UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

Consolidated Financial Statements
for the year ended 31 December 2022 and
Independent Auditor's Report

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Igor Shilov Kwadwo Bediako Aidoo Nicos Nikolaidis Kyriacos Hadjikyriakou (resigned on 19 January 2022) Jyrki Petteri Talvitie (resigned on 31 March 2022) Thomas Maria Veraszto (resigned on 31 March 2022)
Secretary	Antigoni Karamani
Statutory Auditors	FinExpertiza Cyprus Certified Public Accountants and Registered Auditors 1 Chatzidaki Street Ledras Court, Office 501 10766 Nicosia Cyprus
Registered Office	124 Gladstonos street The HAWK BUILDING 4th floor CY-3032 Limassol, Republic of Cyprus
Bankers	Raiffeisen Bank International AG Sberbank VTB BKS
Registration number:	HE239393

CONSOLIDATED MANAGEMENT REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors presents its consolidated management report together with the audited consolidated financial statements of United Medical Group CY Plc ("UMG", or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.

Incorporation

The Company was incorporated in Cyprus on 7 October 2008 as a private company with limited liability by shares under the Cyprus Companies Law, Cap. 113.

Change of legal organizational form and name of the Company

On 27 May 2021 the Company changed its name from United Medical Group CY Limited to United Medical Group CY PLC due to the change in its legal organizational form.

Principal activities

The principal activity of the Company continues to comprise the holding of investments and financing activities.

The principal activity of the Group continues to comprise the provision of medical services and social services to legal entities and individuals. In addition, during 2022 the Group is engaged in trade medical equipment and reagents for laboratory research in Moscow and Moscow region, Russian Federation.

Review of the development and current position of the Group and description of the major risks and uncertainties

In 2022 the Group continued to show strong growth of operations, the revenue of the Group increased by 12.42% or EUR 36 113 thousand compared to 2021. While, operating profit decreased by 3.79% or EUR 3 455 thousand and net profit decreased by 33.78% or by EUR 22 974 thousand. The Company`s overall strategy remains unchanged from last year, which included introduction of new services lines, tight control over the costs combined with effective KPIs and continuous improvement of loan payable portfolio in terms of interest rates and repayment terms. The net cash generated from operating activities was EUR 97 602 thousand in 2022 (2021: EUR 112 044 thousand).

The Group operates in a highly regulated industry and is a 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 main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in Notes 2 "Going concern", 4 "Critical Accounting Judgements and key sources of estimation uncertainty", 30 "Financial risk management" and 31 "Subsequent events" to the consolidated financial statements.

Results

The Group's results for the year are set out on page 13.

Significant events after the end of the financial year

Any significant events that occurred after the end of the year are described in the Note 31 to the consolidated financial statements.

Expected future developments of the Group

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

Existence of Group branches

The Group does not maintain any branches.

Dividends

Pursuant to its Articles of Association, the Company may pay dividends out of its profits. To the extent the Company declares and pays dividends, the Company's shareholders on the relevant record date will be entitled to receive such dividends, while owners of global depositary receipts ("GDRs"), with each GDR representing one ordinary share, on the relevant record date will be entitled to receive the dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement.

According to the Dividend policy it is recommended to shareholders a dividend up to 100% (one hundred) percent of the imputed consolidated net profit (if any) of the Group based on the Group consolidated financial statements for the past financial year prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Company is a holding company and its ability to pay dividends depends on the ability of its subsidiaries to pay dividends to the Company in accordance with relevant legislation and contractual restrictions. The payment of such dividends by the subsidiaries is contingent, among other things, upon the sufficiency of their earnings, cash flows and distributable reserves and, in the case of Russian subsidiaries, is restricted to the total accumulated retained earnings of the relevant subsidiary, determined in accordance with Russian law.

The Board of Directors does not recommend the payment of a dividend.

Share capital

The Company's share capital is US$36 thousand (€31 thousand) divided into 90.000 thousand ordinary shares with a nominal value of US$0.0004 each. In July 2021 the Company became public with its global depositary receipts ("GDRs") (each GDR representing one ordinary share), being traded on the Moscow Exchange ("MOEX"). No new shares were issued as a part of the initial public offering ("IPO") process. There were no changes in the share capital of the Company during the year.

Research and development activities

The Group did not carry out any research and development activities during the year.

Directors' interests

The interests in the share capital of the Company, both direct and indirect, of those who were Directors at 31 December 2022 and 31 December 2021 was Mr. Igor Shilov who holds 55.11%.

The Board of Directors Committees

The Group has established two committees: the audit committee and the nomination and remuneration committee. A brief description of the terms of reference of the committees is set out below.

Audit Committee. Due to the grace period in relation to the requirements to the Board of Directors, as well as the composition of the committees established by the Moscow Exchange currently the audit committee is represented by Mr. Kwadwo Bediako Aidoo, an independent director. A member of the Committee is entitled to be a member of other committees of the Board of Directors. The main tasks of the audit committee, amongst other matters, are to assure: (i) that financial statements of the Company and of the Group are complete, accurate and authentic; (ii) that the risk management and internal control systems are reliable and efficient; (iii) that the internal and external audit functions are independent and objective; (iv) that the system of notification about potential cases of unethical practices by the Group employees and third persons, as well as other violations of the Group activity, is efficient.

Nomination and Remuneration Committee: Due to the grace period in relation to the requirements to the Board of Directors, as well as the composition of the committees established by the Moscow Exchange currently the remuneration committee is represented by Mr. Kwadwo Bediako Aidoo, an independent director. The remuneration committee is responsible for determining and reviewing, amongst other matters, the Group's remuneration policies and remuneration amounts.

Members of the Board of Directors

The members of the Board of Directors as at 31 December 2022 and at the date of this Report are presented on page 1. Due to the current geopolitical situation, in order to be as flexible as possible in responding to rapidly changing foreign policy, macroeconomic and financial conditions, as well as continuing to act solely in the interests of the shareholders, the Board of Directors approved the decision within the framework of the Current Legislation in Cyprus, the Charter of the Company and the grace period in relation to the requirements to the Board of Directors, as well as the composition of the committees established by the Moscow Exchange, to reduce the total number of Board members to three directors. The current members of the Board of Directors are Mr. Igor Shilov, Mr. Kwadwo Bediako Aidoo and Mr. Nicos Nikolaides.

The role of the Board of Directors

The Group is managed by the Board of Directors which is collectively responsible to the shareholders for the success of the Group. The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the most important areas of business and conducts regular reviews of the Group's operational and financial performance. One of the Board's key responsibilities is to ensure that there is in place a system of prudent and effective risk controls that enable risks to be identified, assessed and managed appropriately.

The role of the Board of Directors (continued)

In accordance with the Articles of Association all directors are presently members of the Board and continue in office.

There were no significant changes in the assignment of the responsibilities and the remuneration of the Board of Directors.

Operating Environment of the Group and going concern considerations

Significant events that relate to the operating environment of the Group and going concern considerations are described in notes 2 and 29.5 to the consolidated financial statements.

By order of the Board of Directors,

Igor Shilov
Director

Nicos Nikolaidis
Director

UNITED MEDICAL GROUP CY PLC
No. HE 239393
Republic of Cyprus

Nicosia, 25 April 2023

Statement of the members of the Board of Directors responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2022

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113 .

In preparing the financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

The Board of Directors is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with the Cypriot legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Group for the year ended 31 December 2022 were approved by the Board of Directors on 25 April 2023:

On the basis of our knowledge, we declare that the management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which it faces.

On behalf of the Board of Directors:

Igor Shilov

Nicos Nikolaidis

UNITED MEDICAL GROUP CY PLC
No. HE 239393
Republic of Cyprus

25 April 2023

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Independent Auditor's Report

To the Members of United Medical Group Cy Plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of United Medical Group Cy Plc (the "Company") and its subsidiaries (the "Group"), which are presented in pages 13 to 68 and comprise the consolidated statement of financial position as at 31 December 2022, 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, 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.

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Independent Auditor's Report (continued)

To the Members of United Medical Group Cy Plc

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Recognition of revenue from mandatory health insurance ("MHI") stream

The key audit matter

The Group has a number of revenue streams in terms of the types of its customers: revenue received from individuals, corporate entities, insurance companies working under mandatory health insurance system, as well as voluntary health insurance ("VHI") system.

The recognition of revenue from MHI stream by nature is done without a preliminary consent of an insurance company. Besides, the MHI insurance companies as well as MHI fund have the right to challenge and dispute some of the services rendered by the Group based on the results of the regular reviews.

During 2022 the Group recognised revenue from MHI stream in the amount of EUR 63 025 thousand, being 19% of the total Group's revenue for the year.

Recognition of revenue from MHI stream is considered a key audit matter for our audit of the Group's consolidated financial statements because of the significance of judgments and estimates applied by management in assessing whether the medical services rendered can be subsequently disputed by the insurance companies and the state medical fund.

How the matter was addressed in our audit

- we assessed the design and implementation of key controls around the processes of accounting for revenue from MHI services;
- we assessed whether the accounting policies, methods of accounting and amounts recognised in the consolidated financial statements were in line with IFRS 15;
- we obtained a sample of accounting records and traced them MHI certificates and referrals for medical treatment;
- we performed look-back analysis and reviewed the decisions of the insurance companies and the state medical fund on all the services disputed as a result of the reviews performed;
- we have taken into account settlements made after the reporting date; and
- we tested the appropriateness and completeness of the related disclosures provided in the consolidated financial statements.

The above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of United Medical Group Cy Plc

Impact of the operating environment of the Group.

The key audit matter	How the matter was addressed in our audit
As disclosed in Notes 2 of the consolidated financial statements, the developments in Ukraine led to additional sanctions being imposed on certain Russian institutions, companies and individuals by the United States, the United Kingdom, the European Union and other countries. This has led to significant market volatility, disruption in the supply chains, increase in interest rates and significantly increased the level of economic uncertainty. This could have a possible negative impact on the operations of the Group. The management of the Group has assessed the going concern and other possible impacts on operations. The situation is currently fast moving and management has considered how the events may ultimately impact the Group based on all relevant information currently known. We consider this area to be a key audit matter due to high level of management judgements and uncertainty on the future impact on the operations and the liquidity of the Group.	• •We challenged management's assessment of the potential risks and uncertainties relevant to the Group as a result of the additional sanctions imposed and impact on the operating environment of the Group; • we assessed for reasonableness the assumptions applied by management in its assessment of the Group's ability to continue as a going concern, for a period of 12 months from the date of the authorization of the consolidated financial statements, through evaluating the potential impact on the operations, cash flow forecasts, cash and facilities available to the Group, the repayment terms, covenants and the ability to draw down further on the existing facilities; • we considered management's relevant expertise and challenged whether the Group's mitigating actions are reasonable and within the Group's control; • We tested the appropriateness of the related disclosures provided in the consolidated financial statements.

