

MD MEDICAL GROUP



1H2013
IFRS Results



9 September 2013
Moscow



Disclaimer

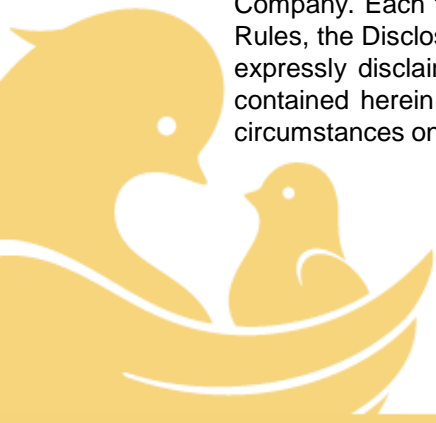
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MD Medical Group at a glance

MD Medical Group (“MDMG”) overview

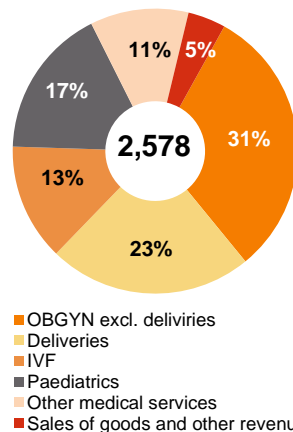
- Russia’s leading private healthcare provider in women’s health and paediatrics
- Wide range of medical services including obstetrics and gynaecology, fertility and IVF treatment, paediatrics and other services (family medical services, dental care, stem cell storage, laboratory testing and radiology diagnostics)
- Network of modern and high-quality healthcare facilities in Moscow and Russian regions
- Equipment provided by leading international and domestic suppliers
- Highly qualified medical personnel supervised by recognised medical experts

Overview of services provided

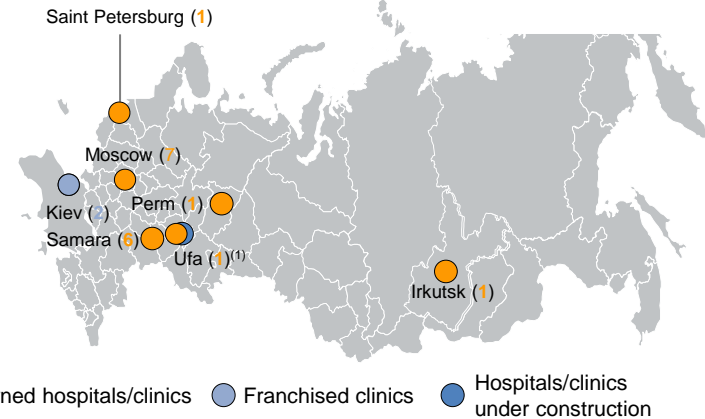
Service range

| Obstetrics and gynaecology | Paediatrics |
|--|---|
| <ul style="list-style-type: none"> •Pregnancy management •Delivery services •Gynaecology | <ul style="list-style-type: none"> •Treatment of paediatric diseases •Immunization shots •Home visits |
| Fertility and IVF treatment | Other services |
| <ul style="list-style-type: none"> •Surgical management of fertility related problems •Reproductive technologies | <ul style="list-style-type: none"> •Laboratory services •Stem cell storage •Dental care •Radiology services •Family Medical services |

Revenue breakdown, 1H 2013



Extensive network across Russian regions

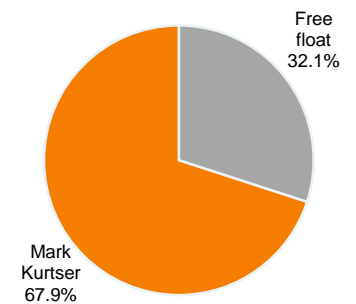


Key financials and shareholder structure

Key financial metrics (RUB mln)

| | 2009 | 2010 | 2011 | 2012 |
|---------------------|-------|--------|-------|---------|
| Revenue | 1,790 | 2,044 | 2,908 | 4,061 |
| growth, % | | 14% | 42% | 40% |
| EBITDA ² | 955 | 1,089 | 1,292 | 1,694 |
| growth, % | | 14% | 19% | 31% |
| Net Income | 564 | 735 | 924 | 1,538 |
| growth, % | | 30% | 26% | 66% |
| Net Debt | 572 | (112) | 1,059 | (2,054) |
| Net Debt / EBITDA | 0.6x | (0.1x) | 0.8x | (1.2x) |

Shareholder structure post IPO



Note: Company has GDRs listed on the London Stock Exchange (Ticker: MDMG LI)

Note: ¹ MDMG plans to open a hospital in Ufa in 2015; ² calculated as operating profit before depreciation and amortization



Key 1H 2013 events update

Strong operating results

- ✓ MD Medical reported strong operating results in 1H 2013, including
 - 32% y-o-y increase of outpatient treatments
 - number of IVF cycles increased by 20%, allowing MD Medical to reach 8% market share
 - 14% y-o-y increase of deliveries, outpacing birth rate growth in Moscow (+1.3%) and Moscow region (+1.1%)

