivalents	(2,504,602)	(1,642,944)
Net debt	2,065,845	1,640,471
Net equity	14,567,665	12,770,137
NET DEBT TO EQUITY RATIO	14.18%	12.85%

24. Fair values

As at 31 December 2017 and 31 December 2016 the Group had no significant financial assets or liabilities measured at fair value.

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

25. Contingent liabilities

(a) Insurance

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

(b) Russian business environment

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

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

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

(c) Russian tax environment

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

Currently, the Russian Government focuses on the ways to combat offshore structures which historically were widely used by Russian businesses and tighten the tax anti-avoidance regulations. Recent new Russian legislation is aimed at regulating transactions with offshore companies and their activities, which may potentially impact the Group's tax position.

26. Non-controlling interests

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

Most of the turnovers are cash based.

	2017 RUB'000	2016 RUB'000
Revenue	3,242,383	3,202,222
Profit and total comprehensive income	1,388,957	1,414,652
Profit and total comprehensive income allocated to non-controlling interests	69,448	70,733
Dividends paid to non-controlling interests	62,500	70,000
NON-CONTROLLING INTERESTS PERCENTAGE	5%	5%

	31 December 2017 RUB'000	31 December 2016 RUB'000
Non-current assets	3,521,804	3,456,869
Current assets	620,589	486,772
Non-current liabilities	(144,860)	(129,936)
Current liabilities	(674,196)	(629,324)
NET ASSETS	3,323,337	3,184,381
Carrying amount of non-controlling interests	166,167	159,219
Other non-controlling interests	259,780	263,631
	425,947	422,850

27. Operating leases

Historically, the Group has developed business in own premises. However, in 2017 and 2016 the Group has acquired and incorporated some new entities that lease their premises. Lease agreements are cancellable with notification period of one to six months.

The future minimum lease payments for premises under lease agreements are payable as follows.

	2017 RUB'000	2016 RUB'000
Within one year	92,611	85,565
Between one and five years	135,153	172,347
More than five years	19,642	34,811
	247,406	292,723

The Group also lease land plots under several hospitals and clinics. Lease agreements maturity for land plots are either 49 years or infinite.

28. Capital commitments

Capital commitments mostly comprise the obligations under construction contracts in the amount of RUB 2,020,427 thousand as at 31 December 2017 (31 December 2016: RUB 1,794,848 thousand).

29. Segment reporting

The Group has one primary reporting segment: provision of medical services. The Group evaluates the performance and makes investments and strategic decisions based upon a review of profitability for the Group as a whole and does not group subsidiaries by geography and service lines during the analysis of their performance.

30. Events after the reporting period

In January 2018 the Group made the early repayment of secured bank loan related to Lapino hospital in the amount of RUB 390,385 thousand.

Since January 2018 the Group expanded the operations of the clinic in Vladimir and opened a new clinic in Nizhny Novgorod.

In March 2018 the Group opened a new hospital in Samara, the total cost of which was approximately RUB 3.2 billion. The opening of the new hospital delivered a significant capacity increase, with the total floor space increase of about 15,000 sq. m. The hospital is able to offer a range of new services, including services not currently available in the city or the region.

In March 2018 the Group started the procedure for the acquisition of the non-controlling interest in the subsidiaries which it controls. Purchase price is estimated to be around RUB 690,000 thousand. As at the date of these consolidated financial statements approval, the necessary documents are reviewed by the Federal Antimonopoly Service of the Russian Federation.

In March 2018 the Group negotiated the decrease of interest rate for the secured bank loan related to Samara from 10.75% to 8.45%.

Report and Separate Financial Statements

For the year ended 31 December 2017

Contents

Officers, Professional Advisers and Registered Office

BOARD OF DIRECTORS	- Vladimir Mekler – Chairman - Mark Kurtser - Vitaly Ustimenko - Kirill Dmitriev - Nikolay Ishmetov (alternate director to Kirill Dmitriev) - Simon Rowlands - Alsu Nazyrova - Liubov Malyarevskaya
SECRETARY	Menustrust Limited
SECRETARY ASSISTANT	Mikhail Melnikov
INDEPENDENT AUDITORS	KPMG Limited
REGISTERED OFFICE	15 Dimitriou Karatasou street, Anastasio Building, 6th floor, office 601, Strovolos, 2024, Nicosia, Cyprus

Management 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 2017.

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 2017 and its financial position as at that date are set out in the statement of profit or loss and other comprehensive income on page 119 and in the Statement of Financial Position on page 120 of the financial statements.

Net profit for the year ended 31 December 2017 amounted to RUB 1,167,886 thousand (2016: RUB 1,187,555 thousand). The total assets of the Company as at 31 December 2017 were RUB 10,293,354 thousand (31 December 2016: RUB 9,784,119 thousand) and the net assets were RUB 10,198,001 thousand (31 December 2016: RUB 9,684,257 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 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB 338,063 thousand (USD 5,804 thousand), which corresponds to RUB 4.5 (USD 0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared an interim dividend for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB 350,833 thousand (USD 6,140 thousand), which corresponds to RUB 4.67 (USD 0.08) per share. The dividend was paid on 24 October 2017.

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 attributable to the owners of the Company amounting to RUB 500,332 thousand (USD 7,298 thousand), which corresponds to RUB 6.66 (USD 0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

On 2 September 2016 the Board of Directors declared an interim dividend for the six months ended 30 June 2016 attributable to the owners of the Company amounting to RUB 285,475 thousand (USD 4,375 thousand), which corresponds to RUB 3.8 (USD 0.06) per share. The dividend was paid on 18 October 2016.

The Board of Directors recommends the payment of RUB 450,750 thousand as final dividend for the year 2017 which correspond to RUB 6.00 per share.

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

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

During the year the Company indirectly (through its subsidiary Ivicend Holding Limited) acquired 2 entities: LLC Nika and LLC Stroy Vector Pluss.

Futhermore, the Company incorporated LLC Mother and Child Vladivostok, LLC Mother and Child Kazan and LLC Irkutsk Clinical Hospital.

Vitanostra Limited, a subsidiary of the Company, was entered into members` voluntary liquidation in 2017 and the investments that were previously held by Vitanostra Limited were distributed to the Company.

The Company in 2017 indirectly acquired 10% of non-controlling interest in LLC Mother and Child Saint Petersburg and 15% of non-controlling interest in LLC Centre of Reproductive Medicine for RUB 53,000 thousand.

The Company through its subsidiaries has one of the largest nationwide private healthcare regional networks for its core services and is expanding into new services. It has significant experience in the provision of full-service private maternity healthcare services. The Company has secured leading positions in the Russian private healthcare market across a range of services including obstetrics and gynaecology, fertility and IVF treatment, and paediatrics.

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 15 and 17 of the financial statements.

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

Directors' interest

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2017, 31 December 2016 and as at the date of signing these financial statements are as follows:

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

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

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

Future developments

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

The Company intends through its subsidiaries to expand its portfolio of hospital and outpatient facilities, broaden its service offerings by providing patients with the most up-to-date treatment procedures and medical technology available on the market, expand its services in Moscow and other regions, exploit the value of its integrated healthcare network by making effective use of services across its facilities, optimizing the benefits for patients and its subsidiaries 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 financial statements are presented on page 108.

Refer to Note 14.1. of the financial statements for the remuneration of the directors and other key management personnel.

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 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. 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 auditors;
- approval of the remuneration and terms of engagement of the external auditors in respect of audit services provided;
- the audit process, including monitoring and review of the external auditors' performance, independence and objectivity;
- development and implementation of the policy on non-audit services provided by the external auditors; 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.

Internal audit
The Audit Committee is responsible to monitor and review the effectiveness of the Company's internal audit service. In this respect, the Audit Committee may require investigations by, or under the authority of, the head of Internal Audit Service into any activities of the Company which may be of interest or concern to the Audit Committee.

The Company`s internal auditor is responsible for the recommendation of an audit plan to the Audit Committee. The internal auditor carries out auditing assignments in accordance with such plan and oversees the Company`s compliance with the plan`s recommendations. The internal auditor files a quarterly report with his findings to the Audit Committee.

Nomination Committee
The Nomination Committee comprises one executive and two non-executive directors, one of whom is independent. The Nomination Committee is chaired by non-executive director Mr Vladimir Mekler (since June 2016); non-executive director Mr Simon Rowlands and executive director Dr Mark Kurtser are other members since September 2015.

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

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

Since 2012, the Company has maintained full compliance with the UK Corporate Governance Code. 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;
- Regulations on Insider Information;
- Risk Management Policy; and
- Anti-Fraud Policy.

Internal control in relation to the financial reporting process

The Company has set formal policies and written term of reference in relation to the financial reporting process that include:
- Corporate Accounting policy Guidelines;
- Methodology for the Transformation of Financial Statements from RAS to IFRS;
- Financial Reporting Preparation Procedure; and
- The Group's structure.

The objective of this policy is to establish uniform procedures and to implement requirements for the preparation of the financial statements of the Company. The procedure should be reviewed for compliance with International Financial Reporting Standards as well as current conditions and planned changes in the Company's business activities annually. When necessary, amendments and additions to this Procedure should be adopted.

Meetings of shareholders

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. An annual general meeting and any other shareholders' meeting called to pass a special resolution can be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 21 days before the meeting. Any other meetings shall be convened by the Board of Directors by a notice, specifying the matters to be discussed, issued at least 14 days before the meeting. If the notice period is less than 21 days or 14 days as applicable, the meeting will be deemed to have been duly called if it is so agreed:
- in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote; and
- in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

A notice convening a general meeting must be sent to each of the shareholders.