The above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of United Medical Group Cy Plc

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and Directors' Responsibilities Statement but does not include the consolidated financial statements and our auditor's 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.

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. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

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

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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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.

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Independent Auditor's Report (continued)

To the Members of United Medical Group Cy Plc

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's 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 auditor's 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 and appropriate audit evidence regarding the financial information of the entities or 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control 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, actions taken to eliminate threats or safeguards applied.

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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditor's Report (continued)

To the Members of United Medical Group Cy Plc

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report

Other Matters

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 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 to.

The engagement partner on the audit resulting in this independent auditor's report is Michael J. Hadjihannas.

Comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an qualified opinion for inability to obtain sufficient appropriate audit evidence about the disclosure of related party information on those consolidated financial statements on 16 August 2022.

Michael J. Hadjihannas
Certified Public Accountant and Registered Auditor
for and on behalf of
H&P Accountants
Certified Public Accountants and Registered Auditors

Nicosia, 25 April 2023

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Revenue	7	326 270	290 157
Cost of medical services and products provided	8	(214 988)	(173 014)
Gross profit		**111 282**	**117 143**
Selling expenses	9	(5 485)	(4 049)
General and administrative expenses	10	(18 154)	(21 996)
Operating profit		**87 643**	**91 098**
Finance income	12	2 071	1 062
Finance costs	12	(22 877)	(11 710)
Foreign exchange loss		(2 992)	(1 440)
(Expense)/Income on change in fair value of financial instruments		(18 526)	(4 996)
Other income	11	8 649	1 924
Other expenses	11	(7 341)	(676)
Profit before tax		**46 627**	**75 262**
Income tax (expense)/benefit	13	(1 592)	(7 253)
Profit for the year		**45 035**	**68 009**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Effect of translation to presentation currency		12 948	15 557
Other comprehensive income/(loss) for the year		**12 948**	**15 557**
Total comprehensive income/(loss) for the year		**57 983**	**83 566**
Profit/(loss) for the year attributable to:			
Shareholders		42 934	70 023
Non-controlling interests	23	2 101	(2 014)
		45 035	**68 009**
Total comprehensive income/(loss) for the year attributable to:			
Shareholders		55 882	85 580
Non-controlling interests	23	2 101	(2 014)
		57 983	**83 566**
Earnings per share			
Basic and diluted (EUR per share)	22	0.48	0.78

The notes on pages 11-68 form an integral part of these consolidated financial statements.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31/12/2022 EUR '000	31/12/2021 EUR '000
ASSETS			
Non-current assets			
Property, plant and equipment	14	163 297	151 750
Advances paid for non-current assets		4 554	13 115
Goodwill	16	76 734	24 147
Intangible assets		3 823	2 007
Deferred tax assets	13	161	31
Long-term derivative instruments FVTPL	30	-	2 898
Intangible asset, concession	15	101 120	67 281
Total non-current assets		**349 689**	**261 229**
Current assets			
Inventories	17	9 245	11 939
Trade and other receivables	18	12 117	32 749
Short-term derivative instruments FVTPL	30	5	70
Financial investments		-	184
Income tax receivable		711	77
Advances paid to suppliers	16	6 860	1 576
Cash and cash equivalents	19	57 016	32 562
Total current assets		**85 954**	**79 157**
Total assets		**435 643**	**340 386**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	31	31
Share premium and additional paid-in capital		87 411	87 411
Foreign currency translation reserve		(109 740)	(122 688)
Retained earnings		165 182	122 248
Equity attributable to shareholders of the Company		142 884	87 002
Non-controlling interests	23	(6 282)	(8 383)
Total equity		**136 602**	**78 619**
Non-current liabilities			
Loans and borrowings	24	120 254	135 648
Lease liabilities	25	29 581	29 523
Other long-term payables	27	1 023	6 120
Deferred revenue		2 047	3 140
Long-term derivative instruments FVTPL	30	5 036	-
Deferred tax liabilities	13	1 381	1 910
Total non-current liabilities		**159 322**	**176 341**
Current liabilities			
Loans and borrowings	24	64 327	32 440
Trade and other payables	27	45 726	33 482
Contract liabilities		14 547	10 067
Provisions		164	147
Short-term derivative instruments FVTPL	30	4 977	1 238
Lease liabilities	25	8 546	6 957
Deferred revenue		1 432	1 084
Income tax payable		-	11
Total current liabilities		**139 719**	**85 426**
Total liabilities		**299 041**	**261 767**
Total equity and liabilities		**435 643**	**340 386**

On 25 April 2023 the Board of Director of United Medical Group CY Plc authorized these financial statements for issue.

Igor Shilov
Director

Nicos Nikolaidis
Director

UNITED MEDICAL GROUP CY PLC
No. HE 239393
Republic of Cyprus

The notes on pages 11-68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 year	-	-	-	70 023	70 023	(2 014)	68 009
Other comprehensive income for the year	-	-	15 557	-	15 557	-	15 557
Total comprehensive profit/(loss) for the year	-	-	15 557	70 023	85 580	(2 014)	83 566
Transactions with owners							
Dividends declared	-	-	-	(114 417)	(114 417)	-	(114 417)
Balance as at 31 December 2021	31	87 411	(122 688)	122 248	87 002	(8 383)	78 619
Balance as at 1 January 2022	31	87 411	(122 688)	122 248	87 002	(8 383)	78 619
Profit/(loss) for the year	-	-	-	42 934	42 934	2 101	45 035
Other comprehensive income for the year	-	-	12 948	-	12 948	-	12 948
Total comprehensive profit/(loss) for the year	-	-	12 948	42 934	55 882	2 101	57 983
Balance as at 31 December 2022	31	87 411	(109 740)	165 182	142 884	(6 282)	136 602

The notes on pages 11-68 form an integral part of these consolidated financial statements.

UNITED MEDICAL GROUP CY PLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Operating activities		
Profit for the year	**45 035**	**68 009**
Adjustments for:		
Depreciation and amortization	22 506	18 310
(Gain) / Loss on disposal of property and equipment	5 973	35
LTI	2 569	-
Write-off advances paid for non-current assets	445	-
Income tax expense / (benefit)	1 592	7 253
Finance income	(2 071)	(1 062)
Finance expense	22 877	11 710
Net expense / (income) on fair value of financial instruments	18 526	4 996
Foreign exchange loss	2 992	1 440
Deferred revenue	(1 039)	-
Income from changes in terms of lease	(6 168)	-
Write-off of inventory	38	65
Non-recoverable VAT write-off	516	129
Movement in allowance for expected credit losses	1 084	3 090
Write-off of payables (expired limitation period)	(103)	(245)
	114 772	**113 730**
Change in working capital		
Decrease / (Increase) in inventories	5 588	(2 630)
Decrease in trade and other receivables	28 630	2 888
(Increase) / Decrease in advances to suppliers	(4 552)	254
Increase in advances received from customers	2 575	2 276
(Decrease) / Increase in trade and other payables	(27 688)	9 433
	119 325	**125 951**
Income tax paid	(2 928)	(6 743)
Interest paid	(20 866)	(7 681)
Interest received	2 071	517
Net cash generated from operating activities	**97 602**	**112 044**
Investing activities		
Proceeds from sale of property, plant and equipment	556	4
Purchases of non-current assets	(17 758)	(16 181)
Acquisition of subsidiaries, net of cash acquired	(44 309)	-
Other investment activities	(5 639)	(115)
Net cash used in investing activities	**(67 150)**	**(16 292)**
Financing activities		
Repayments of lease liabilities	(5 150)	(3 156)
Receipt of loans and borrowings	49 396	86 262
Repayments of loans and borrowings	(43 789)	(55 733)
Dividends	-	(114 417)
Net cash used in financing activities	**457**	**(87 044)**
Net movement in cash and cash equivalents	**30 909**	**8 708**
Cash and cash equivalents, beginning of the year	**32 562**	**20 353**
Effect of foreign exchange rate changes including effect of revaluation of cash and cash equivalents	(6 455)	3 501
Cash and cash equivalents, end of the year	**57 016**	**32 562**

The notes on pages 11-68 form an integral part of these consolidated financial statements.

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: 1, 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 Company provides medical, social services to legal entities and individuals and is engaged in trade medical equipment and reagents for laboratory research in Moscow and Moscow region, Russian Federation.

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

List of the main companies of the Group is provided below:

	Principal activity	Entity's shareholders	Country of incorporation	Date of incorporation / acquisition	Share of ownership as at 31 December 2022, %	Share of ownership as at 31 December 2021, %
JSC EMC	Medical services	EMC-HoldCo	Russia	4 May 2009	100	100
LLC EMC-HoldCo (EMC-HoldCo)	Subholding company	UMG	Russia	18 March 2019	100	99
		Haleria			-	1
Haleria Investments Limited (Haleria)	Management services	UMG	Cyprus	4 September 2007	99.95	99.95
		Bertouana			0.05	0.05
European Clinic of sport traumatology and orthopedy, LLC (ECSTO)		EMC-HoldCo	Russia	6 August 2019	10	10
	Medical services	EMC	Russia	6 August 2019	90	90
LLC Amalko (*)	Intragroup services	EMC	Russia	10 December 2021	-	99
		EMC-HoldCo	Russia	10 December 2021	-	1
LLC Aesthetic Clinic EMC	Medical services	EMC-HoldCo	Russia	6 August 2019	100	100
Bertouana Limited (Bertouana)	Management services	UMG	British Virgin Islands	20 December 2012	100	100
SG-Hold Co Limited (SG-HOLD)	Management services	Bertouana	Cyprus	22 April 2013	50.15	50.15
LLC Senior Group Malakhovka	Social services	SG-HOLD	Russia	1 November 2013	50.15	50.15
LLC Pomoshchnik Social Service	Social services	SG-HOLD	Russia	1 November 2013	50.15	50.15
EMC Medical School	Educational services	ECSTO	Russia	3 July 2014	100	100
LLC MOC	Medical services	EMC-HoldCo	Russia	26 August 2019	100	100
LLC Astra-77 (**)	Laboratory trade and services	EMC-HoldCo	Russia	27 April 2022	72	-

(*) LLC Amalko was merged with EMC during 2022 year.