Ramp up at Lapino

- ✓ MD Medical continues to successfully ramp up its second hospital, Lapino
 - 521 deliveries in 1H 2013; 117 - in July and 122 – in August
 - capacity utilization rate exceeded 30%
 - the rehabilitation department, which came into operation in March, is the latest department to have opened at Lapino

Acquisitions and integration

- ✓ Integration of IDK is underway
 - cost reduction programme launched
 - Group's corporate standards were implemented in finance, IT, marketing and pricing policy
- ✓ Acquired M&C Irkutsk, which previously operated under Mother and Child franchise agreement

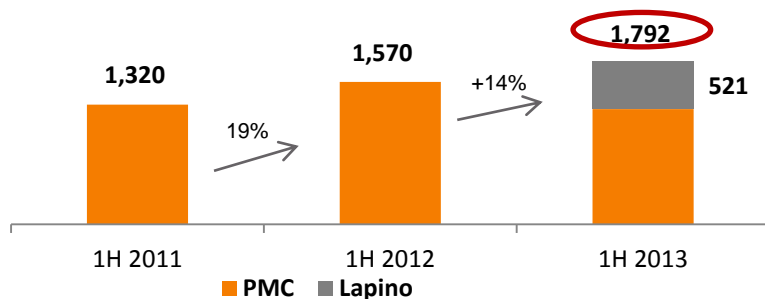
Construction of new clinics

- ✓ Construction at Ufa on schedule
 - foundation work completed
 - vertical construction will be finished by year end
- ✓ Pre-construction activities at Yekaterinburg and Nizhniy Novgorod in line with plans

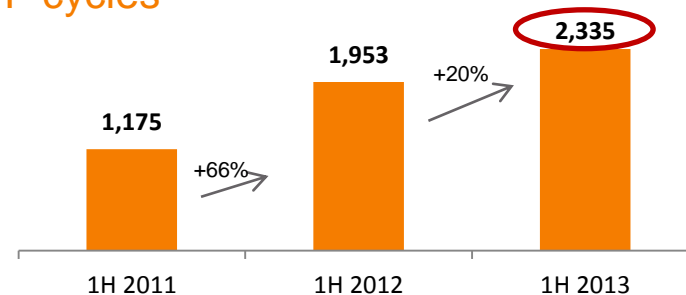


1H 2013 operating results

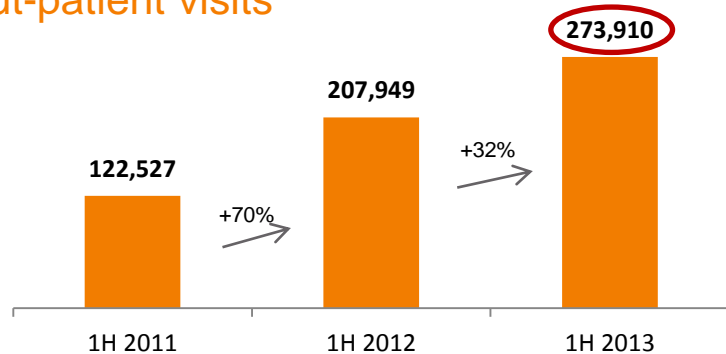
Deliveries



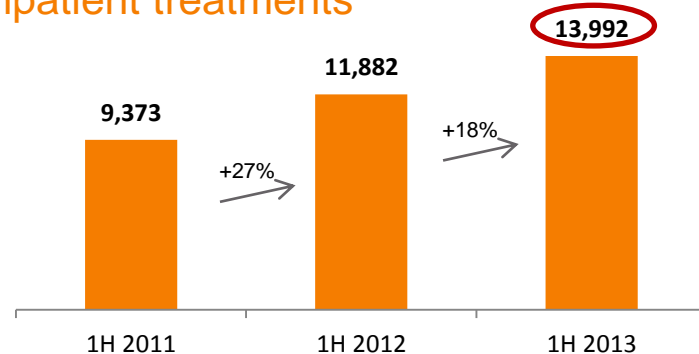
IVF cycles



Out-patient visits



Inpatient treatments



Double-digit growth across all key performance indicators as a result of:

- **Footprint expansion:** Continuous expansion through acquisition and launch of new clinics: IDK Samara (consolidated as of 1 April 2013), M&C Irkutsk (as of 1 May 2013)
- **Service range expansion:** New inpatient and outpatient services after opening of surgery, trauma and rehabilitation departments as well as new diagnostics centre at Lapino hospital
- **Leadership in innovative technologies in women's health and pediatrics:** first company to offer Laparoscopic removal of abdominal cerclage
- **Comprehensive integration of recently acquired outpatient clinics:** Continued growth in operational efficiency by applying Group standards and as a result of increased numbers of cross-referrals