All shareholders are entitled to attend the general meeting or be represented by a proxy authorized in writing. In the general meeting, on a poll, every share gives the holder the right to cast one vote, whereas, on a show of hands, each member has one vote. A corporate member may, by resolution of its directors or other governing body, authorize a person as the corporate member could exercise if it were an individual member of the Company.

Branches

MD Medical Group Investments Plc has a branch in Moscow.

Treasury shares

During the year ended 31 December 2017 the Company did not acquire any treasury shares.

As at 31 December 2017, an Escrow Agent holds 230,000 GDRs earlier acquired by the Company. Escrow Agent acts in accordance with the Long-term Management Incentive Plan (LTIP) signed in 2014 and shall distribute these GDRs in 2018 to the participants of the LTIP.

Each GDR represents an interest in one ordinary share with a nominal value of USD 0.08.

Events after the reporting period

In March 2018 the Company started the procedure for the acquisition of the non-controlling interest in the subsidiaries which it controls. Purchase price is estimated to be around RUB 466,000 thousand. As at the date of these financial statements approval, the necessary documents are reviewed by the Federal Antimonopoly Service of the Russian Federation.

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
Managing Director,
member of the Board of Directors
Moscow, 16 March 2018

Directors'
Responsibility Statement

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

- the financial statements, prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap.113, 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 Company; and
- the Management 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:

VLADIMIR MEKLER	Chairman, non-executive director
MARK KURTSER	Executive director
VITALY USTIMENKO	Non-executive director
ALSU NAZYROVA	Executive director
KIRILL DMITRIEV	Non-executive director
SIMON ROWLANDS	Non-executive independent director
LIUBOV MALYAREVSKAYA	Non-executive independent director

Independent Auditors'
Report to the Members of MD Medical Group Investments PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the parent company MD Medical Group Investments Plc (the "Company'') which are presented on pages 119 to 140 and comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of the Company as at 31 December 2017, 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 ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in subsidiaries

Please refer to Notes 2(d) and 9 of the financial statements (RUB 9,277,455 thousand).

The key audit matter	How the matter was addressed in our audit
The carrying value of the investments in subsidiaries amounts to RUB 9,277,455 thousand and accounts for more than 90% of the Company's total assets as at 31 December 2017. Significant judgement is required by the management of the Company in determining whether there are any indications of impairment and, where such indications exist, in assessing the recoverable amount of the investments. We focused on this area because of the significance of the carrying amount of the investments in the financial statements and because inherent uncertainty and subjectivity is involved in forecasting and discounting future cash flows, which are the basis of the assessment of the recoverable amount of the investments and hence their carrying amount recorded in the financial statements.	Our audit testing included among others: – Evaluating the assessment of the management with regards to indications of impairment by: • assessing the industry in which the subsidiaries are operating to obtain an understanding of growth rates and outlook. • examining the subsidiaries' historical and current performance. This examination was made with reference to the most recent audited financial information and/or management accounts at the reporting date. We also held discussions with management to understand future expectations. – In the cases where indications of impairment were present, we assessed the principles and integrity of the model used by the management to estimate the recoverable amount of the investments. This included evaluating the assumptions and methodologies used by the management of the Company based on which the forecasted cash flows were prepared. We challenged management's assumptions on the forecasted revenues, growth rates, profit margins, tax rates and discount rates by: • comparing them to our expectations based on our knowledge of the subsidiaries operations, historical trends and the results of the operations of other group entities that operate in the same industry. • using our internal valuation specialists to assess the discount rates, the assumptions used and the appropriateness of the valuation models used.

Other information

The Board of Directors is responsible for the other information. The other information comprises the management report, the corporate governance statement and the corporate social responsibility statement, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement, we have nothing to report.

With regards to the management report and the corporate governance statement, our report is presented in the "Report on other legal and regulatory requirements" section.

Responsibilities of the Board of Directors 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 IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal controls as the Board of Directors determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

- Date of our appointment and period of engagement
  We were first appointed auditors of the Company by the General Meeting of the Company's members on 10 July 2012. Our appointment has been renewed annually by shareholder resolution. Our total uninterrupted period of engagement is 9 years covering the periods ending 31 December 2009 to 31 December 2017.
- Consistency of the additional report to the Audit Committee
  Our audit opinion is consistent with the additional report presented to the Audit Committee, dated 16 March 2018.
- Provision of non-audit services ("NAS")
  We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L. 53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the Company's business and environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the annual report, has been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L. 53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

The engagement partner on the audit resulting in this independent auditors' report is Zakis E. Hadjizacharias.

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

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

No. 11, June 16th 1943 Street,
3022 Limassol,
Cyprus.

16 March 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RUB'000	2016 RUB'000
Dividend income	14.2	1,380,400	1,540,001
Revenue from branch operations	14.3	109,448	86,300
GROSS PROFIT		**1,489,848**	**1,626,301**
Other income	6	96,601	330
Other expense		(9,510)	(55,257)
Administrative expenses	4	(378,924)	(303,362)
OPERATING PROFIT		**1,198,015**	**1,268,012**
Finance income		4,453	3,012
Finance expenses		(47,499)	(104,033)
Net finance expenses	5	(43,046)	(101,021)
PROFIT BEFORE TAX		**1,154,969**	**1,166,991**
Taxation	7	12,917	20,564
PROFIT FOR THE YEAR		**1,167,886**	**1,187,555**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,167,886	1,187,555

The Notes on pages 126 to 140 are an integral part of these report and financial statements.

Statement
of financial position

As at 31 December 2017

	Note	31 December 2017 RUB'000	31 December 2016 RUB'000
ASSETS			
Property, plant and equipment		4,019	1,344
Intangible assets		6,407	5,523
Deferred tax assets		40,637	27,720
Investments in subsidiaries	9	9,277,455	9,020,429
TOTAL NON-CURRENT ASSETS		9,328,518	9,055,016
Inventories		478	359
Trade, other receivables and deferred expenses		32,567	25,401
Cash and cash equivalents	10	931,791	703,343
TOTAL CURRENT ASSETS		**964,836**	**729,103**
TOTAL ASSETS		10,293,354	9,784,119
EQUITY			
Share capital	11	180,585	180,585
Share premium		5,243,319	5,243,319
Reserves	12	303,407	289,216
Retained earnings		4,470,690	3,971,137
TOTAL EQUITY		10,198,001	9,684,257

The Notes on pages 126 to 140 are an integral part of these report and financial statements.

	Note	31 December 2017 RUB'000	31 December 2016 RUB'000
LIABILITIES			
Trade and other payables	13	75,999	80,508
Tax liability		19,354	19,354
TOTAL CURRENT LIABILITIES		**95,353**	**99,862**
TOTAL EQUITY AND LIABILITIES		10,293,354	9,784,119

On 16 March 2018 the Board of Directors of MD Medical Group Investments Plc approved and authorised these report and financial statements for issue.

Vladimir Mekler
Chairman of the Board of Directors

Mark Kurtser
Managing Director

Andrey Khoperskiy
Chief Financial Officer

Statement
of Changes in Equity

For the year ended 31 December 2017

		Attributable to owners of the Company					
	Note	Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000
BALANCE AT 1 JANUARY 2017		180,585	(18,737)	5,243,319	307,951	3,971,139	9,684,257
TOTAL COMPREHENSIVE INCOME							
Profit for the year		-	-	-	-	1,167,886	1,167,886
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS							
Equity-settled share-based payment		-	34,754	-	-		34,754
Closing of motivation programme	12	-	(20,561)	-	-	20,561	-
Dividends declared	8	-	-	-	-	(688,896)	(688,896)
TOTAL TRANSACTIONS WITH OWNERS		-	14,193	-	-	(668,335)	(654,142)
BALANCE AT 31 DECEMBER 2017		180,585	(4,544)	5,243,319	307,951	4,470,690	10,198,001

Share premium and other reserves are not available for distribution.

For the year ended 31 December 2016

		Attributable to owners of the Company					
	Note	Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Other reserves RUB'000	Retained earnings RUB'000	Total RUB'000
BALANCE AT 1 JANUARY 2016		180,585	(43,751)	5,243,319	307,951	3,569,391	9,257,495
TOTAL COMPREHENSIVE INCOME							
Profit for the year		-	-	-	-	1,187,555	1,187,555
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS							
Equity-settled share-based payment	12	-	25 014	-	-	-	25,014
Dividends declared	8	-	-	-	-	(785,807)	(785,807)
TOTAL TRANSACTIONS WITH OWNERS		-	25,014	-	-	(785,807)	(760,793)
BALANCE AT 31 DECEMBER 2016		180,585	(18,737)	5,243,319	307,951	3,971,139	9,684,257

Share premium and other reserves are not available for distribution.

The Notes on pages 126 to 140 are an integral part of these report and financial statements.

The Notes on pages 126 to 140 are an integral part of these report and financial statements.

Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RUB'000	2016 RUB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FOR THE YEAR		1,167,886	1,187,555
Adjustments for:			
Equity-settled share-based payment transaction	12	34,754	25,014
Depreciation of property, plant and equipment		194	279
Amortisation of intangible assets		1,439	814
Dividend income	14.2	(1,380,400)	(1,540,001)
Interest income	5	(4,453)	(3,012)
Gain under Escrow Agreement	6	(96,592)	-
Impairment of investments in subsidiaries	9	7,855	55,257
Net foreign exchange loss	5	46,262	102,303
Taxation	7	(12,917)	(20,564)
CASH FLOWS USED IN OPERATIONS BEFORE WORKING CAPITAL CHANGES		**(235,972)**	**(192,355)**
Increase in trade and other receivables		(10,549)	(17,153)
(Increase) / decrease in inventories		(118)	38
(Decrease) / increase in trade and other payables		(1,056)	62,834
CASH FLOWS USED IN OPERATIONS		**(247,695)**	**(146,636)**
Dividends received		1,380,400	1,590,001
Tax paid		-	(499)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,132,705**	**1,442,866**

	2017 RUB'000	2016 RUB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contributions to subsidiaries	(211,882)	(210,000)
Payment for acquisition/contstruction of property, plant and equipment	(2,869)	(441)
Payment for acquisition of intangible assets	(2,323)	(6,337)
Acquisition of non-controlling interest	(53,000)	(56,000)
Interest received	4,453	3,030
Proceeds from Escrow Agreement	96,592	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(169,029)**	**(269,748)**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividends paid	(680,791)	(785,807)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(680,791)**	**(785,807)**
Net increase in cash and cash equivalents	282,884	387,311
Cash and cash equivalents at the beginning of the period	703,343	431,407
Effect of exchange rate changes on cash and cash equivalents	(54,436)	(115,375)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	931,791	703,343

The Notes on pages 126 to 140 are an integral part of these report and financial statements.

Notes
to the Financial Statements

For the year ended 31 December 2017

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. Basic of preparation

(a) Statement of compliance

These report and 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.

These are the separate financial statements of the Company. The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by the EU for the Company and its subsidiary ("the Group"). The consolidated financial statements are available at 15 Dimitriou Karatasou street, Anastasio Building, 6th floor, office 601, 2024 Nicosia, Cyprus.

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 2017 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 report and 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 2017, the Company adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued by International Accounting Standard Board, but are not yet effective for annual periods beginning on 1 January 2017. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these Standards early.

Standards and Interpretations adopted by the EU

IFRS 9 ''Financial Instruments'' (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 ''Revenue from contracts with customers'' including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018).

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initial application recognised at 1 January 2018.

The effect of the application of IFRS 9 and IFRS15 including amendments will not have a material effect on the Financial Statements.

IFRS 16 ''Leases'' (effective for annual periods beginning on or after 1 January 2019).

The impact that IFRS 16 may have on the financial statements has not been fully assessed by the Board of Directors, therefore it is not currently known or reasonably estimable.

Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).

Standards and Interpretations not yet adopted by the EU

Amendments to IFRS 9 ''Prepayment Features with Negative Compensation'' (effective for annual periods beginning on or after 1 January 2019).

Amendments to IFRS 2 ''Clarification and Measurement of Share-based Payments Transactions'' (effective for annual periods beginning on or after 1 January 2018).

IFRIC Interpretation 22 ''Foreign Currency Transactions and Advance Consideration'' (effective for annual periods beginning on or after 1 January 2018).

IFRIC 23 ''Uncertainty over Income Tax Treatments'' (effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019).

The impact of these on the financial statements has not been fully assessed by the Board of Directors, therefore it is not currently known or reasonably estimable.

(d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRSs requires management to exercise their judgement to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed reasonable based on knowledge available at that time. Actual results may differ from these estimates.

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

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

Income taxes

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

Impairment of investments in subsidiaries

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

Equity-settled share-based arrangements

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

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level-1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level-2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level-3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

(e) Functional and presentation currency
The report and financial statements are presented in Russian roubles (RUB'000) which is the functional currency of the Company. Financial information presented in Russian roubles has been rounded to the nearest thousand except when otherwise indicated.

3. Significant accounting policies

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

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 standalone financial statements.

Subsidiary companies
Subsidiaries are entities controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 profit or loss and other comprehensive income when the right to receive payment is established.

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

Finance expenses
Finance expenses include bank charges and interest expense. Bank charges are recognised as expenses in the period in which they fall due and interest expense is rercognised as it accrues in profit or loss, using the effective interest method.

Foreign currency transactions
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.

Taxation
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 declared
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
The Company classifies non-derivative financial assets into loans and receivables and financial liabilities into other financial liabilities.

Recognition
The Company initially recognises loans and receivables when they are originated. Other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Classification
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are classified as current assets unless the Company has an unconditional responsibility to accept deferral of receipt for at least twelve months after the balance sheet date, in which case they are classified as non-current assets. The Company's loans and receivables include trade and other receivables and cash and cash equivalents.

Other financial liabilities are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as current liabilities unless there is an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities. The Company's other financial liabilities include trade and other payables.

Measurement
Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business and are stated after deducting the appropriate allowances for any impairment.

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, cash at bank and short term highly liquid investments with maturity of three 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.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Impairment of non-derivative financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Derecognition of 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 Company 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 Company 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.

Any interest in such derecognised financial assets that is created or retained by the Company, is recognised as a separate asset or liability.

Derecognition of 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.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

Impairment of non-financial 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).

Share capital

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

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

Treasury shares

When shares 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.

Equity-settled share-based payment arrangements

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

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

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

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 period.

4. Administrative expenses

	2017 RUB'000	2016 RUB'000
Payroll and related social taxes	177,989	151,567
Legal and professional expenses	59,104	39,025
Call centre services	54,548	14,622
IT support	27,570	23,750
Advertising	23,182	36,291
Independent auditors' remuneration	18,224	20,017
Other expenses	18,307	18,090
	378,924	303,362

The remuneration of the independent auditors include an amount of RUB 17,432 thousand regarding audit services, RUB 689 thousand regarding audit related services and an amount of RUB 103 thousand regarding tax services.

5. Net finance expenses

	2017 RUB'000	2016 RUB'000
Finance income		
Bank interest received	4,453	3,012
Finance expenses		
Bank charges	(1,237)	(1,730)
Net foreign exchange loss	(46,262)	(102,303)
NET FINANCE EXPENSE	(43,046)	(101,021)

6. Other income

During the year the Company received other income of RUB 96,601 thousand. This income arose mostly from the Escrow Deed approved on 26 September 2014, under which the Company received RUB 96,592 thousand (USD 1,575 thousand) from Escrow Agent in March 2017 as a result of negotiations with the seller of Ivicend Holding Ltd.

7. Taxation

	2017 RUB'000	2016 RUB'000
Income tax	-	(413)
Deferred taxation income	12,917	20,977
CHARGE FOR THE YEAR	12,917	20,564

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

	2017 RUB'000	2016 RUB'000
Accounting profit before tax	**1,154,969**	**1,166,991**
Tax calculated at the applicable tax rates	(230,994)	(233,398)
Recognition of tax effect of previously unrecognised deferred tax assets	-	8,540
Tax effect of allowances and income not subject to tax	276,080	306,623
Current-year losses for which no deferred tax asset is recognised	(32,169)	(61,201)
TAX AS PER STATEMENT OF COMPREHENSIVE INCOME - CHARGE	12,917	20,564

The corporation tax rate is 20% (2016: 20%).

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

As at 31 December 2017 deferred tax asset relating to tax losses carried forward in the amount of RUB 107,560 thousand has been recognised (31 December 2016: RUB 50,149 thousand) in the consolidated financial statements. The remaining amount of RUB 93,370 thousand (31 December 2016: RUB 61,201 thousand) has not been recognised since it is expected that no sufficient taxable profits will be available to allow it to be recovered.

8. Dividends

On 17 March 2017 the Board of Directors declared a final dividend for the year 2016 attributable to the owners of the Company amounting to RUB 338,063 thousand (USD 5,804 thousand), which corresponds to RUB 4.5 (USD 0.08) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 21 April 2017. The dividend was paid on 23 May 2017.

On 8 September 2017 the Board of Directors declared an interim dividend for the six months ended 30 June 2017 attributable to the owners of the Company amounting to RUB 350,833 thousand (USD 6,140 thousand), which corresponds to RUB 4.67 (USD 0.08) per share. The dividend was paid on 24 October 2017.

On 18 March 2016 the Board of Directors declared a final dividend for the year 2015 attributable to the owners of the Company amounting to RUB 500,332 thousand (USD 7,298 thousand), which corresponds to RUB 6.66 (USD 0.1) per share. The dividend distribution was approved by the Annual General Meeting of the shareholders on 15 April 2016. The dividend was paid on 20 May 2016.

On 2 September 2016 the Board of Directors declared an interim dividend for the six months ended 30 June 2016 attributable to the owners of the Company amounting to RUB 285,475 thousand (USD 4,375 thousand), which corresponds to RUB 3.8 (USD 0.06) per share. The dividend was paid on 18 October 2016.

The Board of Directors recommends the payment of RUB 450,750 thousand as final dividend for the year 2017 which correspond to RUB 6.0 per share.