(**) LLC Astra-77 was acquired during 2022 year (see Note 5)

1. GENERAL INFORMATION (CONTINUED)

As at 31 December 2022 and 2021, immediate shareholders of UMG included the following parties:

	Country of incorporation (citizenship)	Number of shares		Share	
		31/12/2022	31/12/2021	31/12/2022	31/12/2021
INS Holding Limited	British Virgin Islands		49 599 999	-	55.11%
Mr. Igor N. Shilov		49 599 999	-	55.11%	-
BNY (nominees) Limited	United Kingdom	40 000 000	40 000 000	44.44%	44.44%
Other shareholders	Russia, British Virgin islands	400 001	400 001	0.45%	0.45%
		90 000 000	90 000 000	100.00%	100.00%

As seen from the table above, INS Holding Limited is a parent company of the Company as at 31 December 2022.

As at 31 December 2022 and 2021 the ultimate controlling party of the Group was Mr. Igor N. Shilov, held directly 55.11% of the Company's share capital.

As at 31 December 2022 and 2021 44.44% of the Company's share capital is owned by Bank of New York Melon ("BNY"), which holds the shares on behalf of the GDR holders.

The average number of employees for 2022 was 2 047 (2021: 2 004).

2. BASIS OF PREPARATION

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

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 has chosen to present these financial statements in EUR for the convenience of international users. The translation of financial statements to the presentation currency is made using exchange rates quoted by the Central Bank of the Russian Federation as follows:

- Assets and liabilities, both monetary and non-monetary, for each statement of financial position presented (including comparatives) are translated at the closing exchange rate at the date of each statement of financial position presented;
- Income and expense items for each statement of profit and loss and other comprehensive income are translated at the average weighted exchange rate determined on the basis of rates quoted by Central Bank of the Russian Federation that approximates the exchange rates at the dates of transactions;
- All items included in shareholders' equity, other than the net profit for the period, are translated at historical rate;

Functional and presentation currencies (continued)

- Resulting exchange differences in the shareholder equity are recognized as a separate component of equity;
- On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Group are reclassified to profit or loss;
- Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Any foreign exchange gains and losses are recognized in other comprehensive income.

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

	2022 Average for the year	As at 31 December 2022	2021 Average for the year	As at 31 December 2021
RUB/EUR	71,2381	75,6553	86.9448	84.0695

Going concern

These consolidated 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 profit for the year ended 31 December 2022 of EUR 45 035 thousand (2021: EUR 68 009 thousand). As of 31 December 2022 the Group's statement of financial position shows an excess of current liabilities over current assets in the amount of EUR 53 765 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 136 602 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 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.

2. BASIS OF PREPARATION (CONTINUED)

Going concern (continued)

As a part of the anti-Russian sanctions the Group continues to deal with producers along longer logistic routes, actively considers analogues from others producers, and besides complex foreign medical equipment involved is still under the warranty of the producers, which for now have not left the Russian market and have not disclaimed their obligations to the Group.

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.

At the reporting date the Group has an open credit limits in the total amount of EUR 113 018 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.

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 financial statements of the Group.

2. BASIS OF PREPARATION (CONTINUED)

Standards and Interpretations in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods and which the entity has not early adopted:

Standards and Interpretations	Endorsed/ not yet been endorsed by the EU	Effective for annual periods beginning on or after
Amendments to IAS 1 - *Classification of Liabilities as Current or Non-current*	not endorsed	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - *Disclosure of Accounting Policies*	endorsed	1 January 2023
Amendments to IAS 8 - *Definition of Accounting Estimates*	endorsed	1 January 2023
Amendments to IAS 12 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	endorsed	1 January 2023
IFRS 17 *Insurance Contracts* (Including the June 2020and December 2021 amendments to IFRS17)	endorsed	1 January 2023
Amendments to IAS 16 - *Property, Plant and Equipment— Lease Liability in a Sale and Leaseback*	not endorsed	1 January 2024

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of preparation

The Group's consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The fair value is defined as an amount that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. When measuring an asset or liability at their fair value, the Group considers their characteristics that market participants would take into account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on the basis of the above definition.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs are unobservable inputs for the asset or liability.

3.2. Basis of consolidation

These consolidated financial statements include the financial statements of the Company and entities controlled by the Company (subsidiaries).

An entity is considered to be controlled if the Company:

- Has power over an entity;
- Is exposed, or has rights, to variable returns of the investee; and
- Has the ability to use its power to affect variable returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient for control, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, gains and losses are eliminated in full on consolidation.

Change in the Group's interests in a subsidiary

Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified or transferred to another category of equity as specified/permitted by applicable IFRSs).

3.3. Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Provided that after the measurement period of the acquisition (not to exceed one year) the net assets acquired exceeds the amount of consideration provided, a bargain purchase gain would be recorded within the consolidated statement of profit or loss and other comprehensive income.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable (which is higher of value in use or fair value less costs of disposal) of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

3.4. Revenue recognition

Under core principle of IFRS 15 the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, a 5-step approach to revenue recognition is introduced:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer discounts, rebates and other similar allowances.

Revenue from medical services comprises revenues from Outpatient Care and Inpatient Care, Home Care. Revenue from these medical services is recognized upon delivery of the services.
In respect of most of the revenue types, revenue is recognised at a point in time, as the customer is billed for each discretionary service he/she gets, and such services are instant in nature.

When the patients are admitted to inpatient care the advance payment received by the Group is recognised as a contract liability until the services are fully provided.

Annual health care program revenue is recognised over time. The transaction price allocated to these program is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of a program.

A contract liability is recognised for revenue relating to the loyalty points at the time of the initial revenue transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by the patients.

Revenue from social services comprises revenues from Elderly Care. Revenue is recorded and recognised over time during the period in which the service is provided, based on the amounts due from patients and/or medical funding entities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from pharmacy sales – Revenue from sales to retail customers is recognized at the point of sale in the Group's pharmacy.

Construction revenue – Revenue recognized from construction / modernization works related to Concession agreement. This revenue is recognized over period of time in accordance with percentage of completion method.

3.5. Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rate prevailing on the date when the most recent fair value was determined. Non-monetary items that are recognized at historical cost denominated in a foreign currency are not translated.

Exchange differences are recognized in the consolidated statement of comprehensive income in the period in which they arise.

3.6. Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Construction cost includes professional fees and, for qualifying assets, borrowing costs capitalized 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.

Freehold land is not depreciated.

Equipment and other property are stated at cost less accumulated depreciation and accumulated impairment losses.

Additions to property, plant and equipment are recorded at the acquisition cost. The acquisition cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the statement of profit and loss and other comprehensive income as incurred. The 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 recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is computed using the straight-line method over the assets' estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Useful lives of assets for the purpose of depreciation are as follows:

Buildings	5-50 years
Machinery and equipment	2-10 years
Other assets	2-5 years

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the statement of financial position along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the statement of profit or loss and other comprehensive income.

3.7. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. Recovery of impairment losses is immediately recognized in profit or loss.

3.8. Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined by the weighted average method. Inventories are reported net of provisions for slow moving or obsolete items.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recorded at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.9.1. Financial assets

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial assets.

The classification and subsequent measurement of financial assets depend on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies its financial assets at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Otherwise, they are classified as financial asset measured at fair value.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement of financial assets

Debt financial assets. Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of profit or loss.

Debt financial assets at amortised cost include cash and cash equivalents, trade and other receivables, financial investments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group has no significant debt financial assets at FVTPL.

Impairment of financial assets

The Group has applied the expected credit losses ("ECL") model for the analysis of financial assets measured at amortised cost for the impairment.

The Group recognises a loss allowance ECL on investments in debt instruments that are measured at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group uses simplified approach as permitted by IFRS 9 and always recognises lifetime ECL for trade receivables.

For all other financial assets (other receivables, financial investments and cash and cash equivalents) the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default. For internal credit risk management purposes the Group considers the following events indicating that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate (like for MHI services).

Measurement and recognition of expected credit losses. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for debt instruments at OCI.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit-impaired financial assets. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event;
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.9.2. Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

- It has been acquired principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the Financial income in consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.9.3. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives 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. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.10. Leases

The Group elected to early adopt IFRS 16 "Leases" effective 1 January 2015, while the mandatory effective date of IFRS 16 was 1 January 2019. IFRS 16 specifies how an entity shall recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise the right-of-use assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Group as a lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related ROU) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right of Use assets (further "RoU") are initially recognized at the amount of the lease liability, increased by any previously made lease payments (net of any lease incentives received), any initial direct costs incurred by the Group. ROU subsequently measured at cost less accumulated depreciation and impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ROU are depreciated over the shorter period of lease term and useful life of the ROU. If a lease transfers ownership of the underlying asset or the cost of the ROU reflects that the Group expects to exercise a purchase option, the related ROU is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU are presented within "Property, plant and equipment" line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a ROU is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "General and administrative expenses" in profit or loss (see note 10).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals arising under finance leases are recognized as expenses in the periods in which they are incurred.

Lease payments not giving rise to RoU assets are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under such leases are recognized as an expense in the period in which they are incurred.

Short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), are recognised as a lease expense on a straight-line basis as permitted by IFRS 16. Any gain/ (loss) arising on cancellation or modification of lease contracts is included in Other income/ expense line of consolidated statement of profit or loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the ROU arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component

3.11. Borrowing costs

Borrowing costs incurred on qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized on the assets to which they relate. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.12. Taxation

Income tax expense comprises current tax and deferred tax.

Current tax – The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss and other comprehensive income 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 statement of financial position date.

Deferred tax – Deferred tax is recognized 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 are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax liabilities are recognized for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax for the period – Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination.

3.13. Value added tax on purchases and sales

Value added taxes (VAT) related to sales is payable to tax authorities upon invoicing to customers. Input VAT is reclaimable against sales VAT upon purchase of goods and services. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the statement of financial position date (VAT deferred) is recognized in the statement of financial position on a gross basis and disclosed separately as a current asset and liability. Where provision has been made against debtors deemed to be uncollectible, bad debt expense is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is settled or until the debtor is written off for statutory accounting purposes.