Financial highlights

| RUB mln* | 1H 2013 | 1H 2012 | Change | 1H 2011 |
|---------------------------|---------|---------|----------|---------|
| Revenue | 2,578 | 1,967 | 31% | 1,324 |
| Cost of sales | (1,605) | (982) | 63% | (732) |
| Gross profit | 972 | 985 | -1% | 591 |
| Administrative expenses | (524) | (192) | 173% | (109) |
| Operating profit | 448 | 791 | -43% | 482 |
| EBITDA* | 645 | 851 | -24% | 536 |
| EBITDA margin | 25% | 43% | -18 p.p. | 41% |
| Net profit for the period | 250 | 728 | -66% | 396 |
| Net profit margin | 10% | 37% | -27 p.p. | 30% |

Results primarily driven by:

Revenue + 31%

- Solid operating performance due to acquisition of new clinics and opening of Lapino hospital
- Annual price indexation across major services

Cost of sales + 63%

- Increase of payroll and materials and supplies used, as well as property tax due to opening of Lapino hospital and acquisition of IDK Samara and M&C Irkutsk

Administrative expenses + 173%

- Increase of SG&A in Lapino (including premises maintenance) and due to acquisition of new clinics
- Holding company's costs increase, driven by of transition from a "single hospital" model to a fast growing, national hospital chain

EBITDA - 24%

- Decline of margin compared to 1H 2012 due to increased share of outpatient clinics and commissioning of Lapino

Net profit - 66%

- D&A spike due to recognition of Lapino on the balance sheet
- Interest expenses related to Lapino, which previously were capitalized

* - EBITDA calculated as operating profit before depreciation and amortization



Key factors affecting financial results

Factor

Description

Launch of Lapino

- Inpatient capacity utilization rate in 1H 2013 was 26% compared to 32% in July 2013 (49% for deliveries)
- Outpatient capacity utilization rate was 13%, compared to 14% in July
- Key measures to increase utilization rates: marketing & promo, advertising, proactive cooperation with insurance companies, sales through medical representatives, opening of IVF department
- Monthly cash costs: ca. RUB 80-85 million, 90% of which is fixed costs

Adaptation of new doctors team at PMC

- Reduction in number of deliveries in PMC by 20% y-o-y in 1H 2013, the same reduction rate in OBGYN
- Some PMC doctors transferred to work in Lapino since January 2013
- New team of doctors hired in PMC, which is actively accumulating customer base now

Establishment of a management company

- Facilitating transition from a single hospital model to a fast growing, national hospital chain
- Key management company functions include: Construction, Client service, Finance, Legal, Procurement, Marketing, IT, HR, IR

M&A activity

- MDMG closed two M&A deals in 1H 2013
- Consolidation with IDK since 1 April 2013 and Mother and Child Irkutsk since 1 May 2013
- Both companies now actively being integrating into the Group
- Non-capitalized costs of the deals and integration comprised RUB 16 million for 1H 2013

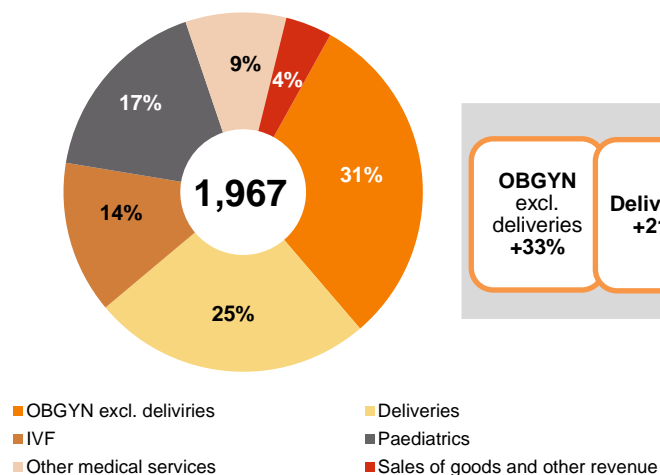


Revenue analysis (1/3)

