

**UNITED MEDICAL
GROUP CY PLC
AND SUBSIDIARIES**

*Unaudited consolidated interim condensed financial
statements for the six months ended 30 June 2022*

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

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UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Igor Shilov Kwadwo Bediako Aidoo Nicos Nikolaidis Jyrki Petteri Talvitie (resigned on 31 March 2022) Thomas Maria Veraszto (resigned on 31 March 2022) Kyriacos Hadjikyriakou (resigned on 19 January 2022)
Secretary	Antigoni Karamani
Statutory Auditors	Finexpertiza Cyprus Certified Public Accountants and Registered Auditors 1 Georgiou Chatzidaki Street Ledras Court, office 501, 1066 Nicosia Cyprus
Registered Office	124 Gladstonos street The HAWK BUILDING 4 th floor CY-3032 Limassol, Republic of Cyprus
Registration number	239393

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS**

To the Board of Directors of United Medical Group CY PLC:

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of United Medical Group CY PLC (the "Company") and its subsidiaries (together with the Company, the "Group"), which is presented in pages 4 to 23 and comprise the consolidated interim condensed statement of financial position as at 30 June 2022, and the consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim financial statements.

Board of Directors' responsibilities

The Group's Board of Directors is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union.

Auditor's responsibility

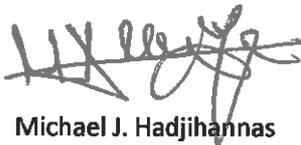
Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Company. We do not, in giving this conclusion, accept or assume responsibility for any other purpose to any other person to whose knowledge this report may come to.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements as at and for the six-months to 30 June 2022 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.



Michael J. Hadjihannas
Certified Public Accountant and Registered Auditor
for and on behalf of
FinExpertiza Cyprus
Certified Public Accountants and Registered Auditors

Nicosia, 12 September 2022

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

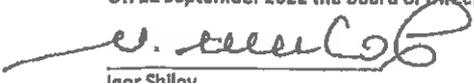
	Notes	6 months ended 30/06/2022 EUR '000	6 months ended 30/06/2021 EUR '000
Revenue	6	139 765	135 109
Cost of medical services and products provided	7	(88 137)	(79 016)
Gross profit		51 628	56 093
Selling expenses		(2 372)	(1 972)
General and administrative expenses		(7 466)	(6 792)
Operating profit		41 790	47 329
Finance income		855	671
Finance expense	8	(10 962)	(4 436)
Foreign exchange loss		(8 156)	(1 285)
Expense on change in fair value of financial instruments		(26 227)	(3 577)
Other expense, net		(1 090)	(371)
Profit before tax		(3 790)	38 331
Income tax benefit		(245)	92
(Loss)/Profit for the period		(4 035)	38 423
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effect of translation to presentation currency		73 917	11 230
Other comprehensive income for the period		73 917	11 230
Total comprehensive income for the period		69 882	49 653
(Loss)/profit for the period attributable to:			
Shareholders		(5 128)	39 365
Non-controlling interests		1 093	(942)
		(4 035)	38 423
Total comprehensive income for the period attributable to:			
Shareholders		68 789	50 595
Non-controlling interests		1 093	(942)
		69 882	49 653
Earnings per share			
Basic and diluted (EUR per share)		-0,06	0.44

The notes on pages 8-23 form an integral part of these unaudited consolidated interim condensed financial statements.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	30/06/2022 EUR '000	31/12/2021 EUR '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	226 553	151 750
Advances paid for non-current assets		25 508	13 115
Goodwill	12	107 789	24 147
Intangible assets		3 974	2 007
Deferred tax assets		187	31
Long-term derivative Instruments FVTPL		2	2 898
Intangible asset, Concession	11	103 968	67 281
Total non-current assets		467 981	261 229
Current assets			
Inventories		18 429	11 939
Trade and other receivables	13	36 297	32 749
Short-term derivative Instruments FVTPL		-	70
Financial investments		299	184
Income tax receivable		136	77
Advances to suppliers		6 093	1 576
Cash and cash equivalents	14	52 947	32 562
Total current assets		114 201	79 157
Total assets		582 182	340 386
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		31	31
Share premium and additional paid-in capital		87 411	87 411
Foreign currency translation reserve		(48 771)	(122 688)
Retained earnings		117 120	122 248
Equity attributable to shareholders of the Company		155 791	87 002
Non-controlling interests		(7 290)	(8 383)
Total equity		148 501	78 619
Non-current liabilities			
Loans and borrowings	15	202 029	135 648
Lease liabilities		42 756	29 523
Other long-term payables		5 393	6 120
Deferred revenue		3 451	3 140
Long-term derivative Instruments FVTPL		23 217	-
Deferred tax liabilities		2 187	1 910
Total non-current liabilities		279 031	176 341
Current liabilities			
Loans and borrowings	15	51 684	32 440
Trade and other payables	16	57 291	33 482
Contract liabilities		19 651	10 067
Provisions		230	147
Short-term derivative instruments FVTPL		13 762	1 238
Lease liabilities		10 922	6 957
Deferred revenue		971	1 084
Income tax payable		139	11
Total current liabilities		154 650	85 426
Total liabilities		433 681	261 767
Total equity and liabilities		582 182	340 386

On 12 September 2022 the Board of Directors of United Medical Group CY PLC authorized these financial statements for issue.