The Group's medical services are exempt from VAT on the basis of article 149 of the Tax Code of the Russian Federation. All other services or sales attract VAT.

3.14. Retirement benefit costs

The Group pays contributions to the Pension Fund, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the statement of profit and loss and other comprehensive income as incurred. Contributions to the Russian Federation state pension fund are recorded in the statement of profit and loss and other comprehensive income on an accrual basis. The Group does not maintain any supplemental post-retirement benefit plans for its employees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Dividends declared

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Critical judgements in applying accounting policies

Concessions

The Group participates in a concession agreement as discussed in Note 14. Under this agreement, the Group obtains a right to render medical services in a state-owned hospital in the process of being reconstructed by the Group. Only a portion of future medical services will be subject to regulated price regime, so judgement was required to determine whether the agreement was within the scope of IFRIC 12 *Service Concession Arrangements*. Management determined the regulated portion to be substantial, thus applying the IFRIC 12 guidance and recording the prepayments under this agreement as intangible assets. The Group recognizes revenue from construction services, using the ("percentage-of-completion method") (namely, the input method which results in revenue being recognised based on costs incurred). The use of this method requires the Group to estimate the proportional revenue and cost. The Group applies input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. If the circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For the year ended 31 December 2022, the Group recognized revenue from the application of the "percentage-of-completion method" of EUR 19 448 thousand (the year ended 31 December 2021: EUR 1 406 thousand, Note 7).

Going concern basis

The assessment of the Group for the appropriateness of the use of the going concern basis is discussed in Note 2.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Differed tax liability on unremitted earnings of subsidiaries

In accordance with the Group's dividend policy the Company is able to control the timing of the reversal of the temporary difference arising on the unremitted earnings of subsidiaries, since the policy is advisory rather than mandatory (there is no obligation to distribute profits and pay dividends). The Company has determined that profits will not be distributed in the foreseeable future, so a respective deferred tax liability has been recognized.

Sale of the overdue accounts receivable

The objective of the Group's business model is to hold financial assets (and accounts receivable, in particular) in order to collect contractual cash flows. The sales of the accounts receivables (Note 18) were made due to an increase in the credit risk, as the amounts sold were overdue. The transaction was not inconsistent with a business model, whose objective is to collect contractual cash flows from financial assets, because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the interest rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The interest rates used in the calculations require the use of estimates. The Group estimates the IBR using observable inputs (such as market interest rates) when available and make certain entity-specific estimates.

4.2. Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Company on which the goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

Key estimates used in the Group's annual impairment testing are presented in Note 16.

Recoverability of accounts receivable from insurance companies working under MHI stream

As seen from the Note 18, EUR 2 021 thousand of accounts receivable from insurance companies working under MHI stream falls under the overdue category of 181-365 days, and the lifetime ECL loss recognised is EUR 6 thousand only, being 0.3% of the balance (default rate of the industry, confirmed by the information in the open independent sources). The reasons for non-accrual of the higher provision were: (1) historically there were no material cases of MHI services not finally being paid, though sometimes with significant delays; (2) payments for almost all MHI services provided are financially guaranteed by the government. So the Group's management believes that the whole balance of accounts receivable from insurance companies working under MHI stream is fully recoverable.

5. BUSINESS COMBINATIONS

Subsidiaries acquired

On May 2022 the Group acquired 72% of LLC Astra-77 (Astra-77) for the consideration of EUR 52.739 thousand from third parties. Astra-77 was acquired as the expansion of the Group's activities in the new segment «Trade medical equipment and reagents for laboratory research». The acquisition of Astra-77 will strengthen the Group position in the dynamically developing laboratory tests market. It is important that the company is engaged not only in the supply of complex medical equipment, but also in its maintenance, which is critical in the current conditions. Astra-77 is also has deep expertise in the field of digitalization, efficiency improvement and laboratory design, has many years of experience working with the largest centralized laboratories in both public and commercial segments, allowing them to increase the efficiency, productivity and quality of their research

The consolidated financial statements for the year ended 31 December 2022 reflect the fair values of the following assets and liabilities, determined on the basis of a third party valuation report, at the acquisition date:

	Astra-77 EUR '000
Non-current assets	
Property, plant and equipment	351
Advances paid for goods	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)
Lease liability	(830)
Total assets and (liabilities)	**3 497**

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	(3 497)
Goodwill arising on acquisition	**49 242**

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	(8 430)
Net outflow of cash and cash equivalents on acquisition	**44 309**

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

In case the acquisition occurred as of the beginning of the reporting period, financial information presented in the consolidated statement of profit or loss and other comprehensive income would not change significantly compared to financial information presented in these consolidated financial statements.

Included in the profit for the year is EUR attributable to the business generated by additional facilities for the existing medical specializations as a result of this synergy the revenue for the year includes EUR 26 506 thousand in respect of Astra-77.

6. 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 the following reporting segments: 1) primary provision of healthcare services; 2) trade medical equipment and reagents for laboratory research.

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.

2022	Healthcare services	Medical equipment and reagents	Elimination of inter-segment	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Revenue	299 797	26 865	(392)	326 270
Profit for the year	37 656	7 767	(388)	45 035
Assets	419 780	15 730	133	435 643
Liabilities	(294 256)	(4 652)	(133)	(299 041)
Depreciation and amortisation (all items)	(22 204)	(302)	-	(22 506)

7. REVENUE

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Revenue from rendering of services – by major types:		
Outpatient care	147 945	154 632
Inpatient care	118 653	121 919
Sales of reagents	26 506	-
Construction revenue	19 448	1 406
Elderly care	10 241	9 112
Rent	2 230	1 842
Home care	556	635
Pharmacy sales	521	433
Other	170	178
Total	**326 270**	**290 157**

Revenue from Elderly 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 (Note 15).

8. COST OF MEDICAL SERVICES AND PRODUCTS PROVIDED

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Wages and salaries	65 005	60 191
Cost of medicines and patient care	55 301	59 751
Depreciation of property, plant and equipment	19 732	16 071
Cost of construction	18 522	1 339
Social insurance contribution and other taxes	14 960	13 114
Cost of goods	13 980	-
Outsourcing	9 444	7 341
Equipment maintenance	3 666	2 958
Maintenance of premises	2 674	2 261
Medical subcontract services	2 629	2 487
Utilities	2 466	1 647
Amortization of intangible assets, concession	1 864	1 473
Security	1 128	834
Household and office items	804	796
IT services	560	517
Expenses on leases not giving rise to right-of-use assets (ROU) assets	473	450
Amortization of intangible assets, other	294	258
Other	1 486	1 526
Total	**214 988**	**173 014**

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 (Note 15). Outsourcing expense line consists of laundry, secretary, interpreter, engineering and other services.

9. SELLING EXPENSES

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Advertising costs	2 204	2 034
Wages and salaries	1 810	1 009
Agency fees	834	634
Social insurance contribution and other taxes	469	251
Amortization of intangible assets	94	53
Depreciation of property, plant and equipment	20	33
Other	54	35
Total	**5 485**	**4 049**

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Outsourcing	6 627	4 359
Wages and salaries	2 291	1 602
Other taxes	2 581	2 703
Bank charges related to day-to-day operations	1 184	1 500
Professional fees, including audit fee	1 097	892
Movement in allowance for expected credit losses	1 084	3 090
Non-recurring expenses	805	4 007
Social insurance contribution and other taxes	390	391
Amortization of intangible assets	284	256
Equipment maintenance	248	105
Depreciation of property, plant and equipment	218	166
Archive storage	144	105
Expenses on leases not giving rise to Right-of-use assets ("ROU") assets	108	47
IT services	88	78
Consulting and information expenses	33	119
Other	972	2 576
Total	**18 154**	**21 996**

Outsourcing expense consists of accounting, finance controlling and management services.

Non-recurring expenses were mainly represented by consulting services for a new management projects.

The remuneration of the auditors for the statutory audit and remuneration for other non-audit services provided to the Group is included into professional fees and amounts to EUR 209 thousand (2021: EUR 255 thousand).

10. GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

IPO-related costs

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
IPO-related costs	-	1 689
Reimbursement of IPO-related costs	-	(1 689)
Total IPO-related costs	-	-

As part of the process of becoming public and having its global depositary receipts traded on the Moscow Exchange in July 2021, the Company and the Group incurred various costs and expenses in connection with the IPO. The Selling Shareholders, as per the underwriting agreement, agreed to retain a predetermined amount from the proceeds of the IPO on a pro rata basis and reimburse the Company and the Group for the costs and expenses incurred in connection with the preparation of the IPO. The compensation was fully settled as per the terms of the agreement and no receivable amount exists as a 31 December 2021.

Initial recognition of these IPO costs and expenses was included in the consolidated statement of profit or loss and other comprehensive income for the year, as per the provisions of IAS 32 "Financial Instruments": Presentation, as no equity transaction took place (there was no change in the share capital of the Company after the IPO listing). In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Company recognized the income from the reimbursement in the consolidated statement of profit or loss and other comprehensive income for the year, thus offsetting it with the IPO- related costs and expenses, as it concluded that this represents the substance of the transaction. The Company considers that the ability of the users to understand the transaction is not at risk as reimbursement is disclosed in this Note together with the IPO-related costs and expenses recognized for the reimbursement.

Above IPO expenses include € 300 098 auditors' remuneration for other assurance and other non-audit services incurred in connection to the IPO

11. OTHER INCOME / (EXPENSE), NET

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Other income		
Finance lease terms modification	6 168	59
Global depositary receipts program reimbursement	1 039	1 017
Income from sale of property, plant and equipment	683	4
Charity	400	388
Write-off of payables (expired limitation period)	103	245
Disposal of subsidiaries	-	170
Other	256	41
Total other income	**8 649**	**1 924**
Other expenses		
Write-off of property, plant and equipment and right-of-use assets	(5 973)	(264)
Non-recoverable VAT write-off	(516)	(129)
Write-off advances paid for non-current assets	(445)	-
Write-off of inventory	(38)	(65)
Other	(369)	(218)
Total other expenses	**(7 341)**	**(676)**
Total other income / (expense), net	**1 308**	**1 248**

Income generated from the Global depositary receipts (GDR) program represents reimbursements done by the Company's depositary (BNY) out of revenue generated from GDR holders. Advance payment of the depositary fee received by the Company (GDR of the Company were issued pursuant to and subject to a Deposit Agreement) represents reimbursement for the total duration of the depositary agreement (5 years). Income representing the 1/5 of the advance payment is recognised in the statement of profit or loss. The advance payment is accounted for as a deferred income in the consolidated statement of financial position and amortised over the 5 years of the depositary agreement due to conditions attached that if not met in a particular year could result to a repayment of the collected amount to the depositary.