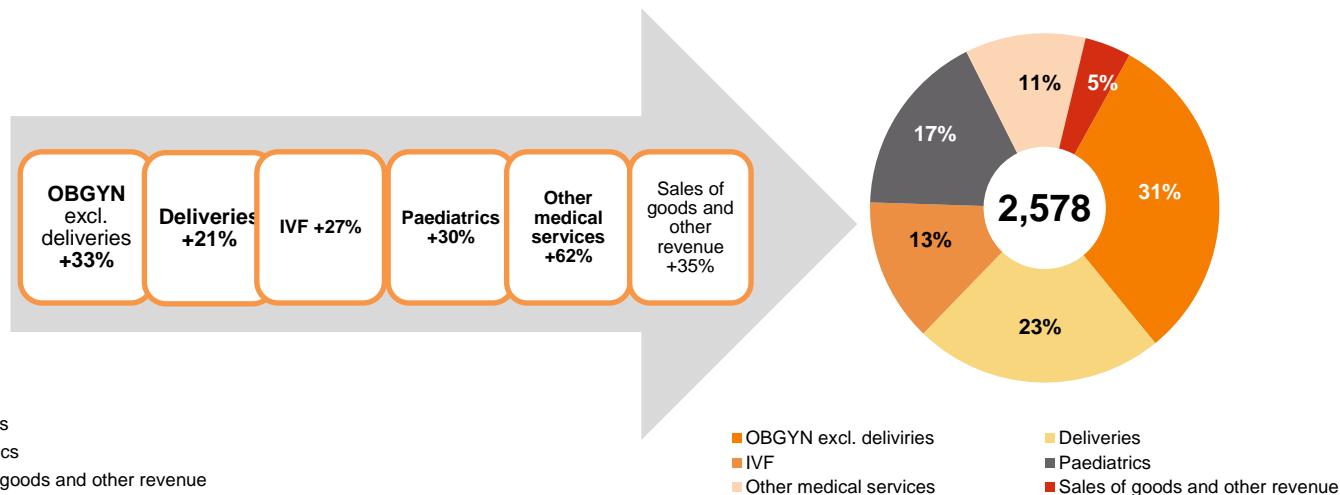
| (RUB mln) | 1H 2013 | 1H 2012 | change, % |
|--|--------------|--------------|------------|
| Obstetrics and Gynaecology (excl. deliveries) | 800 | 603 | 33% |
| Deliveries | 597 | 495 | 21% |
| IVF | 342 | 270 | 27% |
| Paediatrics | 441 | 338 | 30% |
| Other medical services | 288 | 178 | 62% |
| Sales of goods and other revenue | 111 | 82 | 35% |
| Total Revenue | 2,578 | 1,967 | 31% |

- **Increase of revenue from deliveries** on the back of ramp up at Lapino hospital
- **Solid growth of IVF segment** mostly due to acquisition of new clinics in Samara region and Irkutsk
- **Continued increase of outpatient visits** as a result of ramp up of Lapino, expansion of the range of services provided by the Group and acquisition of new clinics
- **Other medical services** grew by 62%, mostly driven by new services offered at Lapino
- **Annual price indexation** by 6-7% in line with CPI

Total Revenue 1H 2012 (mln RUB)



Total Revenue 1H 2013 (mln RUB)





Revenue analysis: OBGYN and deliveries (2/3)

| | | 1H 2013 | 1H 2012 | change, % |
|---|--------------------------|------------|------------|------------|
| Obstetrics and Gynaecology (except deliveries) | RUB mln | 800 | 603 | 33% |
| | RUB mln | 295 | 210 | 41% |
| Inpatient treatments (except deliveries) | Patient-days | 8,644 | 7,225 | 20% |
| | RUB ths. per patient-day | 34.1 | 29.0 | 18% |
| | % of total* | 37% | 35% | 2p.p |
| Outpatient treatments | RUB mln | 505 | 393 | 28% |
| | Admissions | 149,012 | 116,288 | 28% |
| | RUB ths. per admission | 3.4 | 3.4 | 0% |
| | % of total ¹ | 63% | 65% | -2 p.p |
| Deliveries | RUB mln | 597 | 495 | 21% |
| | Deliveries | 1,792 | 1,570 | 14% |
| | RUB ths. per delivery | 332.9 | 315.3 | 6% |

- The 41% growth in revenue from inpatient treatments (excluding deliveries) was driven by an increase in the number of inpatient treatments, price indexation as well as by changes in the composition of services towards more expensive services, due to the opening of Lapino hospital, where the average check is the highest among the Group
- The average check for outpatient treatments remained flat, due to the acquisition of IDK outpatient clinics in Samara
- The number of deliveries increased by 14% y-o-y due to the successful ramp up at Lapino
- The average check for deliveries increased by 6% due to annual price indexation implemented in line with the Group's pricing policy

* Share in Obstetrics and Gynaecology (value terms)



Revenue analysis: IVF and paediatrics (3/3)

| | | 1H 2013 | 1H 2012 | change, % |
|-------------------------------|--------------------------|------------|------------|------------|
| IVF | RUB mln | 342 | 270 | 27% |
| | Cycles | 2,335 | 1,953 | 20% |
| | RUB ths. per cycle | 146.5 | 138.1 | 6% |
| Paediatrics | RUB mln | 441 | 338 | 30% |
| | RUB mln | 87 | 66 | 30% |
| Inpatient treatments | Patient-days | 4,788 | 4,657 | 3% |
| | RUB ths. per patient-day | 18.2 | 14.1 | 29% |
| | % of total* | 20% | 20% | 0 p.p. |
| Outpatient treatments | RUB mln | 354 | 272 | 30% |
| | Admissions | 101,423 | 79,455 | 28% |
| | RUB ths. per admission | 3.5 | 3.4 | 2% |
| | % of total* | 80% | 80% | 0 p.p. |
| Other medical services | RUB mln | 288 | 178 | 61% |
| Inpatient treatments | Patient-days | 560 | - | - |
| Outpatient treatments | Admissions | 23,475 | 12,206 | 92% |