9. Investments in subsidiaries

	31 December 2017 RUB'000	31 December 2016 RUB'000
Balance at 1 January	9,020,429	8,809,686
Additions	264,881	266,000
Impairment of investments in subsidiaries	(7,855)	(55,257)
BALANCE AT 31 DECEMBER	9,277,455	9,020,429

The details of the subsidiaries are as follows:

Name	Country of incorporation	Activities	31 December 2017 Effective holding %	31 December 2016 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	64	64
LLC Capital Group	Russian Federation	Pharmaceutics retail	80	80
LLC FimedLab[1]	Russian Federation	Medical services	60	60
LLC Clinic Mother and Child	Russian Federation	Holding of trademarks	100	100
LLC Clinica Zdorovia	Russian Federation	Medical services	60	60
LLC Ivamed	Russian Federation	Medical services	100	100
LLC Dilamed	Russian Federation	Medical services	100	100
CJSC Listom	Russian Federation	Service company	100	100
LLC Ustic-ECO	Russian Federation	Medical services	70	70
LLC Mother and Child Perm	Russian Federation	Medical services	80	80
LLC Mother and Child Ufa	Russian Federation	Medical services	80	80
LLC Mother and Child Saint-Petersburg	Russian Federation	Medical services	70	60
LLC MD PROJECT 2010	Russian Federation	Medical services	100	100
LLC Mother and Child Ugo-Zapad	Russian Federation	Medical services	60	60
LLC MD Service	Russian Federation	Pharmaceutics retail	95	95
LLC Mother and Child Nizhny Novgorod	Russian Federation	Medical services	100	100
LLC Mother and Child Yekaterinburg	Russian Federation	Medical services	100	100
LLC TechMedCom	Russian Federation	Service company	-	-
LLC Service Hospital Company	Russian Federation	Service company	-	-
LLC Mother and Child Tyumen	Russian Federation	Medical services	100	100
Vitanostra Ltd	Cyprus	Holding of investments	-	100
CJSC MK IDK	Russian Federation	Medical services	100	100
LLC Apteka IDK	Russian Federation	Pharmaceutics retail	100	100
LLC CSR	Russian Federation	Medical services	100	100
LLC Elleprof	Russian Federation	Service company	-	-

(1) Following a small re-organisation of the MDMG group that took place in 2017, the investment in LLC Fimedlab was impaired because its carrying amount exceeded its recoverable amount. As such, an impairment loss of RUB 7,855 thousand was charged to the statement of profit or loss and other comprehensive income under “Other expenses”. (An impairment loss took place in 2016 in the amount of RUB 55,257 thousand which was also charged to the statement of profit or loss and other comprehensive income under “Other expenses”).

Name	Country of incorporation	Activities	31 December 2017 Effective holding %	31 December 2016 Effective holding %
LLC Medtechnoservice	Russian Federation	Service company	-	-
LLC MD Assistance	Russian Federation	Assistance services	100	100
LLC Mother and Child Yaroslavl	Russian Federation	Medical services	80	80
LLC Mother and Child Kostroma	Russian Federation	Medical services	80	80
LLC Mother and Child Vladimir	Russian Federation	Medical services	80	80
LLC MD Management	Russian Federation	Management company	100	100
LLC Mother and Child Ryazan	Russian Federation	Medical services	100	100
LLC Mother and Child Kazan	Russian Federation	Medical services	100	-
Ivicend Holding Ltd	Cyprus	Holding of investments	100	100
CJSC MC Avicenna	Russian Federation	Medical services	100	100
LLC H&C Medical Group	Russian Federation	Medical services	100	100
LLC Centre of Reproductive Medicine	Russian Federation	Medical services	100	85
LLC Medica-2	Russian Federation	Medical services	100	100
LLC Mother and Child Siberia	Russian Federation	Medical services	100	100
LLC Siberia service company	Russian Federation	Service company	-	-
LLC Krasnoyarskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Novosibirskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Omskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Barnaulskii center of Reproductive Medicine	Russian Federation	Medical services	100	100
LLC Nika	Russian Federation	Holding of land	100	-
LLC Stroy Vector Pluss	Russian Federation	Rental services	100	-
LLC Mother and Child Vladivostok	Russian Federation	Medical services	100	-
LLC Irkutsk Clinical Hospital	Russian Federation	Medical services	100	-

During the year the Company indirectly (through its subsidiary Ivicend Holding Limited) acquired 2 entities: LLC Nika and LLC Stroy Vector Pluss.

Futhermore, the Company incorporated LLC Mother and Child Vladivostok, LLC Mother and Child Kazan and LLC Irkutsk Clinical Hospital.

The Company in 2017 indirectly acquired 10% of non-controlling interest in LLC Mother and Child Saint- Petersburg and 15% of non-controlling interest in LLC Centre of Reproductive Medicine for RUB 53,000 thousand.

Vitanostra Limited, a subsidiary of the Company, was entered into members` voluntary liquidation in 2017 and the investments that were previously held by Vitanostra Limited were distributed to the Company.

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

Finally, in 2016 the Company acquired an additional 10% share in LLC Velum for RUB 56,000 thousand.

10. Cash and cash equivalents

	31 December 2017 RUB'000	31 December 2016 RUB'000
Cash at bank and in hand	4,988	44,746
Bank deposits with maturity less than 3 months	926,803	658,597
	931,791	703,343

Currency:

	31 December 2017 RUB'000	31 December 2016 RUB'000
RUB	35,795	46,138
EUR	4	133
USD	895,992	657,072
	931,791	703,343

The exposure of the Company to credit risk, currency risk and impairment losses in relation to cash and cash equivalents is reported in Note 15 of the financial statements.

11. Share capital

	Number of shares	Nominal value USD	Share capital RUB'000	Share capital USD'000
Authorised	125,250,000	0.08	-	10,020
Issued and fully paid ordinary shares 1 January / 31 December	75,125,010	0.08	180,585	6,010

12. 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 acquired 230,000 own shares (0.3% of total shares issued) at total cost of RUB 73,086 thousand.

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

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

The management of the Company expects the target conditions to be met, therefore during 2017 the shares amounting to RUB 34,754 thousand were credited to equity account and debited to expense account as employee remuneration (in 2016: RUB 25,014 thousand).

The difference amounting to RUB 20,561 thousand between the total value of equity-settled share-based programme and the amount of accrued employee remuneration was settled in equity. The remaining treasury shares in the amount of RUB 4,544 thousand represent the shares of retired employees and are expected to be sold.

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 roubles were recognised directly in other comprehensive income and accumulated in the other reserves.

13. Trade and other payables

	31 December 2017 RUB'000	31 December 2016 RUB'000
Accruals	46,883	34,897
Other payables	29,116	45,611
	75,999	80,508

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in Note 15 of the financial statements.

14. Related party transactions

As at 31 December 2017, 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 12).

The transactions and balances with related parties are as follows:

14.1. Operations with key management personnel

The remuneration of the members of the key management personnel and non-executive directors for the year ended 31 December 2017 was RUB 15,656 thousand (31 December 2016: RUB 13,503 thousand).

The key management personnel participated in the equity-settled share-based arrangements with total 32,000 shares to be granted in 2018 if target conditions are met (31 December 2016: 24,000 shares).

The Company received advertising services from the key management personnel for the year ended 31 December 2017 amounted to RUB 762 thousand (for the year ended 31 December 2016: nil).

The remuneration of the members of the key management personnel which remained unpaid as at 31 December 2017 was RUB 2,908 thousand (31 December 2016: RUB 14,274 thousand).

14.2. Transactions with subsidiary companies

	2017 RUB'000	2016 RUB'000
Dividends received	1,380,400	1,540,001
	1,380,400	1,540,001

The Company recognised the impairment of LLC Fimedlab. The relevant information is shown in Note 9.

Vitanostra Limited, a subsidiary of the Company was entered into members` voluntary liquidation in 2017 and the investments that were previously held by Vitanostra Limited were distributed to the Company. The relevant information is shown in Note 9.

14.3. Revenue from subsidiaries for branch operations

During the year the Company received revenue from subsidiaries for branch operations amounted to RUB 109,448 thousand (2016: RUB 86,300 thousand) which relates to advertising, IT support and call centre expenses recharged to its subsidiaries. The relevant expenses are shown in Note 4.

14.4. Directors' interests

The direct and indirect interests of the members of the Board in titles of the Company as at 31 December 2017, 31 December 2016 and as at the date of signing these financial statements are as follows:

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

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

The calculation of effective interest is based on the total amount of issued and fully paid shares, including treasury shares acquired by the Company (Note 12).

14.5. Receivables from subsidiary companies

	2017 RUB'000	2016 RUB'000
Receivables from subsidiary companies	20,426	18,621
	20,426	18,621

14.6. Dividends declared to related parties

Dividends declared to the parent company MD Medical Holding Limited amounted to RUB 467,885 thousand for the year ended 31 December 2017 (31 December 2016: RUB 533,705 thousand).

15. Financial risk management

Overview
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 counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Cash balances are held with various financial institutions.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	31 December 2017 RUB'000	31 December 2016 RUB'000
Trade, other receivables and deferred expenses	28,569	22,937
Cash at bank	931,791	703,343
	960,360	726,280

The Company held cash and cash equivalents excluding cash in hand of RUB 931,791 thousand at 31 December 2017 (31 December 2016: RUB 703,343 thousand) which represents its maximum credit exposure on these assets. The cash and cash equivalents are mostly held with bank and financial institution counterparties, which are rated Ba1-A3, based on rating agency Moody's Investors Service ratings.