12. FINANCE INCOME AND EXPENSE

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Finance income		
Interest income on bank deposits	2 071	1 062
Total finance income	**2 071**	**1 062**
Finance expense		
Interest expense on loans and borrowings	(18 469)	(6 595)
Finance charge on lease liabilities	(4 193)	(3 322)
Less: capitalized costs (Note 14)	378	350
Discount arising on selling of accounts receivable (Note 17)	-	(1 246)
Interest expense on unwinding of long-term payables	(593)	(897)
Total finance expense	**(22 877)**	**(11 710)**
Total finance expense, net	**(20 806)**	**(10 648)**

The weighted average capitalization rate on borrowed funds was 12.48% and 8.48% per annum for the years ended 31 December 2022 and 31 December 2021, respectively.

13. INCOME TAX

Income tax recognized in profit or loss

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Current income tax expense	(2 013)	(6 753)
Deferred income tax (expense) / benefit	421	(500)
Income tax (expense) / benefit	**(1 592)**	**(7 253)**

The corporate income tax rate in the Russian Federation is 20% (general regime) and 0% – applied to medical activities. The corporate income tax rate in Cyprus is 12.5% and in British Virgin Islands – 0%.

Profit before tax for the year is reconciled to income tax benefit as follows:

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Profit before income tax	**46 627**	**75 262**
Income tax expense calculated at statutory Russian rate of 20%	(9 325)	(15 052)
Effect of income subject to income tax at a rate of 0%	11 993	16 374
Dividend withholding tax provision	-	(7 238)
Unrecognized deferred tax assets	(3 896)	(969)
Tax effect of non-deductible expenses	(364)	(368)
Income tax benefit	**(1 592)**	**(7 253)**

Withholding tax is applied to dividends distributed to the Company by its Russian subsidiaries at the rate of 5% on gross dividends declared; such tax is withheld at source by the respective subsidiary and is paid to the Russian tax authorities at the same time when the payment of dividend is effected.

13. INCOME TAX (CONTINUED)

The tax effect on the temporary differences that gave rise to deferred tax assets and liabilities as at 31 December 2022 and as at 31 December 2021 are presented below:

	01/01/2022 EUR '000	Amounts recognised in the profit or loss statement EUR '000	Effect of translation to presentation currency EUR '000	31/12/2022 EUR '000
Assets:				
Tax loss carried forward	7	52	(2)	57
Lease liabilities	3 602	(154)	410	3 858
Allowances	51	129	(10)	170
Total assets before tax set off	**3 660**	**27**	**398**	**4 085**
Deferred tax set off	(3 629)	116	(411)	(3 924)
Total assets after tax set off	**31**	**143**	**(13)**	**161**
Liabilities:				
Property, plant and equipment	(5 032)	394	(583)	(5 221)
Undistributed dividends	(507)	-	423	(84)
Total liabilities before tax set off	**(5 539)**	**394**	**(160)**	**(5 305)**
Total liabilities before tax set off	3 629	(116)	411	3 924
Total liabilities after tax set off	**(1 910)**	**278**	**251**	**(1 381)**
Net deferred tax after tax set off	**(1 879)**	**421**	**238**	**(1 220)**

	01/01/2021 EUR '000	Amounts recognised in the profit or loss statement EUR '000	Effect of translation to presentation currency EUR '000	31/12/2021 EUR '000
Assets:				
Tax loss carried forward	223	(224)	8	7
Lease liabilities	2 264	1 122	216	3 602
Allowances	62	(16)	5	51
Total assets before tax set off	**2 549**	**882**	**229**	**3 660**
Deferred tax set off	(2 086)	(1 334)	(209)	(3 629)
Total assets after tax set off	**463**	**(452)**	**20**	**31**
Liabilities:				
Property, plant and equipment	(3 811)	(891)	(330)	(5 032)
Undistributed dividends	-	(491)	(16)	(507)
Total liabilities before tax set off	**(3 811)**	**(1 382)**	**(346)**	**(5 539)**
Total liabilities before tax set off	2 086	1 334	209	3 629
Total liabilities after tax set off	**(1 725)**	**(48)**	**(137)**	**(1 910)**
Net deferred tax after tax set off	**(1 262)**	**(500)**	**(117)**	**(1 879)**

The Group has assessed deferred tax assets recoverability related to tax loss carried forward, and has decided not to recognize the deferred tax asset related to accumulated tax losses which will not be used in future, in amount of EUR 49 thousand as at 31 December 2022 (31 December 2021: EUR 16 thousand).

13. INCOME TAX (CONTINUED)

Since 2017, the Group can set off maximum 50% of the taxable profit of each subsidiary against accumulated tax losses carried forward and Group's tax loss carry forward period is unlimited (after introduction of amendments to the Tax Code of the Russian Federation, effective from 1 January 2017).

14. 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**
Reclassification	(505)	886	(381)	-	-
Acquisition of subsidiaries	398	293	186	-	877
Additions	4 944	530	-	14 026	19 500
Capitalized borrowing cost	-	-	-	378	378
Transferred from construction in progress	1 375	9 495	856	(11 726)	-
Disposals	(7 576)	(2 836)	(2 927)	(445)	(13 784)
Effect of translation to presentation currency	15 041	9 775	1 376	499	26 691
Balance as at 31 December 2022	**144 540**	**104 954**	**19 423**	**8 393**	**277 310**
Accumulated depreciation					
Balance as at 1 January 2022	**40 841**	**37 347**	**13 710**	**-**	**91 898**
Reclassification	(420)	709	(289)	-	-
Depreciation charged	9 046	8 628	2 296	-	19 970
Eliminated on disposals of assets	(3 565)	(949)	(2 852)	-	(7 366)
Effect of translation to presentation currency	4 595	3 102	1 814	-	9 511
As at 31 December 2022	**50 497**	**48 837**	**14 679**	**-**	**114 013**
Carrying amount					
As at 31 December 2022	**94 043**	**56 117**	**4 744**	**8 393**	**163 297**

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	6 510	1 714	-	6 706	14 930
Capitalized borrowing cost	-	-	-	55	55
Transferred from construction in progress	2 236	7 721	1 223	(11 180)	-
Disposal of subsidiary	-	-	-	(4 703)	(4 703)
Disposals	(4 066)	(464)	(143)	-	(4 673)
Effect of translation to presentation currency	9 348	5 972	1 497	848	17 665
Balance as at 31 December 2021	**130 863**	**86 811**	**20 313**	**5 661**	**243 648**
Accumulated depreciation					
Balance as at 1 January 2021	**34 956**	**28 167**	**10 739**	**-**	**73 862**
Depreciation charged	7 038	7 091	2 141	-	16 270
Eliminated on disposals of assets	(3 970)	(355)	(143)	-	(4 468)
Effect of translation to presentation currency	2 817	2 444	973	-	6 234
As at 31 December 2021	**40 841**	**37 347**	**13 710**	**-**	**91 898**
Carrying amount					
As at 31 December 2021	**90 022**	**49 464**	**6 603**	**5 661**	**151 750**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2022 additions to machinery and equipment mainly related to the purchase of equipment for the clinical hospital No. 63 under the Concession Agreement (see Note 15), that is in the process of reconstruction.

During the period, the Group carried out a review of the recoverable amount of its property, plant and equipment. No impairment losses were recognized.

14.1. Right-Of-Use Assets (ROU)

The amounts disclosed in Note 14 above include RoU assets arising from the Group's lease arrangements, with the following movements in the years ended 31 December 2022 and 2021:

EUR '000	Buildings and land	Medical and other equipment	Construction in progress	Total
Cost				
Balance as at 1 January 2022	**37 917**	**4 673**	**2 047**	**44 637**
Additions	2 529	510	4 865	7 904
Acquisition of subsidiaries	398	121	-	519
Capitalized borrowing cost	-	-	2	2
Transferred from construction in progress	2 574	5 084	(7 658)	-
Disposals	(5 949)	(350)	-	(6 299)
Effect of translation to presentation currency	4 232	205	744	5 181
As at 31 December 2022	**41 701**	**10 243**	**-**	**51 944**
Accumulated depreciation				
Balance as at 1 January 2022	**9 642**	**599**	**-**	**10 241**
Depreciation charged	3 945	774	-	4 719
Eliminated on disposals of assets	(2 775)	(273)	-	(3 048)
Effect of translation to presentation currency	1 004	38	-	1 042
As at 31 December 2022	**11 816**	**1 138**	**-**	**12 954**
Carrying amount				
As at 31 December 2022	**29 885**	**9 105**	**-**	**38 990**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

EUR '000	Buildings and land	Medical and other equipment	Construction in progress	Total
Cost				
Balance as at 1 January 2021	**32 812**	2 690	-	**35 502**
Additions	6 510	1 713	1 924	10 147
Capitalized borrowing cost	-	-	55	55
Disposals	(4 066)	-	-	(4 066)
Effect of translation to presentation currency	2 661	270	68	2 999
As at 31 December 2021	**37 917**	**4 673**	**2 047**	**44 637**
Accumulated depreciation				
Balance as at 1 January 2021	**9 920**	27	-	**9 947**
Depreciation charged	2 948	552	-	3 500
Eliminated on disposals of assets	(3 970)	-	-	(3 970)
Effect of translation to presentation currency	744	20	-	764
As at 31 December 2021	**9 642**	**599**	-	**10 241**
Carrying amount				
As at 31 December 2021	**28 275**	**4 074**	**2 047**	**34 396**

The Group's lease liabilities (see Note 25) are secured by the Group's RoU assets disclosed above.

15. INTANGIBLE ASSET, CONCESSION

In 2013 a Concession Agreement was concluded between the European Medical Center ("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.

Since 2020 the Group as an operator of Concession Agreement recognized revenue and costs related to the construction services in accordance with IFRS 15 (Notes 7, 8). Management accounted construction revenue and cost using the percentage of completion method. In addition to construction revenue, the cost of concession intangible asset was formed by the prepayments under the Agreement and advances paid related to the portion of substantial services.