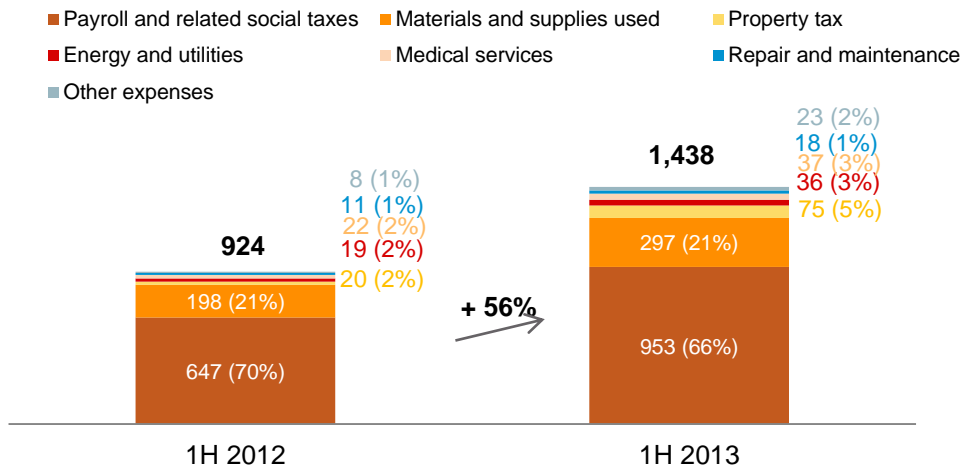
- Revenue growth in inpatient paediatric treatments was mainly driven by an increase in the average check, due to changes in the composition of services towards more expensive services
- Revenue from paediatric outpatient treatments grew substantially by 30% driven by the acquisition of outpatient clinics, as well as by the successful ramp up at Lapino
- The number of outpatient treatments in other medical services almost doubled after opening the surgery, trauma and rehabilitation departments as well as a new diagnostics centre at Lapino hospital

* - Share in Paediatrics (value terms)



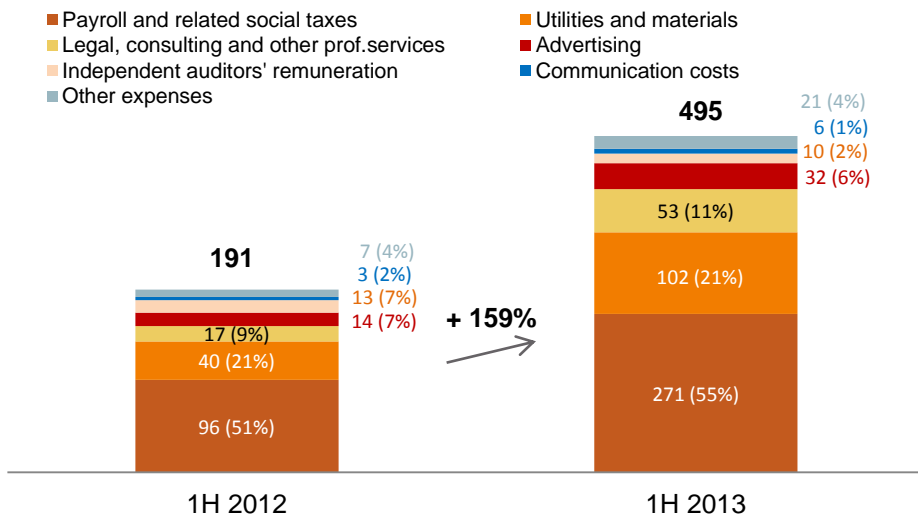
COGS & SG&A analysis

Cost of sales (excl. D&A)



- In absolute terms, cost of sales (excl. D&A) grew by 56% or by RUB 514 million in 1H 2013.
- SG&A expenses (excl. D&A) increased by 159% or by RUB 304 million.
- Key factors affecting COGS and SG&A growth include
 - start of operations at Lapino
 - acquisitions of outpatient clinics
 - overall growth in the number of treatments in all services
 - holding company costs increase to support fast growing network (for SG&A only)

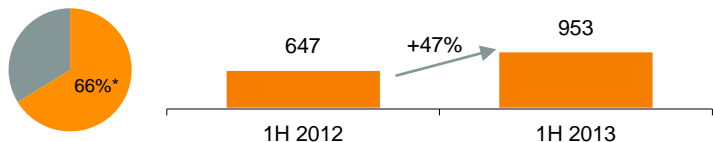
Administrative expenses (excl. D&A)





Key COGS elements

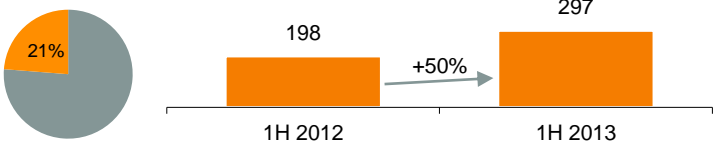
Payroll and related social taxes



- **Increased by 47% or by RUB 306 million, resulting from:**

- ✓ An increase in Lapino of RUB 218 million
- ✓ Like-for-like growth of RUB 22 million, or by 3%
- ✓ RUB 66 million due to consolidation of acquired companies