(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 objective of minimising 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 2017	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Trade and other payables	75,999	75,999	75,999	-	-	-	-

31 December 2016	Carrying amounts RUB'000	Contractual cash flows RUB'000	2 months or less RUB'000	Between 2-12 months RUB'000	Between 1-2 years RUB'000	Between 2-5 years RUB'000	More than 5 years RUB'000
Trade and other payables	80,508	80,508	80,508	-	-	-	-

(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:

	2017 RUB'000	2016 RUB'000
Fixed rate instruments		
FINANCIAL ASSETS	926,803	658,597

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 2017			31 December 2016		
	USD'000	EUR'000	GBP'000	USD'000	EUR'000	GBP'000
Assets						
Cash at bank	895,992	4	-	657,072	133	-
Liabilities						
Other payables and accruals	(737)	(327)	-	(2,275)	(228)	(7,306)
NET EXPOSURE	895,255	(323)	-	654,797	(95)	(7,306)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
USD	58,3529	67,0349	57,6002	60,6569
EUR	65,9014	74,2310	68,8668	63,8111
GBP	75,2379	91,2578	77,6739	74,5595

Sensitivity analysis

A 10% weakening of the Russian Rouble against the above currencies will result in the increase in profit and equity of RUB 89,493 thousand as at 31 December 2017 (31 December 2016: RUB 64,740 thousand). A 10% stengthening of the Russian Rouble would have an opposite impact on the profit and other equity.

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.

16. Fair values

As at 31 December 2017 and 31 December 2016 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 less impairment.

17. Contingent liabilities

(a) Insurance

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

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

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

(c) Russian tax environment

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

Currently, the Russian Government focuses on the ways to combat offshore structures which historically were widely used by Russian businesses and tighten the tax anti-avoidance regulations. Recent new Russian legislation is aimed at regulating transactions with offshore companies and their activities, which may potentially impact the Company's tax position.

18. Events after the reporting period

In March 2018, the Company started the procedure for the acquisition of the non-controlling interest in the subsidiaries which it controls. Purchase price is estimated to be around RUB 466,000 thousand. As at the date of these financial statements approval, the necessary documents are reviewed by the Federal Antimonopoly Service of the Russian Federation.

Sustainable development

Sustainability
Report

Sustainable development

MD Medical Group's annual report this year includes a dedicated sustainable development section (the "Section"), prepared according to the Sustainability Reporting Guidelines of the Global Reporting Initiative (the "GRI") in the Core disclosure version, with due regard for the recommendations contained in the EU's 2014/95/EU directive regarding disclosure of non-financial and diversity information by large undertakings and groups.

The Section reflects MD Medical Group's key results in sustainable development from 1 January through 31 December 2017 and describes the Group's main approaches to sustainable development management. It is intended to include a dedicated sustainable development section in MD Medical Group's future annual reports.

Unless specified otherwise, the companies whose performance is reflected in the Section, were included in the list based on the principles contained in the IFRS 10 Consolidated Financial Statements.

To ensure comparability of data, most indicators are presented with their counterparts for the previous reporting period, i.e. 2016.

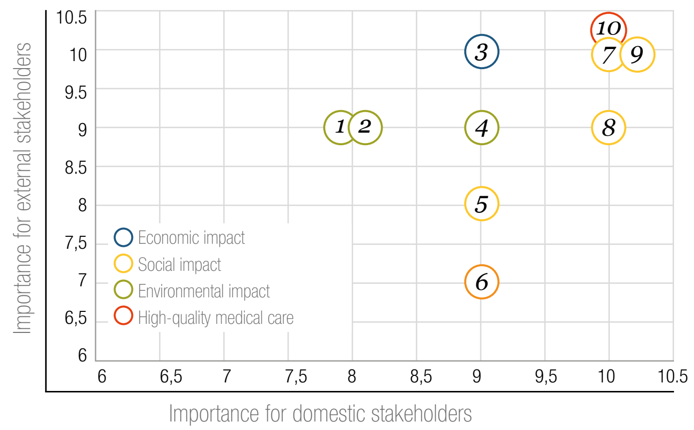
The Sustainable Development Section for 2017 is available on MD Medical Group's website at www.mcclinics.com.

Identifying material topics

A dedicated team was formed to develop the Section, to include retained independent third party sustainable development experts. The team interacted with employees in various functions of MD Medical Group to incorporate their opinions and information to the Section. The materiality was defined in three steps:

- drawing a long list of material topics in view of the stakeholders' expectations, as well as recommended by the GRI, analysis of materials reflecting interaction with stakeholder, and a survey of the mass media, followed by a benchmark analysis of global sustainable development practices;
- prioritising the topics on the long list by a quantitative assessment of the material topics on the basis of their relevance to stakeholder within and outside the Group;
- referring identified material topics for their approval by the team and drawing the short list of disclosures in the Annual Report, in particular, in the Sustainable Development Section.

Fig. Matrix of material topics



1. Water
2. Energy
3. Anti-corruption
4. Waste management
5. Non-discrimination
6. Diversity and equal opportunities
7. Product and service labelling
8. Employment
9. Training and education
10. Service quality

All material topics are disclosed in the Sustainable Development Section and other chapters of the Annual Report; although one key material topic ("Quality of Service Provision") is not covered by an existing GRI Standard. This topic reflects the impact on the provision high-quality care for patients and is most material to stakeholders both within and outside. One of the company strategic priorities is, for example, Provide Patients with the Highest Quality of Care. To disclose comprehensively the "Quality of Service Provision", we answered the key questions and used the following indicators:

Q. What do we offer?

A. Broad choice of services for entire families (Read more in 'Deliveries', 'In-Vitro Fertilisation', 'In-patient treatments', and 'Out-patient treatments');

Q. What available resources make the provision of these services possible?

A. The annual capacity of the hospitals (read more in 'Hospitals in focus') and hi-tech medical care (read more in 'Hospitals in focus');

Q. Who provides the services?

A. Highly qualified professionals (read more on MD Medical Group employees' development and contribution to the professional community in 'Our People');

Q. What is the result?

A. The customer satisfaction with the services provided by the Group, accessibility of the services (read more in 'Interaction with patients').

Interaction with stakeholders

In order to draw a list of stakeholders, we reviewed all business functions of MD Medical Group, the impact which people inside and outside the Group produce or can produce on the Group's performance and attainment of its strategic goals, and the impact that MD Medical Group can produce on them.

The review, together benchmarking medical health care practices and direct interaction with particular groups, identified the following stakeholders:

- patients and their relatives;
- employees;
- suppliers;
- shareholders and investors;
- government authorities;
- mass media.

MD Medical Group plans and carries out its business with maximum regard for the stakeholders' interests. The Group successfully interacted with all its key stakeholders, including through various events, conferences and seminars.

Stakeholder groups	Stakeholder expectations	Interaction examples
Patients and their relatives	- Highest quality of services - Easy access to services	- Open days - Surveys of patient expectations - Professional consultations
Employees	- Dignified remunerations - Professional growth and career opportunities	- Personnel training and qualification upgrading programmes - Motivational programmes - Hot-line call management - Participation in forums, seminars and exhibitions - Weekly conferences of doctors and mid-level staff - Meetings with senior officials of the regions and cities of presence
Suppliers	- Procurement transparency - Business sustainability	- Securing long-term contracts - KYS screening and background checks - Procurement by tender - Talks and kick-off meetings with potential suppliers
Shareholders and investors	- Open information - Operational and financial results - Business sustainability - Company value growth	- General meetings of shareholders - Support for the activities of the bodies representing the shareholders - Participation in Russian and international investment conferences - Arranging investors' visits to the Group's hospitals and clinics - One-to-one and group meetings - Conference calls with investors and analysts - Quarterly operational reports, Group's semi-annual and annual financial results
Government authorities	- Compliance	- Compliance with law
Mass media	- Open and easily available information - Readiness to cooperate	- Disclosure through various channels

The key communication channels MD Medical Group uses both to inform the general public and obtain feedback, are:

- corporate website
- annual report
- quality hot-line for patients
- feedback
- media
- corporate magazine
- intranet portal
- hot-line for employees
- clinics' official website on social networks
- meetings with employees
- information stands/screens
- publications
- company representatives' public speeches
- conferences/events
- written replies to enquiries

Interaction with patients

We pay special attention to communication with our patients and their relatives.

In order to inform patients of our services, improve access to them, and raise patients' awareness of health matters, we arrange topical events in our clinics and hospitals. Their central topics traditionally include obstetrics (pregnancy planning and management; delivery); treatment for infertility and IVF; and paediatrics, with MD Medical Group's leading professionals speaking.

During the period of account, we held a total of 363 open days in our hospitals and clinics, hosting more than 12,300 visitors. We also took part in 36 events held by our partners, attended by more than 11,000 people. We also held 94 webinars in the same period, attended by more than 1,600 people.

Several promotional events were held in 2017, with substantial discounts on MD Medical Group's services. One of the highlights of 2017 was the joint action, Week of Health, held in Bashkortostan in collaboration with the business periodical Kommersant-Bashkortostan. Visitors could consult a geneticist, cardiologist, neurologist, surgeon and urologist for a symbolical fee of one rouble.

Events like this permit a large number of people to consult specialists and obtain necessary health services. MD Medical Group performed 7,327 IVF's under MHI (Mandatory Health Insurance) and gave 253 patients high-technology medical assistance[1]. The high-tech health care services list under MHI will include trauma care and orthopaedics starting 2018.

The Group implemented two global initiatives to obtain patient feedback on the quality of services: customer satisfaction (CSAT) score on phone-in consultations, and quality hot-line.