Igor Shilov
Director


Nicos Nikolaidis
Director

No. HE 239393
Republic of Cyprus

The notes on pages 8-23 form an integral part of these unaudited consolidated interim condensed financial statements.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

**UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Share capital EUR '000	Share premium and additional paid-in capital EUR '000	Foreign currency translation reserve EUR '000	Retained earnings EUR '000	Equity attributable to owners of the Company EUR '000	Non-controlling interests EUR '000	Total equity EUR '000
Balance as at 1 January 2021	31	87 411	(138 245)	166 642	115 839	(6 369)	109 470
Profit/(loss) for the period	-	-	-	39 365	39 365	(942)	38 423
Other comprehensive loss for the period	-	-	11 230	-	11 230	-	11 230
Total comprehensive profit/(loss) for the period	-	-	11 230	39 365	50 595	(942)	49 653
Balance as at 30 June 2021	31	87 411	(127 015)	206 007	166 434	(7 311)	159 123
Balance as at 1 January 2022	31	87 411	(122 688)	122 248	87 002	(8 383)	78 619
(Loss)/profit for the period	-	-	-	(5 128)	(5 128)	1 093	(4 035)
Other comprehensive income for the period	-	-	73 917	-	73 917	-	73 917
Total comprehensive profit/(loss) for the period	-	-	73 917	(5 128)	68 789	1 093	69 882
Balance as at 30 June 2022	31	87 411	(48 771)	117 120	155 791	(7 290)	148 501

The notes on pages 8-23 form an integral part of these unaudited consolidated interim condensed financial statements.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	6 months ended 30/06/2022 EUR '000	6 months ended 30/06/2021 EUR '000
Operating activities		
(Loss)/profit for the period	(4 035)	38 423
Adjustments for:		
Depreciation and amortization	9 862	8 638
(Loss)/gain on disposal of property and equipment	1 116	(2)
Income tax (loss)/benefit	245	(92)
Finance income	(855)	(671)
Finance expense	10 962	4 436
Net expense on fair value of financial instruments	26 227	3 577
Foreign exchange loss	8 156	1 285
Movement in other allowance	-	542
Write-off of inventory	26	-
Non-recoverable VAT write-off	38	-
Movement in allowance for expected credit losses	(65)	(13)
Write-off of payables (expired limitation period)	(42)	(77)
	<u>51 635</u>	<u>56 046</u>
Change in working capital		
Decrease in inventories	1 293	896
Decrease/(increase) in trade and other receivables	8 316	(626)
Increase in advances to suppliers	(1 505)	(1 556)
Increase in advances received from customers	1 731	924
(Decrease)/increase in trade and other payables	(11 203)	820
	<u>50 267</u>	<u>56 504</u>
Income tax paid	(562)	(10)
Interest paid	(10 408)	(3 236)
Interest received	855	141
Net cash generated from operating activities	40 152	53 399
Investing activities		
Proceeds from sale of property, plant and equipment	39	3
Purchases of non-current assets	(2 640)	(11 598)
Acquisition of subsidiaries, net of cash acquired	(44 309)	-
Other investing activities	(46)	(2)
Net cash used in investing activities	(46 956)	(11 597)
Financing activities		
Repayments of lease liabilities	(2 168)	(1 275)
Receipt of loans and borrowings	16 517	-
Repayments of loans and borrowings	(16 859)	(16 129)
Net cash used in financing activities	(2 510)	(17 404)
Net movement in cash and cash equivalents	(9 314)	24 398
Cash and cash equivalents, beginning of the period	32 562	20 353
Effect of foreign exchange rate changes including effect of revaluation of cash and cash equivalents	29 699	797
Cash and cash equivalents, end of the period	52 947	45 548

The notes on pages 8-23 form an integral part of these unaudited consolidated interim condensed financial statements.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

1. GENERAL INFORMATION

The parent holding company, United Medical Group CY Plc ("UMG" or the "Company") was registered under Cyprus legislation on 7 October 2008. The registered office of the Company is located at: 124 Gladstonos street, The HAWK Building, 4th floor, 3032, Limassol, Cyprus.