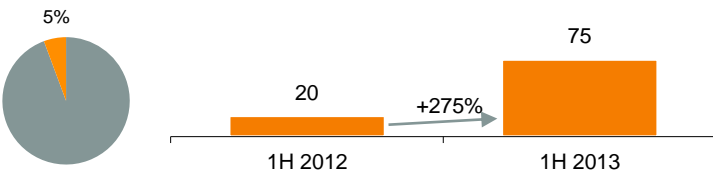
Materials and supplies used



- **Increased by 50% or by RUB 99 million, resulting from:**

- ✓ An increase in Lapino of RUB 61 million
- ✓ Like-for-like growth of RUB 2 million, or by 1%
- ✓ RUB 36 million due to consolidation of acquired companies

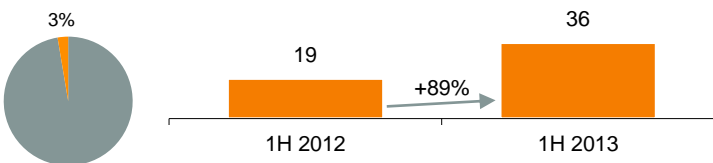
Property tax



- **Increased by 275% or by RUB 55 million, resulting from:**

- ✓ An increase in Lapino of RUB 54 million

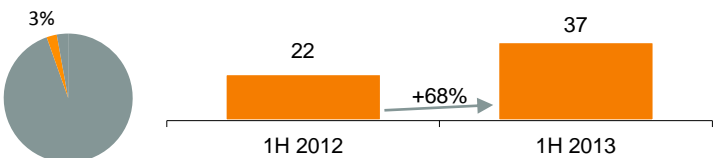
Energy and utilities



- **Increased by 89% or by RUB 17 million, resulting from:**

- ✓ An increase in Lapino of RUB 16 million

Medical services



- **Increased by 68% or by RUB 15 million, resulting from:**

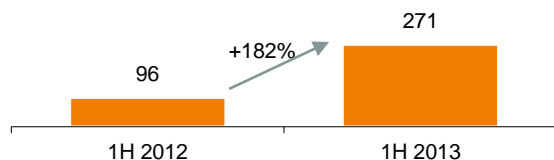
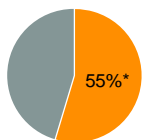
- ✓ Like-for-like growth of RUB 11 million, or by 49%, as a result of implementation of noninvasive genetic test
- ✓ c. RUB 4 million due to consolidation of acquired companies

* - Hereinafter: Share in COGS excluding D&A



Key SG&A elements

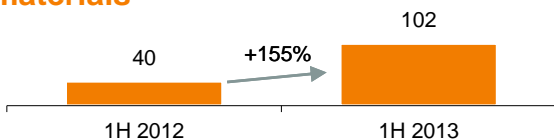
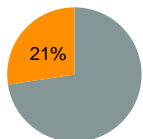
Payroll and related social taxes



- Increased by 182% or by RUB 175 million, resulting from:

- ✓ An increase in Lapino of RUB 88 million
- ✓ Like-for-like growth of RUB 12 million, or by 14%
- ✓ An increase in management company of RUB 53 million
- ✓ RUB 21 million due to consolidation of acquired companies

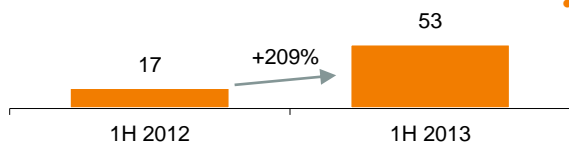
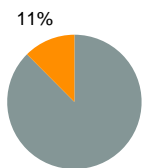
Utilities and materials



- Increased by 155% or by RUB 62 million, resulting from:

- ✓ An increase in Lapino of RUB 20 million
- ✓ Like-for-like growth of RUB 31 million, or by 77%
- ✓ RUB 12 million due to consolidation of acquired companies

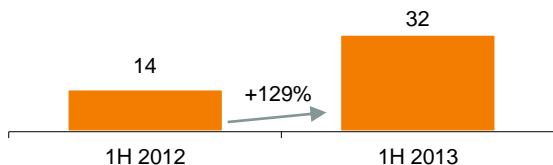
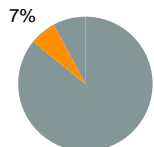
Legal, consulting and other professional services



- Increased by 209% or by RUB 36 million, resulting from:

- ✓ An increase in Lapino of RUB 12 million
- ✓ An increase in management company of RUB 19 million
- ✓ RUB 5 million due to consolidation of acquired companies