Patients can leave their reactions phoning in at the single number at any stage of consultation. This system permits assessing services provided for patients by three measurements: speed and convenience of the consultation; completeness and intelligibility, and the consulting employee's politeness and friendliness. We monitor CSAT dynamics on a monthly basis, analyse factors affecting it, and promptly take appropriate corrective measures.

The purpose of the quality hot-line is to establish and maintain direct dialogue with patients and enable their access to the Group's senior management where the matter cannot be resolved on the clinic or hospital level. Patients may leave their feedback through any convenient channel, using the form on the website, e-mail at **quality@mcclinics.ru**, or through the operator of the single contact centre. The general public is informed about the quality hot-line in the informational communications, booklets and banners to promote maximum awareness of patients of their feedback being taken into account in improvement of service quality. Each complaint is copied to the Medical Directorate, deputy general director patient care, director of the Client Service Department, and regional directors if the enquiry comes from a region. Each complaint is verified, the patient is informed of the results, and it is always followed up with corrective measures and amendments in regulations and flowcharts.

The Group is planning a CSAT score system upon patients' visits to specialists, examinations and studies. These measurements at the point of contact must enhance transparency. Patients will receive push notifications through the installed mobile application immediately after reception by specialists, asking to evaluate and rate the reception on a scale of 1 to 5. If the rate is low, patients will be able to leave a detailed comment which will be analysed and, where necessary, followed up with corrective measures.

[1] Including obstetrics, gynecology, abdominal surgery, urology, and cardiovascular surgery.

Personnel

HR management

Our employees are the basis of MD Medical Group's commercial success and a guarantee of its irreproachable reputation. We pay particular attention to recruitment, training and personal development of our employees.

Our HR management takes into account the specific aspects of the Group's key business functions, industry-specific matters, and geography or our hospitals and clinics. The HR management matters on the top level are within the scope of competence of the deputy general director, operations.

Fig. HR management structure

Deputy General Director Operations

HR Director

Regional HR Directors

Mother&Child Centre	Mother&Child Urals	Mother&Child Volga	Mother&Child Siberia

HR managers in the clinics and hospitals

The following approved regulations and polities are in effect in the Group:

- Internal work procedure	- Insider information handling policy
- Remuneration and bonus policy	- Rules for units (medical divisions) and job descriptions
- Personal data processing and protection policy	- Code of corporate ethics and conduct
- Commercial secret non-disclosure obligations	- Preferential tax treatment guidelines
- Business trip policy	- Regulations for compliance with medical and pharmaceutical staff qualification requirements

Objectives in personnel management

We successfully attained the goals and objectives in HR management set for 2017:

Objective	Results
- Timely staffing the MPIs in Novosibirsk, Lapino CH, Tyumen and Voronezh	- The Group's companies, including in Novosibirsk, Lapino, Tyumen and Voronezh were timely staffed in 2017
- Timely organisation of employee qualification upgrading	- More than 750 medical staff took professional requalification and qualification upgrading courses in 2017
- Webinars on organisational, research and educational matters	- 22 webinars were held on topical matters of OB-GYN and perinatal care
- "Residency" Project (increase of residents' number). The Group holds an annual contest for MD Medical Group Residency for medical school undergraduates and graduates and admits the winners to residency at the Group's expense.	- Six interns completed their residencies in 2017, while eight continue their second years. Seventeen residents were admitted in MD Medical Group
- HR statutory requirement compliance (no negative observations from supervisory bodies	- No substantial observations were made in the course of employment audits. - The staffing of MD PROJECT 2000, three clinics in Moscow and Yaroslavl's clinic were rescheduled to comply with the Pension Fund's requirements

Interaction with employees

To maintain effective communication with the employees, the doctors hold five-minute daily conferences in the Group's hospitals to discuss all cases handled the day before, doctors' weekly conferences, head nurses' weekly conferences, and weekly conferences with the Group's general directors, using telcon on Skype to communicate with regional divisions. Five-minute daily staff conferences are also held in the clinics.

MD Medical Group has an in-house corporate intranet portal as a tool of communication among the employees.

Starting 2012, a board-approved whistle-blowing policy in place, under which employees can write in at hotline@mcclinics.ru. This channel is used to detect employee fraud and other misconduct. All reported cases are followed up by internal checks.

Professional development

The key priority in MD Medical Group's personnel management is the employees' professional development. More than 1,000 employees completed obligatory requalification and qualification upgrading courses. Continuing professional education (CPE) is a key priority in the Group's personnel management. The Group organises MICE which promote sharing experience by leading professionals and raise the employees' professional level. Twenty-two webinars were held in 2017 on topical OBGYN and prenatal care matters. The Group holds regular professional conferences. In 2017, for example, four MICE were held for the Group's personnel at the Infertility and ART/IVF Department:

- the conference on reproductive medicine: little secrets of big success, in March 2017 attended by 50 staff;
- the conference on management of difficult patients in reproductive period: from IVF failures to oncofertility, in November 2017, attended by 93 employees;
- the educational seminar for embryologists in November, attended by 25 professionals;
- the conference on the implementation of the reproductive function: achievements and prospects, in September, attended by 35 employees.

As in the previous years, MD Medical Group continued professional MICE in which outside professionals were free to participate together with the Group's staff. The Group held more than 40 conferences in 2017 for mixed professional groups including its own and third-party specialists.

As per the Group's established professional development practice, new hospitals' personnel is seconded to existing hospitals for internship, training and learning MD Medical Group work standards, and, conversely, the existing hospitals' staff are dispatched to fill senior managing positions in new MPIs.

Development of the supply chain

The Group's approach towards the supply chain management

An effective supply chain undoubtedly ensures both the patients' safety and MD Medical Group's economic sustainability. The Group's supply chain begins with formulating demand for material and equipment in its medical and support establishments and ends with services provided for the customers.

As part of its business, MD Medical Group procures various materials, paying much attention to interaction with both Russian and international vendors. The Group offers equal opportunities for participation in tenders, including small businesses. We build our business with suppliers on the principles of good faith, fairness and transparency. The quality of our interaction with suppliers underlies the efficiency and quality of our services.

The Group is interested in continual development of its procurement system in the following areas:

- transparency of procurement;
- price optimisation through commercial bargaining;
- creating conditions for fair competition of vendors and producers;
- prioritising direct procurement from official representatives within the Russian Federation;
- improving quality control of procured goods;
- switching from sporadic purchases to medium- and long-term supply contracts;
- cataloguing and unification of materials used in the Group's clinic internal records.

The Group paid particular attention in 2017 to:

- forming inter-brand competition instead of competition between vendors of the same brands;
- determining target quality-price ratios for various groups of goods; and consolidation of orders by clinics into aggregated orders to producers.

Medications:

The medication supply chain notably begins from producers' warehouses through transit warehouses of trading representatives and federal pharma companies to that of regional dealers (pharmacies). Attention was focused in the medication supply chain in 2017 on special commercial terms of supply from pharma companies' representatives and on the general framework terms of supply of the general scope of medications.

Medical expendables:

The supply chain begins as a rule from the ongoing inventory of supplies and remainders in clinics' warehouses and determining procurement plans. Then planned demand is determined by material and producer, consolidated into aggregated orders to regional suppliers. Depending on availability, suppliers ship necessary materials from the nearest warehouses either through their own delivery service or through regional transport companies. If suppliers lack necessary materials, they order them from the federal contractor. As soon as shipments from suppliers are received in the central warehouses, they are sent to the clinics' specific divisions, which ensures the continuity of the medical care process. The share of direct supplies by producers in the Group's supply chain appreciably increased during the period of account.

Equipment:

Equipment, conversely, moves down the supply chain from producers' warehouses through transport companies to the clinics' warehouses. Apart from the supply of equipment, producers' service divisions assist in installation and starting up equipment. Direct supplies from producers' representatives prevailed in the equipment supply chain in 2017.

MD Medical Group interacts with more than 3,000 supply companies, including 194 suppliers of pharma products, 2,680 suppliers of expendables, and 350 suppliers of equipment.

The base reference number of suppliers in the supply chain depends on the type of supply:

- not more than six companies in the supply of medications;
- not more than three companies in the supply of expendables;
- not more than two companies in the supply of equipment.

Regional suppliers are normally based with in the same region as the Group's clinics.

The transit warehouses of federal suppliers are located predominantly in the Moscow Region. All suppliers have ramified transit warehouse networks in large cities in each region. The Group actively cooperates with federal suppliers of expendables and equipment based in the Leningrad Region.

MD Medical Group predominantly purchases medications from international producers in Europe and the United States, but some foreign producers have their production facilities in the Russian Federation. Expendables procured by the Group are manufactured in the Russian Federation and abroad, predominantly in China, Malaysia, Europe, United States and Japan. Equipment procured by MD Medical Group is made in the Russian Federation, China, Europe, the United States and Japan.

The Group's suppliers (by category) are:

Goods	Supplies
Medications	large regional dealers
	major pharma companies on the federal level
	representative offices of pharma companies holdings registration certificates (in strategic goods)
Expendables	trade companies (as dealers)
	exclusive distributors
	producers' trading representatives
Equipment	exclusive distributors
	producers' trading representatives

Environment and work safety

Environmental management

MD Medical Group's main impact on the environment is related to the consumption of electricity, water and fuel, and waste disposal. The Group is fully aware of the necessity to safeguard the environment and uses substantial efforts to optimise the use of resources and minimise the negative environmental impact.