In July 2021 the Company became public with its global depositary receipts ("GDRs") being traded on the Moscow Exchange ("MOEX").

The Group provides medical and social services to legal entities and individuals in Moscow, Russian Federation, through its main subsidiaries: JSC European Medical Centre ("EMC"), and LLC "Pomoshchnik Social Service".

The unaudited consolidated interim condensed financial statements comprise the unaudited consolidated interim condensed financial statements of UMG and its subsidiaries (the "Group").

2. BASIS OF PREPARATION

2.1. Statement of compliance

These unaudited consolidated interim condensed financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial reporting, as adopted by the European Union ("the EU"). These unaudited consolidated interim condensed financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and the requirements of the Cyprus companies Law, Cap.113.

These unaudited consolidated interim condensed financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Due to its nature, the Group's business is not significantly affected by seasonality.

These interim financial statements were authorised for issue by the Company's board of directors on 12 September 2022

2.2. Functional and presentation currencies

The functional currency of all the companies of the Group, which reflects the economic substance of its operations, is the Russian Ruble ("RUB"); the functional currency of UMG is Euro ("EUR").

The Group used the following exchange rates in the preparation of the consolidated financial statements:

	2022 Average for the 6m	As at 30 June 2022	2021 Average for the 6m	As at 30 June 2021
RUB/EUR	81.6058	53,8580	89,4045	86,2026

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

2. BASIS OF PREPARATION (CONTINUED)

Going concern

These unaudited consolidated interim condensed financial statements have been prepared by the management based on the assumption that the Group will continue as a going concern in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Group achieved loss for the period ended 30 June 2022 of EUR 4 035 thousand (31 December 2021: EUR 68 009 thousand). As of 30 June 2022 the Group's statement of financial position shows an excess of current liabilities over current assets in the amount of EUR 40 449 thousand (31 December 2021: an excess of current liabilities over current assets of EUR 6 269 thousand) and an excess of total assets over total liabilities in the amount of EUR 148 501 thousand (31 December 2021: an excess of total assets over total liabilities of EUR 78 619 thousand).

The Management of the Group analysed all aspects of the Group's financial and operational performance and concluded that the Group will continue as a going concern in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The management of the Group has considered the potential impact of the current developments related to the continued spreading of the COVID-19 all over the world on the Group's business; and the related analysis demonstrated the Group's ability to continue as a going concern.

The management of the Group has also considered the potential impact of the current political and economic environment which resulted from the Russian special military operation in Ukraine and believes that the impact and any further developments on future operations and financial position of the Group might be significant.

As of the date of the approval of the accompanying consolidated financial statements for issuance and since 1 March 2022, a number of countries, including United States, the United Kingdom and EU countries, have closed the airspace for Russian airlines, and therefore flights to these countries have been suspended for indefinite period, besides the roads and facilities in the affected areas were also closed. This has unavoidably led to the search of new logistics routes in order to be able to continue working with foreign suppliers. So, in this regard, the management of the Group is actively working to find alternative suppliers in the Asia region, and a new logistics chain is being developed for the delivery of the spare parts and the medicines from abroad.

It's also necessary to mention that the Group uses some medicines in its medical activities that used to be imported, which currently have no Russian analogues and/or generics. The Group's management has estimated that such medications is not significant for the Group's business taken as a whole. As of the date of approval of the accompanying consolidated interim condensed financial statements the Group's management has managed to find a solution on delivery of these medications from one of the CIS countries.

The degree of impact of the anti-Russian sanctions imposed on the ability of the continued foreign medical equipment operating cannot be estimated reliably as of the date of the approval of the accompanying consolidated financial statements for issuance, since the Group currently has the necessary spare parts stock, and besides complex foreign medical equipment involved is under the warranty of the producers, which for now have not left the Russian market (in the part related to healthcare industry) and have not disclaimed their obligations to the Group.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

2. BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

If the current political and economic situation persists or continues to develop significantly and adversely, it can have a material adverse effect on the Group and the economic environment in which the Group operates. The Group cannot reliably estimate the magnitude of such impact as of the date of issuance of these consolidated financial statements.

The current sanctions do not significantly impact the expected credit losses on the cash and cash equivalents of the Group, as the Group's banks portfolio contains non-sanctioned banks. The Group also has the opportunity to take advantages of the available credit limits. At the reporting date the Group has an open credit limits in the total amount of EUR 4 267 thousand. The Group continues its negotiations with banks and believes that in case of shortfall it will be able to arrange for new borrowing facilities and/or extend the existing ones.

Overall, the management of the Group believes that the Group will retain the ability to continue operations in the foreseeable future, since a significant part of its operating activities are concentrated on the Russian market, and medical activities are carried out under both commercial contracts and under Mandatory Health Insurance ("MHI") contracts. Besides, the Group's management continues to focus on the costs reduction programs and search for the alternative solutions in the current environment.