Advertising

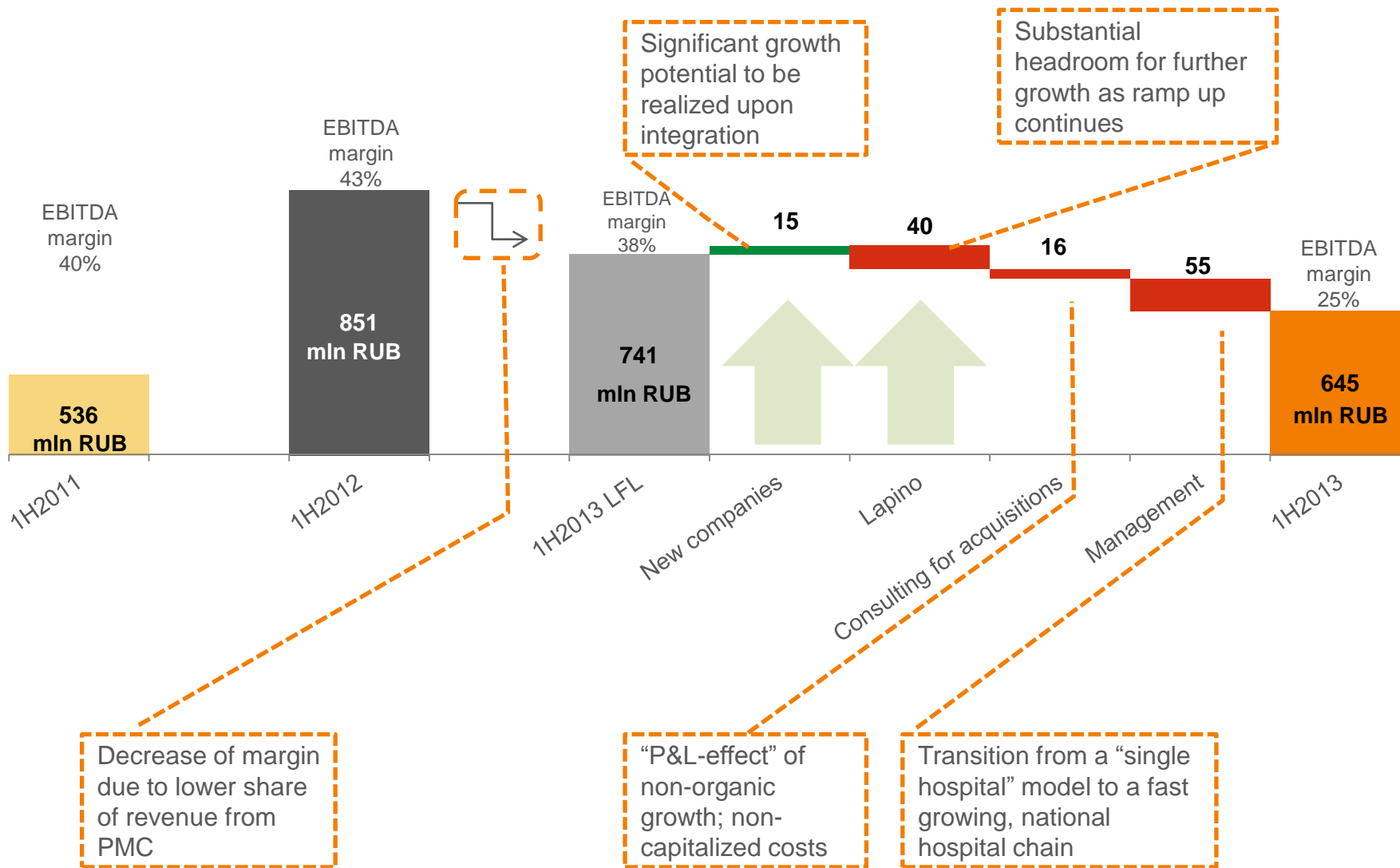


- Increased by 129% or by RUB 18 million, resulting from:

- ✓ An increase in Lapino of RUB 7 million
- ✓ Like-for-like growth of RUB 5 million, or by 36%
- ✓ RUB 6 million due to consolidation of acquired companies