The environmental impact management on the Group's level is within the scope of the CEO's competence, and in the hospitals and clinics, within the scope of responsibility of the CEO and chief technical director. The hospitals and clinics supervise the compliance with statutory environmental safety requirements. The management systems in the Group meet the requirements international certificates ISO 14001-2004 Environmental management systems and ISO 50001:2011 Energy management systems.

Energy efficiency

MD Medical Group's expanding business made energy efficiency a special priority. The Group enhances efficiency through the introduction of energy-efficient equipment. The clinical hospital in Lapino, for example, uses only LED interior and exterior lighting of various types, except for special halogen lamps in operating rooms and mercury-vapour lamps used for disinfection. Moreover, internal lighting in most clinics is controlled by pre-programmed schedules.

Most companies of the Group have introduced automated commercial electricity metering systems permitting to monitor the efficiency and optimise the use of electricity.

The increase in consumption of electricity and energy for heating in 2017 from 2016 was due to opening of new clinics and a hospital. In the meantime, most clinics and hospitals reduced their energy consumption from the previous year. The ratio of total energy consumption to revenues[2] changed from 16.6 in 2016 to 17.6 in 2017.

Electricity consumption by MD Medical Group's clinics and hospitals, KWh:

	2016	2017	Change, %
CLINICS	**2,638,453**	**2,719,667**	**3**
HOSPITALS:	**17,269,584**	**18,204,154**	**5**
Perinatal Centre	4,489,226	4,407,515	-2
Lapino Clinic Hospital	6,491,304	6,769,872	4
Ufa Clinic Hospital	4,938,970	4,669,425	-5
Avicenna	1,350,084	2,357,342	75
TOTAL	19,908,037	20,923,821	5

Heating energy consumption by MD Medical Group's clinics and hospitals, Gcal:

	2016	2017	Change, %
CLINICS	**4,512**	**5,546**	**23**
HOSPITALS:	**29,680**	**31,075**	**5**
Perinatal Centre	6,009	5,893	-2
Lapino Clinic Hospital	10,090	10,467	4
Ufa Clinic Hospital	11,381	12,274	8
Avicenna	2,200	2,441	11
TOTAL	34,192	36,620	7

The Group's facilities use municipal central heating utilities and networks as heating energy sources. Most hospitals have backup diesel generators as emergency electricity sources.

Fuel consumption by MD Medical Group's clinics and hospitals, litres

		2016	2017	Change, %
PETROL	**CLINICS**	**93,013**	**77,871**	**-16**
	HOSPITALS:	**95,193**	**97,271**	**2**
	Perinatal Centre	30,684	30,718	0
	Lapino Clinic Hospital	26,631	30,594	15
	Ufa Clinic Hospital	20,241	19,049	-6
	Avicenna	17,637	16,910	-4
	TOTAL	188,206	175,142	-7
DIESEL FOR VEHICLES	**CLINICS**	**50,075**	**51,410**	**3**
	HOSPITALS:	**43,121**	**51,956**	**20**
	Perinatal Centre	9,173	10,184	11
	Lapino Clinic Hospital	26,892	33,075	23
	Ufa Clinic Hospital	-	-	-
	Avicenna	7,056	8,697	23
	TOTAL	93,196	103,366	11
DIESEL DT-F-L5- FOR DIESEL NERATORS	Clinics	**-**	**5,800**	**730**
	Hospitals	**795**	**795**	**-**
	Perinatal Centre	20	20	-
	Lapino Clinic Hospital	750	750	-
	Ufa Clinic Hospital	25	25	-
	Avicenna	-	-	-
	TOTAL	795	6,595	730

Rational use of water

MD Medical Group uses its best endeavours to use water resources efficiently. The Group monitors its water consumption on a regular basis. The clinics and hospitals use water from municipal water supply networks under State Standard GOST P 51232-98(2002). The opening of the new clinics and the Avicenna Hospital with a total space of 7,000 sq. m early in 2017 increased the Group's total water consumption by 13% from 2016. The hospitals accounted for 86%. and 85% of the Group's total water consumption in 2016 and 2017, respectively.

The figures in the table below are based on the measurements of the water metering instruments.

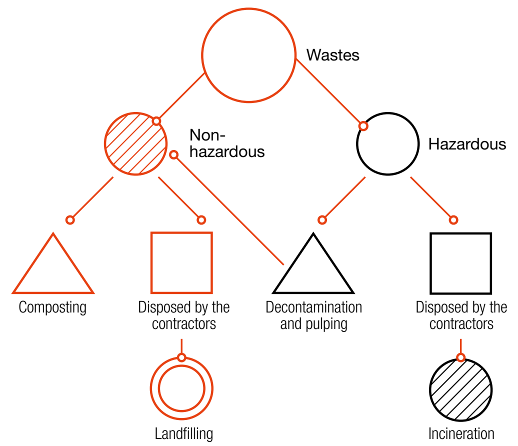
[2] The total energy consumption has been calculated with regard to the consumption of electricity and heating energy in the clinics and hospitals (214,730 GJ in 2016 and 228,546 GJ in 2017).

The consolidated data of heating consumption in the clinics do not include the data for two clinics due to some particulars in consumption meterage and records The average heating energy consumption in the clinics is less than 1% of the Group's total consumption.

Water consumption by MD Medical Group, cub. m

	2016	2017	Change, %
CLINICS	**21,296**	**24,825**	**17**
HOSPITALS:	**127,973**	**144,447**	**13**
Perinatal Centre	34,807	33,600	-3
Lapino Clinic Hospital	58,444	68,358	17
Ufa Clinic Hospital	28,240	30,173	7
Avicenna	6,482	12,316	90
TOTAL	**149,269**	**169,271**	**13**

Waste management chain in hospitals



Waste management

Waste management is a key priority of MD Medical Group as it generates various forms of medical waste, including hazardous ones, so the Group endeavours to minimise their potential negative impact, through strict observance of the safe waste management. One of the principal requirements for contractors selected for waste disposal, apart from their due certification and licensing, is the availability of resources necessary to follow the entire cycle of disposal of wastes disposed of by the clinics and hospitals.

As the Groups publishes its first report under the GRI standards, it was decided to define the boundaries of disclosure of waste management by hospitals in connection with the special aspects of the record-keeping, and in view of the fact that the hospitals are the largest facilities. The Group plans to disclose this matter in more detail in the future.

The Group's clinics and hospitals dispose of their regulated wastes as required by SanPin 2.1.7.2790-10 Sanitary and Epidemiological Requirements for Treating Medical Waste. The clinics and hospitals enter into agreements with contractors specialising in disposing of solid, bulky and regulated medical wastes, treating and disposing of mercury-vapour bulbs, mercury thermometers, and collecting and decontaminating regulated pharma wastes, vegetable oils and fats. All clinics and hospitals have containers for temporary storage of mercury-vapour bulbs.

Hazardous waste management and disposal is a key matter addressed in the hospitals which use special apparatus to decontaminate and treat medical wastes by heat, whereupon medical wastes are classified as non-hazardous household solids which can be safely disposed of in the conventional manner. The apparatus disinfects and pulps the wastes, which are then collected by the licensed contractor for landfilling. The Avicenna Medical Centre also has some of its hazardous wastes collected by a contractor for further disposal by incineration. Incineration has increased due to opening a new hospital in February 2017.

Waste by disposal method, metric tonnes :

	2016	2017	Change, %
Landfilling (non-hazardous wastes)[1]	**2,694.9**	**2,698.3**	**0.13**
Composting (non-hazardous wastes)	**0.5**	**0.5**	**0**
Bulk incineration (hazardous wastes)	2.1	4.1	90.81
TOTAL	**2,697.5**	**2,702.8**	**0.2**

Work, fire and industrial safety education

All managers and professionals without exception are trained in work safety and have their knowledge checked at least once every three years. Employees are trained in safe working methods within their establishments under programmes developed on the basis of model training programmes. Hospitals have developed separate training programmes depending on employees' specific jobs: for managers, professionals, mid-level medical and clerical staff, menial workers, electricians, operators of pressurised equipment, heating installations, lift controllers, etc. Under Article 225 of the Russian Labour Code, MD Medical Group trains its auxiliary and menial staff in first aid at work at least once a year. Hospitals have standing instructions for administering first aid to victims of accidents at work. Training is mandatory for all new hires within one month of their recruitment. No additional training is given to employees, considering the Group's line of business and the round the clock presence of qualified doctors, including intensivists and critical care specialists, at its facilities.

[1] Wastes are measured in cubic metres for the purposes of recording volumes handled by the disposal contractors. Cubic metres are converted into metric tonnes at the rate of 1 cub. m = 0.25 mt.