3. ACCOUNTING POLICIES AND ADOPTION OF NEW OR REVISED STANDARDS AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in those annual consolidated financial statements, except as described in the paragraph "Adoption of new or revised standards, amendments and interpretations below".

Adoption of new or revised standards, amendments and interpretations

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2021, became effective for the Group from 1 January 2022. They have not significantly affected these consolidated interim condensed financial statements of the Group.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

3. ACCOUNTING POLICIES AND ADOPTION OF NEW OR REVISED STANDARDS AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Adoption of new or revised standards, amendments and interpretations (Continued)

The application of amendments to the following standards, which are mandatory for annual reporting periods beginning on January 01, 2022, did not have a significant effect on the accounting policy, financial position and results of operations of the Group:

- Amendments to IFRS 3 "Business Combinations – References to the Conceptual Framework";
- Amendments to IFRS (IAS) 16 "Fixed Assets – Receipts in the process of preparing an operating system for use";
- Amendments to IAS 37 "Burdensome Contracts – Contract Execution Costs";
- Annual amendments to IFRS (2018-2020): IFRS 1, 9, 16 and IAS 41.

Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this consolidated interim condensed financial statements, the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2021.

4. SEGMENT REPORTING

In determining the Group's operating segments, management has analysed the information regularly reported to the chief operating decision maker of the Group ("CODM"), identified as the Chief Executive Officer ("CEO") of the Group and his executive team, for assessing performance and making decisions on resource allocation. On the basis of this analysis, and taking into account that the Group operates only in the Russian Federation, the management concluded that the Group has one primary reporting segment: provision of healthcare 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.

5. BUSINESS COMBINATIONS

5.1. Subsidiaries acquired

In April 2022, the Group acquired 72% of LLC Astra-77, which is incorporated in the Russian Federation and engaged in a sale of equipment and reagents for medical laboratories for a total consideration of RUB 4 043 376 thousand (equivalent to EUR 52 739 thousand).

Astra-77 was acquired in order to continue expanding the Group's activities in the dynamically developing laboratory research market and identified as a separate segment "Trading medical equipment and reagents for laboratory research".

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

The assets and liabilities recognized in the financial statements at the acquisition date were based on a preliminary assessment of their fair value, since the independent assessment of fixed assets, intangible assets, as well as the assessment of other assets and liabilities was not completed on the date of approval of the financial statements for the 6 months ended 30 June 2022.

In this regard, the Group has not completed the valuation and distribution of the purchase price at the reporting date. The Group plans to make a final assessment of the fair value of Astra - 77 assets and liabilities no later than December 2022.

The preliminary fair values of the identifiable assets and liabilities of LLC Astra-77 as at the date of acquisition are as follows:

	LLC Astra-77 EUR '000
Non-current assets	
Property, plant and equipment	351
Advances paid for property, plant and equipment	948
Total current assets	
Inventories	1 259
Trade and other receivables	4 400
Income tax receivable	245
Other taxes receivable	202
Cash and cash equivalents	8 430
Total current liabilities	
Trade and other payables	(10 585)
Advances received from customers	(923)
Other taxes payables	(830)
	<u>3 497</u>

The excess of purchase price over the fair value of net assets acquired is below:

	EUR '000
Cash Consideration paid	52 739
Less: fair value of identifiable net assets acquired	<u>(3 497)</u>
Goodwill arising on acquisition	<u>49 242</u>

Goodwill arose in the acquisition of Astra-77 because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies driven by the proximity of the acquired assets to the main operating units of the Group and increase in vertical integration.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

5. BUSINESS COMBINATIONS (CONTINUED)

Net outflow of cash and cash equivalents on acquisition comprised of the following:

	EUR '000
Consideration paid	52 739
Less: Cash and cash equivalents of subsidiaries acquired	<u>(8 430)</u>
Net outflow of cash and cash equivalents on acquisition	<u>44 309</u>

The results of Astra-77's operations have been included in the consolidated financial statements from the acquisition date.

As at the acquisition date provision of trade activity by Astra-77 has just started, so in case the acquisition occurred as of the beginning of the reporting period, there would be no change to financial information presented in the consolidated interim condensed statement of profit or loss and other comprehensive income of these consolidated interim condensed financial statements.

Included in the consolidated profit for the period is EUR 1 646 thousand income attributable to the additional business generated by Astra -77. Consolidated revenue for the period includes EUR 7 021 thousand in respect of Astra -77.