15. INTANGIBLE ASSET, CONCESSION (CONTINUED)

	31/12/2022 EUR '000	31/12/2021 EUR '000
Cost		
Balance as at 1 January	**69 363**	**62 681**
Additions	29 855	1 398
Capitalized borrowing cost	-	295
Effect of translation to presentation currency	5 971	4 989
Balance as at 31 December	**105 189**	**69 363**
Accumulated depreciation		
Balance as at 1 January 2021	**2 082**	**519**
Amortization charged	1 864	1 473
Effect of translation to presentation currency	123	90
Balance as at 31 December	**4 069**	**2 082**
Carrying amount		
As at 31 December	**101 120**	**67 281**

In May 2020 the city clinical hospital No 63 was partly put into operation. During 2022 the final procedure for preparing the facility for commissioning was carried out, which required additional reconstruction cost in amount of EUR 30 041 thousand, which includes the reclassification of the amount of EUR 11 862 thousand that was initially recognised in the account advances paid for intangible asset, concession as at 31 December 2021.

In 2022 amortization expense charged for the period in the amount of EUR 1 864 thousand was recognised in the cost of sales.

16. GOODWILL

Goodwill as at 31 December 2021 is mainly related to the transaction from 2008, when the Company bought medical business from Pharmacy Chain 36.6. Additionally, in 2017, the Company acquired "Roddom XXI". Goodwill resulted from these two transactions was allocated to the Group's medical activities taken as a whole (healthcare services cash-generating unit).

During the year ended 31 December 2022 the Group acquired 72% of Astra-77 so as to continue the expansion of the Group activities in the new segment «Trade medical equipment and reagents for laboratory research».

16. GOODWILL (CONTINUED)

	EUR '000
Cost	
Balance as at 1 January 2021	**22 386**
Effect of translation to presentation currency	1 761
Balance as at 1 January 2022	**24 147**
Acquisition of subsidiary Astra-77 (Note 5)	49 242
Effect of translation to presentation currency	3 345
Balance as at 31 December 2022	**76 734**

Allocation of goodwill to cash-generating unit

Goodwill has been allocated for impairment testing purposes to the healthcare services cash-generating unit and trade medical equipment and reagents for laboratory research unit.

Annual test for impairment

During the financial year, the Group assessed the recoverable amount of goodwill and did not identify any impairment.

The recoverable amount of the cash-generating unit is determined based on the income approach 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 17.1% (in RUB terms) was applied in the discounted cash flow model.

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 cash-generating unit 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 68.94 to RUB 70 per EUR 1.
- Revenue growth rates for five years deviates from 11.83% in to 9.14%, the long-term growth rate is 2% after five years. 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 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.

16. GOODWILL (continued)

Impairment test for the cash-generating unit showed that the recoverable amount of the cash-generating unit substantially exceeds its carrying amount as at 31 December 2022, therefore no impairment loss was recognized in the consolidated statement of profit or loss and other comprehensive income for 2022.

The key assumptions to which the recoverable amount is the most sensitive are set out below together with sensitivity analysis:

- Should the average sales prices annual increase rate decrease by 7.11 p.p. with all other price-independent variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the operating margin in each year of the forecasted period decrease by 4.95 p.p. with all other variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.
- Should the discount rate increase by 42.14 p.p. with all other variables held constant, the carrying amount of the cash-generating unit would have been approximately equal to the recoverable amount.

17. INVENTORIES

	31/12/2022 EUR '000	31/12/2021 EUR '000
Raw materials and supplies	8 157	11 857
Merchandise	1 088	82
Total	**9 245**	**11 939**

Cost of inventories recognized as an expense during 2022 and 2021 is disclosed in Note 8.
As at 31 December 2022 and 2021 no provision for slow moving or obsolete items was accrued due to the absence of obsolescence indicators.

18. TRADE AND OTHER RECEIVABLES

	31/12/2022 EUR '000	31/12/2021 EUR '000
Financial receivables		
Trade receivables	11 840	29 296
Other receivables	2 776	4 974
Less: allowance for expected credit losses	(3 006)	(2 032)
Total financial receivables	**11 610**	**32 238**
Non-financial receivables		
VAT receivable	99	58
Prepaid expenses	144	68
Settlements with employees	29	27
Other taxes receivable	234	358
Total non-financial receivables	**507**	**511**
Total trade and other receivables	**12 117**	**32 749**

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

No interest is charged on the outstanding balances.

The Group measures the loss allowance for trade receivables and other receivables at an amount equal to lifetime ECL. The Group assesses current conditions, reasonable and supportable forward-looking information that is available for the Group's existing accounts receivable balances. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates in the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. The Group applies collective assessment basis to measure the expected credit losses for trade receivables.

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

	31/12/2022 EUR '000	31/12/2021 EUR '000
Balance as at the beginning of the year	**2 032**	**496**
Movement in allowance for the year	2 581	3 090
Effect of translation to presentation currency	(1 464)	(1 554)
Balance as at the end of the year	**3 149**	**2 032**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables disclosed above. The Group does not hold any collateral as security.

The share of five largest customers of the Group in the balance of accounts receivable as at 31 December 2022 was 77% (2021: 53%), with the share of each one in total sales not exceeding 46%.

Below is a summary of accounts receivable from the Group's major counterparties as at the respective statement of financial position date:

	Location	31/12/2022 EUR '000
MGFOMS	Moscow, Russia	6 717
Sogaz-Med SK	Moscow, Russia	2 367
Sogaz	Moscow, Russia	1 289
Alphastrahovaniye	Moscow, Russia	513
Reso-Med	Moscow, Russia	436
Total		**11 322**

	Location	31/12/2021 EUR '000
MGFOMS	Moscow, Russia	12 857
AP Companies Global Solutions LTD	Nicosia, Cyprus	2 268
Sogaz-med	Moscow, Russia	1 187
Sogaz	Moscow, Russia	1 006
MAKS-M	Moscow, Russia	791
Total		**18 109**

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

31/12/2022 **EUR '000**	**0-90**	**91-180**	**181-365**	**>365**	**Total**
Group 1 (all customers, except MHI insurance companies)					
Expected credit loss rate	*0.43%*	*13.5%*	*14.9%*	*100%*	
Estimated total gross carrying amount at default	4 952	50	169	2 756	**7 927**
Lifetime ECL	(21)	(7)	(25)	(2 756)	**(2 809)**

31/12/2022 **EUR '000**	**0-90**	**91-180**	**181-365**	**>365**	**Total**
Group 2 (MHI insurance companies)					
Expected credit loss rate	*0.3%*	*0.3%*	*0.3%*	*10,3%*	
Estimated total gross carrying amount at default	3 038	383	2 021	1 754	**7 196**
Lifetime ECL	(9)	(1)	(6)	(181)	**(197)**

19. CASH AND CASH EQUIVALENTS

Current and deposit accounts include:

	31/12/2022 **EUR '000**	**31/12/2021** **EUR '000**
USD denominated deposits in banks	21 151	7 070
RUB denominated current accounts	16 911	11 759
RUB denominated deposits in banks	11 971	3 865
EUR denominated foreign accounts	3 103	1 688
USD denominated foreign accounts	2 480	2 280
USD denominated current accounts	789	5 133
EUR denominated current accounts	331	163
Cash in transit – RUB denominated	241	551
Cash on hand	39	53
Total	**57 016**	**32 562**

Interest rate on deposits varied from 0.04% to 20.2% in 2022 and, from 0.01% to 7.78% in 2021.

19. CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2022 cash balance in the amount of EUR 13.67 thousand was restricted under the concession agreement (31 December 2021: EUR 35.68 thousand).

The credit risk on cash and cash equivalents and long-term deposits is limited because these funds are placed only with banks with stable credit ratings assigned by international credit-rating agencies. All balances on bank accounts are neither overdue nor impaired. The table below shows the rating and cash and cash equivalents balances with major banks at the reporting dates:

	Rating agency	Rating	31/12/2022 EUR '000	31/12/2021 EUR '000
Raiffeisenbank	Moody's	A2	28 376	10 140
VTB	Moody's	No rating	10 886	10 920
Sberbank	Moody's	No rating	3 328	11 151
OTP Bank	Moody's	No rating	73	226
MKB	Moody's	No rating	13 896	72
Bank of Russia Main Branch for the Central Federal District			36	-
Hellenic Bank		Ba2	69	-
FBME Bank Ltd			71	-
Cash in transit	N/a	N/a	242	-
Cash on hand	N/a	N/a	39	53
			57 016	**32 562**

20. SHARE CAPITAL

Authorised capital

UMG was incorporated on 7 October 2008.

As of 31 December 2022 and 2021 the Company's authorized share capital was 90 000 000 ordinary shares with a face value of 0.0004 USD each, all issued shares were fully paid for. The authorised and paid share capital amounted to USD 36 thousand (EUR 31 thousand).

All ordinary shares have equal voting rights. According to the Cyprus legislation, the Group's shareholders have the right to vote at the shareholders' meetings and the right to receive dividends.

In July 2021 the Company became public with its global depositary receipts ("GDRs") (each GDR representing one ordinary share), as at 31 December 2022 representing 44.44% of the share capital, being traded on the Moscow Exchange ("MOEX").

21. DIVIDENDS

There were no dividends declared during 2022.

On 27 August 2021 the Company's Board of Directors recommended that final dividends for the year ended 31 December 2020 would be distributed in the amount of EUR 75 996 thousand at a rate of EUR 0.8444 per share.

On 20 September 2021 shareholders in General Shareholders Meeting declared the payment of a final dividend for the year ended 31 December 2020 in the amount of 0.8444 EUR per one share, for the total amount of EUR 75 996 thousand, in USD equivalent.

On 29 November 2021 the Company's Board of Directors recommended that interim dividends for the six months of the year ended 31 December 2021 would be distributed in the amount of EUR 42 040 thousand at a rate of EUR 0.47 per share.

22. EARNINGS PER SHARE

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
Profit for the year attributable to owners of the Company	42 934	70 023
Weighted average number of ordinary shares for the purposes of basic earnings per share	90 000 000	90 000 000
Total basic and diluted earnings per share, EUR	**0.48**	**0.78**

23. NON-CONTROLLING INTERESTS

This summarized financial information includes information of SG-HOLD CO LIMITED (SG-HOLD) together with its wholly-owned subsidiaries LLC Senior Group Malakhovka, LLC Senior Group, LLC Senior Group PM, LLC Senior Group GCHP, LLC Senior Group Project, LLC Pomoshchnik Social Service and LLC Senior Group Academy and Astra-77.