Exhibit 1.
GRI Index Disclosure

GRI Standard Disclosure		
Number	**Title**	**Page in the Report and/or Reference**
GRI 102: GENERAL DISCLOSURES		
102-1	Name of the organisation	65
102-2	Activities, brands, products, and services	12–19, 36–39
102-3	Location of headquarters	64
102-4	Location of operations	16–19
102-5	Ownership and legal form	65
102-6	Markets served	10, 16–19
102-7	Scale of the organisation	45, 36–38, 90, 104
102-8	Information on employees and other workers	45, Annex 3. Information on the staff
102-9	Supply chain	147–148
102-10	Significant changes to the organisation and its supply chain	No significant changes to the organisation and its supply chain occurred during the period of account
102-11	Precautionary Principle or approach	The Group has not adopted the Precautionary Principle or approach
102-12	External initiatives	n/a
102-13	Membership of associations	The clinics of the Group as well as the staff are members of the following national and international organisations: - Russian Association of Human Reproduction; - Russian Association of Obstetricians and Gynecologists; - Chamber of Commerce and Industry of the Samara Region; - Chamber of commerce and industry of the urban district of Togliatti, Samara Region; - European Society of Human Reproduction and Embryology; - Association of Obstetricians and Gynecologists of endocrinologists of the Perm Region; - Moscow Society of Obstetricians and Gynecologists; - Association of Obstetricians and Gynecologists of the Irkutsk Region; - Association of Gynecologists-Endoscopists of Russia.
102-14	Statement from senior decision-maker	
102-15	Key impacts, risks, and opportunities	54–55, Exhibit 2.Sustainable Development Risk management
102-16	Values, principles, standards, and norms of behaviour	8–11, 13, 46
102-18	Governance structure	52–53
102-22	Composition of the highest governance body and its committees	52–53
102-24	Nominating and selecting the highest governance body	52–53
102-40	List of stakeholder groups	143
102-41	Collective bargaining agreements	There is no signed collective bargaining agreement
102-42	Identifying and selecting stakeholders	142–143
102-43	Approach to stakeholder engagement	142–143

GRI Standard Disclosure		
Number	**Title**	**Page in the Report and/or Reference**
102-44	Key topics and concerns raised	142
102-45	Entities included in the consolidated financial statements	82–84
102-46	Defining report content and topic boundaries	142–143
102-47	List of material topics	142
102-48	Restatements of information	n/a
102-49	Changes in reporting	n/a
102-50	Reporting period	142
102-51	Date of most recent report	This report is the Group's first under the GRI.
102-52	Reporting cycle	142
102-53	Contact point for questions regarding the report	157
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	152–154
102-56	External assurance	No external assurance for the Group's Sustainability Report was sought.
GRI 103: MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its boundary	142
103-2	The management approach and its components	10–11, 144–150
103-3	Evaluation of the management approach	144–150
GRI 205: ANTI-CORRUPTION		
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were detected in the reporting period. See p.156 to know more about prevention of corruption and bribery risks
GRI 302: ENERGY		
302-1	Energy consumption within the organisation	148–149
302-4	Reduction of energy consumption	149
GRI 303: WATER		
303-1	Water withdrawal by source	149–150
GRI 306: EFFLUENTS AND WASTE		
306-2	Waste by type and disposal method	150–151
GRI 404: TRAINING AND EDUCATION		
404-2	Programmes for upgrading employee skills and transition assistance programmes	146

GRI Standard Disclosure		
Number	**Title**	**Page in the Report and/or Reference**
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY		
405-1	Diversity of governance bodies and employees	**Information on the gender and age of the Board of Directors as of 31 December 2017:** Men — 70%; Women — 30%; 30–50 years of age — 60%; Older than 50 years of age — 40%. **Information on the gender and age of employees as of 31 December 2017:** Men — 18%; Women — 82%; Younger than 30 — 13%; 30–50 years of age — 62%; Older than 50 years of age — 25%. The Group permits no discrimination of any minorities. There have been no discrimination claims or legal actions over the whole history of the Company. Although there is no established formal diversity policy in MDMG, we understand the importance of this issue. We adhere to the principles of respect for human rights and anti-discrimination in our business practices in general and in the implementation of HR policies in particular. The market of medical services in Russia is highly regulated and the requirements for medical workers are determined by competencies and educational level. All the personnel including the auxiliary personnel are hired strictly in accordance with the labour Code of the Russian Federation which forbids any form of discrimination. During the reporting period there were no claims and cases of discrimination identified in MDMG.
GRI 406: NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	The Group did not detect any incidents of discrimination in the reporting period.
GRI 417: MARKETING AND LABELLING		
417-2	Incidents of non-compliance concerning product and service information and labelling	The Group prepares its marketing communications in compliance with Federal Law No. 38-FZ On Advertising dated 13 March 2006 and Law No. 2300-1 of the Russian Federation On Protection of Consumer Rights dated 7 February 1992 (as amended on 1 May 2017). As part of measures to monitor the compliance with the statutory requirements for the information and labelling of products and services, all advertising contracts are initialled by the marketing director (deputy general director, marketing) and the legal department. No confirmed incidents of non-compliance concerning product and service information and labelling occurred in the period of account. No confirmed incidents of non-compliance concerning marketing communications occurred in the period of account.
417-3	Incidents of non-compliance concerning marketing communications	
QUALITY MEDICAL ASSISTANCE TO PATIENTS		
MD1	Development and extension of the services list	36–39
MD2	Annual capacity of the hospitals	20–25
MD3	Hi-tech medical care development	18, 20–25
MD4	Highly qualified personnel	26–31, 145, 146
MD5	Dialogue with patients	26–31, 144

Exhibit 2.
Sustainable Development Risk Management

MD Medical Group takes into account the following groups of sustainable development risks in planning and carrying out its business: environmental impact risks, social and employment risks, human rights risks, and corruption and bribery risks. Although the probability of relevant occurrences is assessed as low, the Group takes appropriate preventive measures.

Risk groups	Risk management mechanisms
ENVIRONMENTAL IMPACT RISKS	
Substantial increase in energy consumption and decrease in energy efficiency	In order to mitigate the environmental impact and increase the operational efficiency, the Group applies energy conservation measures prescribed by various internal standards and procedures, the observance of which is supervised on a regular basis. Both new and existing clinics and hospitals actively introduce energy-saving equipment.
Incorrect hazardous waste disposal	The Group retains duly licensed and certified contractors having adequate resources to dispose of hazardous medical wastes. The Group's regulated wastes are disposed of in compliance with the laws of the Russian Federation.
Substantial increase in water consumption	The Groups monitors the condition of water and heat supply pipelines and promptly repairs any leaks.
Increase in paper consumption	In order to minimise stationery expenses and relieve the load on the environment, part of the Group's internal document flow is maintained in electronic form. MD Medical Group also in transition to electronic external document flow under the official "Electronic Government" programme currently implemented in Russia. The consumption of paper diminishes every year. As of today, 30% of the Company's document flow is in the electronic form.
SOCIAL AND EMPLOYMENT RISKS	
Deterioration of the Group's relations with the staff	MD Medical Group monitors its personnel's satisfaction by conducting regular opinion polls and creates conditions for the development and realisation of its employees' professional potential. The Group maintains employee health care and maternity support programmes, programmes for organisation of employees' leisure and recreation, and professional requalification and qualification upgrading programmes.
Statutory restrictions related to employment	The Group monitors appropriate changes in relevant legislation on a regular basis and promptly reacts to them.
Restriction of patients' access to the Group's health care services	The geography of the MD Medical Group's establishments in large cities across Russia makes the Group's services accessible to a large number of patients. The Group prices its services in line with the average income in the regions of its presence and takes part in the federal IVF programme under obligatory health insurance policies.
HUMAN RIGHTS RISKS	
Work under compulsion	MD Medical Group uses motivational incentives to attain maximum productivity. Its corporate culture and ethics exclude any compulsion.
Discrimination	The Group permits no discrimination of any minorities.
	Bonuses and rewards in the Group are economically substantiated and paid on the basis of performance and attainment of targets set forth by the Company. Remuneration of employees in identical or similar positions may differ only from region to region but remains identical within one entity.
	There have been no discrimination claims or legal actions over the whole history of the Company.
CORRUPTION AND BRIBERY RISKS	
Risk of corruptive actions and payments to government authorities	Any interaction of MD Medical Group with supervisory and regulatory authorities is duly documented. The Company's CEO and shareholders are immediately notified of any disputes or differences arising between the Company and supervisors or regulators. In 2017, a number of the Group's entities were audited by labour inspections, the Federal Service for Surveillance in Healthcare (Roszdravnadzor), Federal Service for Surveillance on Consumer Rights Protection (Rospotrebnadzor) and other authorities. The results of the audits were properly documented; the prescriptions issued by the authorities are being followed up. All financial operations in the Group are reflected in appropriate financial record which are subject to financial audit.
Risk of bribery of the Group's employees for the benefit of third parties	Exposure exists for the Group's procurement employees. The procedure for selection of suppliers implies tendering and assessment of effectiveness of contracting specific vendors (including prices, reliability, dates and periods of delivery etc.). The Group regularly audits its procurement process and copies all identified issues to the management of the company. MD Medical Group's procurement procedures are sufficiently transparent to reduce the risk of corruption and fraud to an immaterial level.

Annex 3. Information on the staff

Actual staffing data

	2017						2016					
	MOTHER & CHILD CENTRE	MOTHER & CHILD URALS	MOTHER & CHILD SIBERIA	MOTHER & CHILD VOLGA	TOTAL	%	MOTHER & CHILD CENTRE	MOTHER & CHILD URALS	MOTHER & CHILD SIBERIA	MOTHER & CHILD VOLGA	TOTAL	%
male	701	135	284	84	1,204	18	664	117	252	78	1,111	18
female	3,183	753	1,037	624	5597	82	3,019	711	900	605	5,235	82
TOTAL	3,884	888	1,321	708	6,801	100	3,683	828	1,152	683	6,34 6	100

The staffing data is set forth above for the entire scope of the 2016 and 2017 consolidated financial reporting as per the records maintained on a permanent basis.

The Group had no automated records with respect to the terms of effect of employment agreements in 2016 and 2017. It is scheduled to be introduced starting 2018.

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