6. REVENUE

	6 months ended 30/06/2022 EUR '000	6 months ended 30/06/2021 EUR '000
Revenue from rendering of services ~ by major types:		
Outpatient care	71 028	76 770
Inpatient care	55 735	51 850
Sales of reagents	7 021	-
Elderly care	4 410	4 254
Rent	935	802
Construction revenue	-	800
Home care	269	315
Pharmacy sales	272	215
Other	95	103
Total	<u>139 765</u>	<u>135 109</u>

Revenue from Elderly care is recognised over time, revenue from other services is recognised at a point of time/sale.

Construction revenue was recognised as a part of accounting for intangible asset, concession.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

7. COST OF MEDICAL SERVICES AND PRODUCTS PROVIDED

	6 months ended 30/06/2022 EUR '000	6 months ended 30/06/2021 EUR '000
Payroll	30 333	30 119
Cost of medicines and patient care	25 069	21 862
Depreciation of property plant and equipment	8 608	7 595
Social contributions	7 398	6 976
Cost of goods	4 148	14
Outsourcing	4 139	3 622
Equipment maintenance	1 500	1 306
Maintenance of premises	1 199	1 102
Utilities	1 032	771
Medical subcontract services	1 029	1 419
Amortization of intangible assets, concession	814	689
Security	498	406
Household and office items	347	369
Expenses on leases not giving rise to Right-of-use assets (ROU) assets	212	204
IT services	192	190
Amortization of Intangible assets, other	129	121
Cost of construction	-	762
Other	1 490	1 489
Total	88 137	79 016

The total expense on payroll and social contributions presented within Cost of medical services and products provided note above and within Selling and administrative expenses amounted to 39 862 for the six months ended 30 June 2022 (six months ended 30 June 2021: 38 639). The total expense on depreciation of property, plant and equipment presented within Cost of medical services and products provided note above and within Selling and administrative expenses amounted to 8 716 for the six months ended 30 June 2022 (six months ended 30 June 2021: 7 679), Notes 10, 11.

The Cost of construction line above represents the Group's expenses related to the reconstruction of city clinical hospital No. 63. under the Concession agreement, performed by the efforts of the general contractor. Outsourcing expense line consists of laundry, secretary, interpreter, engineering and other services.

8. FINANCE COSTS

	6 months ended 30/06/2022 EUR '000	6 months ended 30/06/2021 EUR '000
Interest expense on loans and borrowings	(9 052)	(2 622)
Finance charge on lease liabilities	(1 672)	(1 620)
Less: capitalized costs	84	287
Interest expense on unwinding of long-term payables	(322)	(481)
Total finance costs	(10 962)	(4 436)

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

9. EXPENSE ON CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are solely represented by the forward contracts concluded to minimize currency risk related to (1) the purchases of foreign medical equipment (mainly for the clinical hospital No. 63 under the Concession Agreement) and (2) the long-term loan facility provided by Sberbank and nominated in EUR (Note 15).

Currency forwards are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date, using the forward rates forecasted by the banks.

10. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Buildings and land	Medical and other equipment	Other	Construction in progress	Total
Cost					
Balance as at 1 January 2022	130 863	86 811	20 313	5 661	243 648
New subsidiary	348	263	179	-	790
Additions	7	172	-	2 460	2 639
Reclassification	-	1 210	(1 210)	-	-
Capitalized borrowing cost	-	-	-	84	84
Transferred from construction in progress	28	(829)	589	212	-
Disposal of subsidiary	-	-	-	-	-
Disposals	(160)	(767)	(2 209)	(58)	(3 194)
Effect of translation to presentation currency	72 940	46 717	11 852	4 565	136 074
As at 30 June 2022	204 026	133 577	29 514	12 924	380 041
Accumulated depreciation					
Balance as at 1 January 2022	40 841	37 347	13 710	-	91 898
Depreciation charged	3 902	3 813	1 001	-	8 716
Eliminated on disposals of assets	(160)	286	(2 195)	-	(2 069)
Effect of translation to presentation currency	24 801	23 065	7 077	-	54 943
As at 30 June 2022	69 384	64 511	19 593	-	153 488
Carrying amount					
As at 1 January 2022	90 022	49 464	6 603	5 661	151 750
As at 30 June 2022	134 642	69 066	9 921	12 924	226 553

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

EUR '000	Buildings and land	Medical and other equipment	Other	Construction in progress	Total
Cost					
Balance as at 1 January 2021	116 835	71 868	17 736	13 935	220 374
Additions	272	1679	-	3 427	5 378
Transferred from construction in progress	5 534	4 036	583	(10 153)	-
Disposals	(160)	(114)	(77)	-	(351)
Effect of translation to presentation currency	6 282	3 943	938	475	11 638
Balance as at 30 June 2021	128 763	81 412	19 180	7 684	237 039
Accumulated depreciation					
Balance as at 1 January 2021	34 956	28 167	10 739	-	73 862
Depreciation charged	3 279	3 373	1 027	-	7 679
Eliminated on disposals of assets	(148)	(109)	(71)	-	(328)
Effect of translation to presentation currency	1 933	1 585	594	-	4 112
As at 30 June 2021	40 020	33 016	12 289	-	85 325
Carrying amount					
As at 1 January 2021	81 879	43 701	6 997	13 935	146 512
As at 30 June 2021	88 743	48 396	6 891	7 684	151 714