	31/12/2022 EUR '000	31/12/2021 EUR '000
SG-Hold		
NCI percentage	**49.9%**	**49.9%**
Non-current assets	12 137	11 877
Current assets	1 214	1 260
Non-current liabilities	(25 467)	(22 119)
Current liabilities	(8 167)	(6 580)
Net liabilities	(20 283)	(15 562)
Effect of translation to presentation currency	362	(618)
Carrying amount of NCI 49.9%	**(9 759)**	**(8 383)**
Astra-77		
NCI percentage	**28%**	-
Non-current assets	640	-
Current assets	15 090	-
Non-current liabilities	(76)	-
Current liabilities	(4 576)	-
Net assets	11 078	-
Effect of translation to presentation currency	375	-
Carrying amount of NCI 28%	**3 477**	-
Total carrying amount of NCI	**(6 282)**	**(8 383)**

23. NON-CONTROLLING INTERESTS (continued)

	Year ended 31/12/2022 EUR '000	Year ended 31/12/2021 EUR '000
SG-Hold		
NCI percentage	**49.9%**	**49.9%**
Revenue	10 271	9 223
Loss for the year	(3 465)	(4 059)
Effect of translation to presentation currency	353	11
Total comprehensive loss	(3 112)	(4 048)
Loss allocated to NCI 49.9%	**(1 376)**	**(2 014)**
Cash flows from operating activities	(488)	(1 841)
Cash flows from investment activities	(300)	60
Cash flows from financing activities (dividends to NCI: nil)	874	1 374
Net increase/(decrease) in cash and cash equivalents to NCI 49.9%	**86**	**(407)**
Astra-77		
NCI percentage	**28%**	-
Revenue	26 865	-
Profit for the year	7 767	-
Effect of translation to presentation currency	1 302	-
Total comprehensive profit	9 069	-
Profit allocated to NCI 28%	**3 477**	-
Cash flows from operating activities	3 503	-
Cash flows from investment activities	(19)	-
Cash flows from financing activities (dividends to NCI: nil)	(227)	-
Net increase in cash and cash equivalents to NCI 28%	**3 257**	-
Total profit/(loss) allocated to NCI	**2 101**	**(2 014)**
Total net increase/(decrease) in cash and cash equivalents to NCI	**3 343**	**(407)**

24. LOANS AND BORROWINGS

Secured borrowings carried at amortized cost	Interest rate %	Maturity Date	31/12/2022 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	735	-
Sberbank	CBR key rate + 1,4%	20 July 2025	2 326	-
Sberbank	CBR key rate + 2,33%	23 August 2023	23 398	-
Sberbank	CBR key rate + 2%	25 September 2023	7 835	9 199
Sberbank	EUROIBOR 3m +2,2%	21 October 2024	19 200	15 200
VTB	CBR key rate + 1,58%	04 December 2028	3 529	1 981
VTB	CBR key rate + 1,63%	04 September 2028	6 543	5 353
Short-term interest payable under loans received			761	675
			64 327	**32 440**
Non-current portion				
Raiffeisen Bank	8,85%	14 March 2022	-	-
Sberbank	CBR key rate + 2,45%	12 May 2029	12 483	-
Sberbank	CBR key rate + 1,4%	20 July 2025	-	-
Sberbank	CBR key rate + 2,33%	23 August 2023	-	-
Sberbank	CBR key rate + 2%	25 September 2023	-	7 051
Sberbank	EUROIBOR 3m +2,2%	21 October 2024	33 467	52 667
VTB	CBR key rate + 1,58%	04 December 2028	27 315	27 756
VTB	CBR key rate + 1,63%	04 September 2028	46 989	48 174
			120 254	**135 648**
Total			**184 581**	**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 3.32% for the year ended 31 December 2022 (year ended 31 December 2021: 1.9%).
2. For 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 2.45% (the percentage differs from one tranche to another). As a result of the modification no financial liability was derecognized, and one-off gain was included in finance income for the year in amount EUR 541 thousands. The effective interest rate for this Sberbank loan was CBR key rate +1.9%-2.0% for the year ended 31 December 2022.
3. For 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 year ended 31 December 2022.
4. For the long-term facility provided by Sberbank with a maturity in July 2025 and December 2029 in the Group managed in 2022 to renegotiate the floating interest rate of CBR key rate + maximum 2.45% (the percentage differs from one tranche to another). The effective interest rate for this Sberbank loan was CBR key rate + 1.4%-2.45% for the year ended 31 December 2022.

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

25. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2022 EUR '000	31/12/2021 EUR '000	31/12/2022 EUR '000	31/12/2021 EUR '000
Not later than three months	2 112	1 853	2 065	1 820
Later than three months and not later than one year	7 116	5 477	6 481	5 137
Later than one year and not later than five years	24 718	20 782	17 373	15 820
Later than five years	25 470	28 123	12 208	13 703
	59 416	**56 235**	**38 127**	**36 480**
Less: future finance charges	(21 289)	(19 755)	-	-
Present value of minimum lease payments	38 127	36 480	38 127	36 480
Included in the consolidated financial statements as:				
- Current liabilities			8 546	6 957
- Non-current liabilities			29 581	29 523
			38 127	**36 480**

For the years ended 31 December 2022 and 2021 the movement of lease liabilities was as follows:

Balance as at 1 January 2021	**26 890**
Interest expense on lease liabilities	3 322
Lease payments (principal amount)	(3 156)
Interest payment	(2 873)
New leased contracts and modification of existing lease contracts	10 158
Disposal of lease contracts	(157)
Effect of translation to presentation currency	2 296
Balance as at 31 December 2021	**36 480**
Interest expense on lease liabilities	4 193
Lease payments (principal amount)	(5 150)
Interest payment	(3 564)
New leased contracts and modification of existing lease contracts	7 904
Disposal of lease contracts	(3 251)
Effect of translation to presentation currency	1 515
Balance as at 31 December 2022	**38 127**

The carrying amount of the related right-of-use assets is disclosed in Note 13.1.

26. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in Russia are members of a state-managed retirement benefit plan operated by the government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of EUR 9 552 thousand (2021: EUR 9 829 thousand) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2022 contributions of EUR 2 826 thousand (31 December 2021: EUR 846 thousand) due in respect of the reporting period had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

27. TRADE AND OTHER PAYABLES

	31/12/2022 EUR '000	31/12/2021 EUR '000
Financial payables		
Trade payable	7 318	8 058
Payables for property, plant and equipment	17 905	7 509
Accrued audit expenses	120	207
Other accrued expenses	1 990	-
Other payables	2 632	4 304
Total financial payables	**29 965**	**20 078**
Non-financial payables		
Accrued unused vacation expenses	5 690	5 466
Salaries payable	6 358	3 680
Accrual for performance-related bonuses	1 843	2 165
Other taxes payable	1 870	2 093
Total non-financial payables	**15 761**	**13 404**
Total trade and other payables	**45 726**	**33 482**

The performance-related bonuses are accrued to the heads of the departments on the basis of the gross profit of the departments quarterly, calculation of which is stipulated in the employment contracts.

Accruals for unused vacations are calculated as at each reporting date on the basis of the unused vacation days. Any change in the carrying amount of this provision is included in the statement of profit and loss.

As at 31 December 2022 short-term payables for property, plant and equipment in the amount of EUR 5 779 thousand (31 December 2021: 6 486 thousand) as well as other long-term payables in the amount of EUR 1 023 thousand (31 December 2021: 6 120 thousand) were represented by payables to one of the major supplier high quality equipment, the world leading manufacturer Varian Medical Systems, Switzerland and Siemens, Germany.

27.1. Contract liabilities

	31/12/2022 EUR '000	31/12/2021 EUR '000
Advances received from insurance companies	2 080	1 176
Advances received from corporate entities	1 639	756
Advances received from individuals	10 828	8 135
including advances received from individuals for annual health care programs:		
Contract liabilities after more than one year	-	29
Contract liabilities within one year	1 094	1 230
Total	**14 547**	**10 067**

Contract liabilities that relate to long term advances represent money received from patients on personal health care program contracts lasting from 1 to 2 years.

28. RELATED PARTY TRANSACTIONS

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 year ended 31 December 2022 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.

	Turnover Year ended 31/12/2022 EUR '000	Balance (liabilities) 31/12/2022 EUR '000	Turnover Year ended 31/12/2021 EUR '000	Balance (liabilities) 31/12/2021 EUR '000
Management and accounting services	3 712	543	2 301	301
Lease liabilities	-		-	17 502
Repayments of lease liabilities		-	1 688	-
Borrowings provided	-	(222)	-	(143)
Total	**3 712**	**321**	**3 989**	**17 660**

28.1. Compensation paid to key management personnel

For the years ended 31 December 2022 and 2021, the accrued remuneration to directors and other key executives (like medical director) amounted to EUR 1 553 thousand and EUR 858 thousand, respectively, including social insurance contribution in amount EUR 276 thousand and EUR 162 thousand, and consisted of short-term employee benefits.

The key management personnel (like the chief executive officer and chief financial officer) is outsourced by the Group, and its remuneration is disclosed as a part of "Management and accounting services" line in the table above.

The total Board of Directors remuneration expense recognised in the profit or loss of EUR 73 thousand (2021: 107), accounts payable of the Board of Directors remuneration in amount EUR 2 thousand as at 31 December 2022 and 48 as at 31 December 2021.

The remuneration of directors and key executives is determined by the Board of Directors based on individual performance and market trends.

29. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

29.1. Capital commitments

As at 31 December 2022, the Group entered into capital construction contracts, contracts for purchase of plant and equipment from unrelated parties for a total of EUR 712 thousand (EUR 378 thousand as at 31 December 2021) in relation to modernization of the property, plant and equipment in the current medical centre.

29.2. 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.

29. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

29.3. Litigation

During the year, the Group participated (both as plaintiff and defendant) in a number of legal proceedings that arose in the ordinary course of its business. In the opinion of the Group's management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group, or which have not been accounted for or disclosed in separate lines of these consolidated financial statements.