The amounts disclosed above include Right-Of-Use Assets arising from the Group's lease arrangements. For the six months ended 30 June 2022 the balance of Right-Of-Use Assets increased from EUR 26 784 thousand to EUR 51 033 thousand. Refer to the annual consolidated financial statements for the year ended 31 December 2021 for the related disclosures as at 30 June 2021.

11. INTANGIBLE ASSET, CONCESSION

In 2013 a Concession Agreement was concluded between the European Medical Centre ("Concessioner") and the city of Moscow represented by the Department of City Property ("Concession Grantor"), under which the Concessioner is granted the building of city clinical hospital No. 63. Under this Agreement, the Group obtains a long-term right to render medical services in the hospital after it gets reconstructed by the Group on its own account. The lease term under the Concession Agreement expires in 2062.

The Group is required to render a major portion of medical services under state medical insurance policies at regulated tariffs. At the same time, the Group is able to also render services to retail customers on a non-regulated commercial basis.

The concession asset represents a prepayment made to the Concession Grantor under the Agreement, expenditures related to the concept development and other directly attributable costs, as well as expenditures related to the active construction works and ability to determine the stage of completion of the hospital.

During six month period ended 30 June 2022, no construction work had been carried out on the hospital building No.63.

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11. INTANGIBLE ASSET, CONCESSION (CONTINUED)

	30/06/2022 EUR '000	30/06/2021 EUR '000
Cost		
Balance as at 1 January	69 363	62 162
Additions	119	174
Capitalized borrowing cost	-	287
Effect of translation to presentation currency	38 969	4 442
Balance as at 30 June	108 451	67 065
Accumulated depreciation		
Balance as at 1 January	2 082	519
Amortization charged	814	689
Effect of translation to presentation currency	1 587	53
Balance as at 30 June	4 483	1 261
Carrying amount		
As at 30 June	103 968	65 804

In May 2020 the city clinical hospital No 63 was partly put into operation. During six month 2022 amortization expense charged for the period in the amount of EUR 814 thousand was recognised in the cost of sales.

12. GOODWILL

	EUR '000
Balance as at 1 January 2022	22 386
Effect of translation to presentation currency	1 164
Balance as at 30 June 2021	23 550
Balance as at 1 January 2022	24 147
Acquisition of Astra-77 (Note 5)	49 242
Effect of translation to presentation currency	34 400
Balance as at 30 June 2022	107 789

Allocation of goodwill to cash-generating unit

Goodwill has been allocated for impairment testing purposes to the healthcare services cash-generating unit.

12. GOODWILL (CONTINUED)

Annual test for impairment

During the financial year, the Group assessed the recoverable amount of goodwill and did not identify any impairment of goodwill carried from the previous year and recognized at the time of acquisition of the Astra-77.

The recoverable amount of the cash-generating unit is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by the Group's senior management covering a five-year period and the terminal value of cash flows after the fifth year. A discount rate of 15.2% was applied in the value in use model, both as at 30 June 2022

In determining these key assumptions management used Group budgets, analysed past performance of the Group and industry specific forecasts.

Management believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amounts to exceed the aggregate recoverable amount of those units.

The key assumptions used in the value in use calculation for the healthcare service and trading medical equipment and reagents for laboratory research cash-generating units are as follows:

- While the Group operates in a Russian economic environment, most of the revenues and certain expenses are linked to EUR rates. The euro exchange rate in the model varies from: RUB 74.88 to RUB 91.5 per EUR 1.
- Revenue rates for five years deviates from 17.16% in to 9.78%. Forecast sales growth rates are based on past experience adjusted for sales/market trends and the strategic decisions made in respect of the cash-generating unit.
- The growth of expenses which depends on revenue varies in proportion to the increase in revenue. Actual percentages of six month 2022 were used as the basis for such expenses.
- The discount rate used is pre-tax and reflects specific risks relating to the CGU and industry sector it operates.
- The management believes that any reasonably possible change in the other key assumptions on which recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

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13. TRADE AND OTHER RECEIVABLES

	30/06/2022 EUR '000	31/12/2021 EUR '000
Financial assets		
Trade receivables	36 846	29 296
Other receivables	1 892	4 974
Less: allowance for expected credit losses	(3 289)	(2 032)
Total financial assets	35 449	32 238
Non-financial assets		
VAT receivable	189	58
Prepaid expenses	266	68
Settlements with employees	52	27
Other taxes receivable	341	358
Total non-financial assets	848	511
Total trade and other receivables	36 297	32 749

Movements in the allowance for expected credit losses trade and other receivables were as follows:

	30/06/2022 EUR '000	31/12/2021 EUR '000
Balance as at the beginning of the period	2 032	496
Movement in allowance for the period	(65)	3 090
Effect of translation to presentation currency	1 322	(1 554)
Balance as at the end of the period	3 289	2 032

For trade receivables the Group applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The expected credit losses were determined by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group performed the calculation of ECL rates separately for Mandatory Health Insurance ("MHI") insurance companies and all other customers (including individual patients, corporate entities and Voluntary Health Insurance ("VHI") insurance companies).

The table below details the risk profile of trade and other receivables based on the Group's provision matrix. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments (namely, MHI services and other), the provision for loss allowance based on past due status was distinguished between the Group's different customer bases.

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13. TRADE AND OTHER RECEIVABLES (CONTINUED)

30/06/2022 EUR '000	0-90	91-180	181-365	>365	Total
Group 1 (all customers, except MHI insurance companies)					
<i>Expected credit loss rate</i>	0.3%	3.9%	16.4%	100%	
Estimated total gross carrying amount at default	14 594	938	639	2 837	19 008
Lifetime ECL	(45)	(36)	(105)	(2 837)	(3 024)
30/06/2022 EUR '000	0-90	91-180	181-365	>365	Total
Group 2 (MHI insurance companies)					
<i>Expected credit loss rate</i>	0.3%	0.3%	0.3%	10.3%	
Estimated total gross carrying amount at default	6 067	5 951	6 529	2 031	20 578
Lifetime ECL	(18)	(18)	(20)	(209)	(265)

14. CASH AND CASH EQUIVALENTS

As at 30 June 2022 cash balance in the amount of EUR 55.7 thousand was restricted under the concession agreement (31 December 2021: EUR 35.68 thousand).

Current accounts include:

	30/06/2022 EUR '000	31/12/2021 EUR '000
RUB denominated current accounts	4 314	11 759
USD denominated deposits in banks	21 609	7 070
USD denominated current accounts	2 768	5 133
RUB denominated deposits in banks	15 723	3 865
USD denominated foreign accounts	1 802	2 280
EUR denominated foreign accounts	5 918	1 688
Cash in transit – RUB denominated	458	551
EUR denominated current accounts	234	163
Cash on hand	121	53
Total	52 947	32 562

15. LOANS AND BORROWINGS

Secured borrowings carried at amortized cost	Interest rate %	Maturity Date	30/06/2022 EUR '000	31/12/2021 EUR '000
Current portion				
Raiffeisen Bank	8,85%	14 March 2022	-	32
Sberbank	CBR key rate + 2,45%	12 May 2029	11 920	-
Sberbank	CBR key rate + 2%	25 September 2023	10 818	9 199
Sberbank	EUROIBOR 3m +2,2%	21 October 2024	16 800	15 200
VTB	CBR key rate + 1,63%	4 September 2028	8 923	5 353
VTB	CBR key rate + 1,58%	4 December 2028	3 098	1 981
Short-term interest payable under loans received			125	675
			51 684	32 440

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15. LOANS AND BORROWINGS (CONTINUED)

Secured borrowings carried at amortized cost	Interest rate %	Maturity Date	30/06/2022 EUR '000	31/12/2021 EUR '000
Non-current portion				
Sberbank	CBR key rate + 2,45%	12 May 2029	6 647	
Sberbank	CBR key rate + 2%	25 September 2023	7 407	7 051
Sberbank	CBR key rate + 2,33%	23 August 2023	32 868	
Sberbank	EUROIBOR 3m +2,2%	21 October 2024	44 267	52 667
VTB	CBR key rate + 1,63%	04 September 2028	69 065	48 174
VTB	CBR key rate + 1,58%	04 December 2028	41 775	27 756
			202 029	135 648
Total			253 713	168 088

- (1) In 2019 the Group entered into a long-term facility agreement provided by Sberbank in the amount of EUR 80 000 thousand. The purpose of the loan is financing current activities of the Company including share premium reduction in 2019. The loan was drawn down in full at a floating interest rate which was 2.014% for the year ended 30 June 2022 (year ended 31 December 2021: 1.9%).
- (2) In 2021 the long-term facility provided by Sberbank with a maturity in August and September 2023 the Group managed, in January 2021, to renegotiate the interest rate from fixed of 9.2% to a floating one of CBR key rate + maximum 2.5% (the percentage differs from one tranche to another). The effective interest rate for this Sberbank loan was CBR key rate +2.0%-2.33% for the period ended 30 June 2022.
- (3) In 2021 the long-term facility provided by VTB bank with a maturity in December 2028 the Group managed, in 2021, to renegotiate the floating interest rate of CBR key rate + maximum 1.63% (the percentage differs from one tranche to another). The effective interest rate for this VBT loan was CBR key rate + 1.58%-1.63% for the period ended 30 June 2022.