29.4. Taxation contingencies in the Russian Federation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years of the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately estimation for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

From 1 January 2015 a number of amendments into the Russian tax legislation aimed at de-offshorisation of the Russian economy became effective, with the submission of the first documentation package in 2017. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation and a concept of tax residency for foreign companies. The Group takes necessary steps to comply with the new requirements of the Russian tax legislation including periodic reviews of its tax planning strategies. However, in view of the recent introduction of the above provisions and insufficient administrative and court practice in these areas, at present the probability of claims from Russian tax authorities and probability of favourable outcome of tax disputes (if they arise) cannot be reliably estimated.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take different positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

29.5. Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

29. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

Starting from 2014, sanctions have been imposed in several packages by the US, UK, EU and others on certain Russian officials, businessmen and companies. On 21 February 2022, the President of Russia signed the executive orders on the recognition of the Donetsk People's Republic and the Lugansk People's Republic. On 24 February 2022, a decision to carry out a special military operation in Ukraine was announced. Subsequent to these events, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments may result in reduced access of the Russian businesses to international capital and export markets, weakening of the Russian Rouble, decline in capitals markets and other negative economic consequences.

The impact of these and further developments on future operations and financial position of the Group might be significant.

With the recent and rapid development of the Coronavirus disease (COVID 19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

30. FINANCIAL RISK MANAGEMENT

30.1 Capital management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximizing the return to the equity holders through the optimization of the debt and equity balance. In managing its capital structure, as well as its financial covenants, the Group uses the following definition of Net Debt. Net Debt is a non-IFRS performance measure. The Group defines Net Debt as loans and borrowings less cash and cash equivalents.

30.2 Gearing ratio

The Group's management reviews the capital structure on a regular basis without any limitations.

The gearing ratio at the year-end was 1.21 (2021: 2.19), as described below. While the amounts included in Net Debt calculations have been derived from the Group's consolidated financial statements, Net Debt is not financial measure calculated in accordance with IFRS.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2 Gearing ratio (continued)

It is presented here only to meet the disclosure requirements for capital management and the methodology of monitoring employed by the Group.

	31/12/2022 EUR '000	31/12/2021 EUR '000
Debt (i)	184 581	168 088
Lease liabilities (ii)	38 127	36 480
Cash and cash equivalents	(57 016)	(32 562)
Net debt	165 692	172 006
Equity (iii)	135 761	78 619
Net debt to equity ratio	1.21	2.19

(i) Debt is defined as long- and short-term loans and borrowings (Note 24);
(ii) Lease liabilities (Note 25);
(iii) Equity includes all capital and reserves of the Group (including non-controlling interest).

30.3 Main categories of financial instruments

The Group's principal financial liabilities comprise loans and borrowings, finance lease obligations, trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. All financial liabilities are carried at amortized cost. The Group has various financial assets such as trade and other receivables, cash and cash equivalents.

Derivative instruments FVTPL 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 Euro (Note 24).

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.

	31/12/2022 EUR '000	31/12/2021 EUR '000
Financial assets at amortised cost		
Cash and cash equivalents	57 016	32 562
Trade and other receivables	11 610	32 238
Financial investments	-	184
Financial assets at FVTPL		
Derivative instruments FVTPL	5	2 968
Total financial assets	**68 631**	**67 952**

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.3 Main categories of financial instruments (continued)

	31/12/2022 EUR '000	31/12/2021 EUR '000
Financial liabilities at amortised cost		
Loans and borrowings	184 581	168 088
Lease liabilities	38 127	36 480
Trade and other payables	30 988	26 198
Financial liabilities at FVTPL		
Derivative instruments FVTPL	10 013	1 238
Total financial liabilities	**263 709**	**232 004**

The table below details changes in the Group's financial liabilities, including both cash and non-cash changes. Financial liabilities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

			Non-cash changes					
	01/01/2022 EUR '000	Cash flows payments EUR '000	Additions EUR '000	Disposals EUR '000	Effect of exchange rates EUR '000	Interest and other charges EUR '000	Interest paid EUR '000	31/12/2022 EUR '000
Lease liabilities	36 480	(5 150)	7 904	(3 251)	1 515	4 193	(3 564)	38 127
Loans and borrowings	168 088	5 607		-	8 858	18 469	(16 441)	184 581

(*) including payments of interest capitalized in the amount of EUR 350 thousand.

30.4 Fair value of financial instruments

According to the accounting policy the Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Except as detailed in the following table management of the Group believes that the carrying value of financial instruments such as cash and cash equivalents, short-term receivables and payables, short-term and long-term investments approximates their fair value. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.5 Fair value of financial liabilities

	Fair value of financial liabilities		Carrying amount of financial liabilities	
	31/12/2022 EUR '000	31/12/2021 EUR '000	31/12/2022 EUR '000	31/12/2021 EUR '000
Loans and borrowings (Level 1)	187 025	162 479	184 581	168 088
Lease liabilities (Level 2)	37 052	31 925	38 127	36 480
Total financial liabilities	**224 077**	**194 404**	**222 708**	**204 568**

30.6 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. The Group has established budgeting and cash flow planning procedures to ensure it has adequate cash available to meet its payment obligations as they fall due.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 3 months	3 months - 1 year	1-5 years	Over 5 years	Total
31/12/2022					
Trade and other payables	25 728	4 237	1 172	-	31 137
Loans and borrowings	2 326	61 240	92 277	27 977	183 820
Lease liabilities	2 112	7 116	24 718	25 470	59 416
Total	**30 166**	**72 593**	**118 167**	**53 447**	**274 373**
31/12/2021					
Trade and other payables	14 725	5 352	6 717	-	26 794
Loans and borrowings	5 851	39 792	164 938	-	210 581
Lease liabilities	1 853	5 477	20 782	28 124	56 236
Total	**22 429**	**50 621**	**192 437**	**28 124**	**293 611**

30.7 Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. Management of the Group aims to mitigate such risk by maintaining monetary assets and liabilities in foreign currency at broadly the same level, however this is not always possible due to external circumstances. A part of cash and cash equivalents, receivable and payable balances, are denominated in currencies other than RUB.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.7 Currency risk (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	USD		EUR	
EUR '000	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Assets				
Cash and cash equivalents	24 420	14 483	3 434	1 851
Derivative instruments FVTPL (Level 2)	5	367	-	2 601
Trade and other receivables	139	-	1 787	7 360
Total assets	**24 550**	**14 850**	**5 221**	**11 812**
Liabilities				
Loans and borrowings	-	-	(52 699)	(67 884)
Lease liabilities	-	-	(234)	(522)
Derivative instruments FVTPL (Level 2)	(545)	(34)	(9 468)	(1 204)
Trade and other payables	(3 490)	(10 777)	(13 091)	(1 148)
Trade and other payables	**(4 035)**	**(10 811)**	**(75 492)**	**(70 758)**
Total net position	**20 515**	**4 039**	**(70 271)**	**(58 946)**

The table below details the Group's sensitivity to reasonably possible changes of RUB against foreign currency by 50%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

The 50% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The effect on the net profit based on the nominal asset values as at 31 December 2022 and 31 December 2021 is as follows:

	2022		2021	
USD '000	**RUB/USD -50%**	**RUB/USD 50%**	**RUB/USD -50%**	**RUB/USD 50%**
(Loss)/ profit and (decrease)/ increase of equity	(14 524)	14 441	(8 310)	8 375

	2022		2021	
EUR '000	**RUB/EUR -50%**	**RUB/EUR 50%**	**RUB/EUR -50%**	**RUB/EUR 50%**
(Loss)/ profit and (decrease)/ increase of equity	(62 705)	60 814	(15 553)	9 724

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.8 Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance.

Management carefully monitors changes in interest rates and takes steps to mitigate interest rate risk through careful evaluation of contractual terms for new borrowings, as well as continued improvement of its existing debt portfolio.

In assessing the quality of its debt portfolio the Group aims to maintain an appropriate mix of floating and fixed interest rate instruments, and to ensure that contractual terms for the borrowings provide for minimal or no early repayment fees, an option to negotiate a decrease in interest rates and an inability of a credit institution to unilaterally increase interest rates without prior notification and granting an early repayment option at no additional charge.

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and variable interest rates. The Group manages credit risk by maintaining an appropriate mix between fixed and variable rate borrowings. As at 31 December 2022 and 2021 the Group's borrowed funds consisted of the long- and short-term borrowings.

The interest rate sensitivity analysis below has been performed for financial instruments as at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease assumption is used when reporting interest rate risk internally to the Group's key management personnel, which is in line with management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower, other variables being constant,

The Group's 2022 profit would decrease / (increase) by EUR 1 983 thousand (2021: by EUR 655 thousand). This is mainly attributable to the Group's interest rate exposure with respect to the variable rate borrowings.

The Group is exposed to interest rate benchmark reform arising from its variable IBOR-related transactions.

During 2022, the Group has performed an exercise to identify its exposure to IBORs in preparing for the transition to alternative rates. The exercise has identified that entity is solely exposed to EURIBOR as explained below:

EUROIBOR	Interest rate %	31/12/2022 EUR '000	31/12/2021 EUR '000
Current portion			
Sberbank	EUROIBOR 3m +2.2%	19 200	15 200
Non-current portion			
Sberbank	EUROIBOR 3m +2.2%	33 467	52 667
Total		**52 667**	**67 867**

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

In management's view, EURIBOR will not be affected by IBOR reform because EURIBOR follows the EU Benchmarks Regulation. As such there is no requirement to amend contracts referencing EURIBOR, and new contracts referencing EURIBOR may continue to be entered into. The Company/Group will consider whether any fallback provisions may need to be included in existing contracts, in the event EURIBOR is replaced in the future.

30.9 Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group mitigates credit risk by working with the majority of its customers on prepayment terms. Trade receivables consist of a large number of customers including health insurance companies and other legal entities. The Group continuously performs credit evaluation of the financial condition of accounts receivable and, where appropriate, allowance for doubtful debts is created.

In determining the recoverability of a trade receivable, the Group considers any change in the financial position of a borrower within a period between the occurrence of receivables and the end of a reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The amount of receivables from the five largest counterparties is disclosed in Note 18.

Credit risk related to other financial assets of the Group, which comprise cash and cash equivalents and other receivables, arises from counterparty defaults, with maximum exposure equal to the carrying value of these instruments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international and local credit-rating agencies.

31. SUBSEQUENT EVENTS

On January 2023 the subsidiary LLC Pomoshchnik Social Service was disposed from the Group. The loss from disposal is estimated as EUR 436 thousand.

On February 2023 Bertouana Limited became a 100% shareholder of SG-Hold Co Limited.

32. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on 25 April 2023.