As at 30 June 2022 and 31 December 2021, the Group's bank loans were subject to restrictive covenants. As at 30 June 2022 and 31 December 2021 Group was in compliance with all of its covenants.

16. TRADE AND OTHER PAYABLES

	30/06/2022 EUR '000	31/12/2021 EUR '000
Financial liabilities		
Trade payables	16 696	8 058
Payables for property, plant and equipment	6 061	7 509
Accrued audit expenses	138	207
Other accrued expenses	1 668	
Other payables	9 749	4 304
Total financial liabilities	34 312	20 078
Non-financial liabilities		
Accrued unused vacation expenses	10 028	5 466
Salaries payable	7 853	3 680
Accrual for performance-related bonuses	2 801	2 165
Other taxes payable	2 297	2 093
Total non-financial liabilities	22 979	13 404
Total trade and other payables	57 291	33 482

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16. TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2022 short-term payables for property, plant and equipment in the amount of 5 813 thousand (31 December 2021: EUR 5 156 thousand) as well as other long-term payables in the amount of EUR 3 868 thousand (31 December 2021: 8 130 thousand) were represented by payables to one of the major supplier of high-tech medical equipment, the world leading manufacturer Varian Medical Systems, Switzerland and Siemens, Germany.

17. RELATED PARTY TRANSACTIONS

As at 30 June 2022 and 31 December 2021 the ultimate controlling party of the Group was Mr. Igor N. Shilov.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

For the six months ended 30 June 2022 and 2021 there were no transactions between the Company and related parties in the ordinary course of business except the transactions with entities under common control presented in the table below.

	Transactions 6 months ended 30/06/2022 EUR '000	Balance Assets/(liabilities) 30/06/2022 EUR '000	Transactions 6 months ended 30/06/2021 EUR '000	Balance Assets/(liabilities) 31/12/2021 EUR '000
Management and accounting services	1407	310	1 205	301
Lease liabilities	-	-	-	17 502
Repayments of lease liabilities	-	-	788	-
Borrowings provided	(8)	(302)	-	(143)
Total	1 399	(8)	1 993	17 660

17.1. Compensation paid to key management personnel

For the six months ended 30 June 2022 and 2021, the remuneration paid to directors and other key executives amounted to EUR 792 thousand and EUR 272 thousand, respectively, and consisted of short-term employee benefits.

18. Commitments, contingencies and operating risks

18.1. Capital commitments

As at 30 June 2022, the Group entered into capital construction contracts, contracts for purchase of plant and equipment from unrelated parties for a total of EUR 862 thousand (EUR 378 thousand as at 31 December 2021) in relation to fulfilment of Concession Agreement and modernization of property, plant and equipment in the medical centre located at Schepkina 35.

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18. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

18.2. Insurance

The Group's level of insurance is in line with the scope and nature of its operations. Management regularly estimates the need to insure the risks of the Group.

At present, the Group insures specialized medical and handling equipment.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Fair value of financial assets		Carrying value of financial assets	
	30/06/2022 EUR '000	31/12/2021 EUR '000	30/06/2022 EUR '000	31/12/2021 EUR '000
Financial assets at amortised cost				
Cash and cash equivalents	52 947	32 562	52 947	32 562
Trade and other receivables	35 449	32 238	35 449	32 238
Financial investments	299	184	299	184
Financial assets at FVTPL				
Derivative Instruments FVTPL	2	2 968	2	2 968
Total financial assets	88 697	67 952	88 697	67 952

	Fair value of financial liabilities		Carrying value of financial liabilities	
	30/06/2022 EUR '000	31/12/2021 EUR '000	30/06/2022 EUR '000	31/12/2021 EUR '000
Financial liabilities at amortised cost				
Loans and borrowings	252 758	162 479	253 713	168 088
Lease liabilities	53 731	31 925	53 678	36 480
Trade and other payables	39 790	26 198	39 790	26 198
Financial liabilities at FVTPL				
Derivative Instruments FVTPL	36 979	151	36 979	1 238
Total financial liabilities	383 258	220 753	384 160	232 004

20. SUBSEQUENT EVENTS

In July 2022, the Group signed two credit line agreements with Sberbank PJSC with a total credit limit of RUB 4.853 billion, which is equivalent to EUR 90.107 thousand.

21. APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated interim condensed financial statements were approved by the Board of Directors and authorized for issue on 12 September 2022.