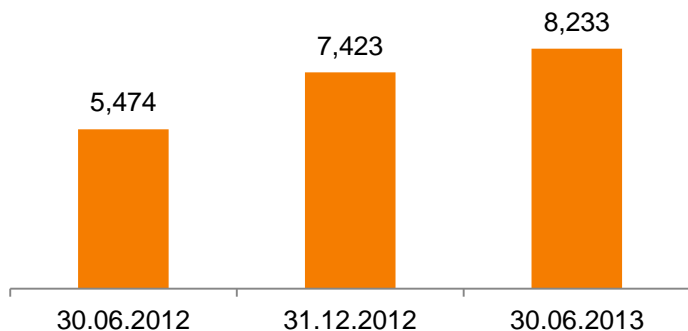
Key EBITDA drivers





Balance sheet overview

PP&E

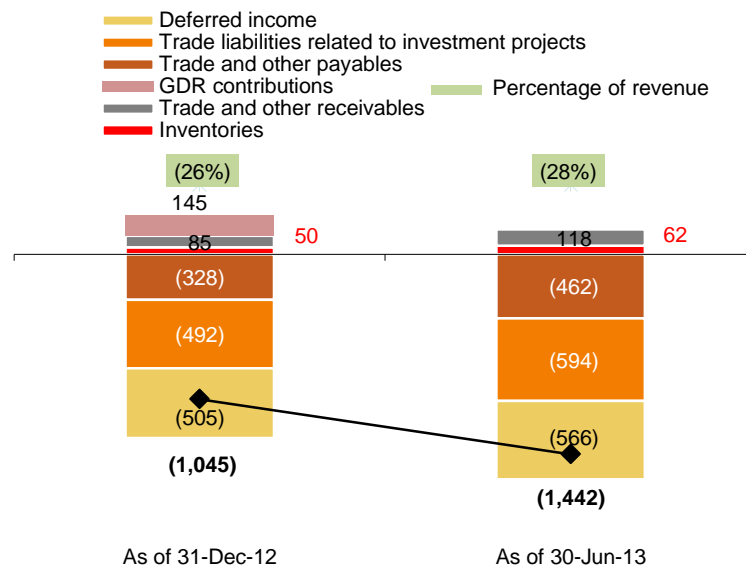


- Continued solid growth of PP&E assets due to new CAPEX spend
- Approximately 90% of revenue comes from direct paying customers; most of them are serviced on a pre-payment basis
- As a result, MDMG primarily operates with a negative working capital providing additional source of financing for MDMG
- Long-term debt amounted to more than 80% of total financial liabilities, 100% - RUB denominated

Total and Net Debt Dynamics, RUB mln*



Working Capital (RUB mln)

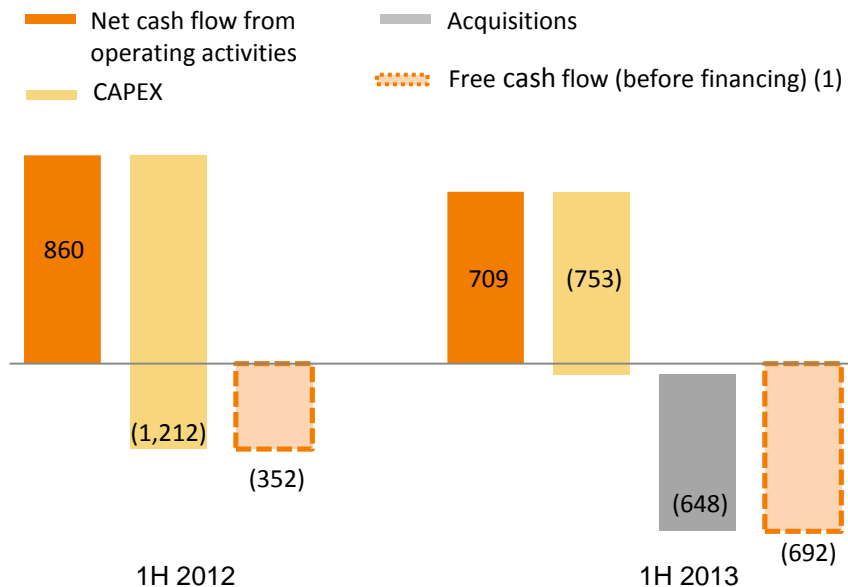


* Including bank deposits with maturity less than six months, classified as short-term investments



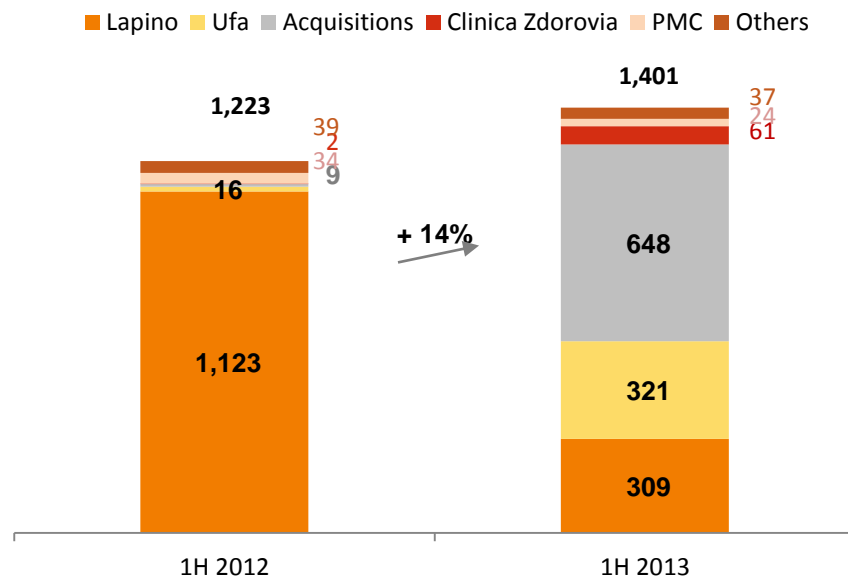
Cashflow metrics and Capex

Cash flow waterfall (RUB mln)

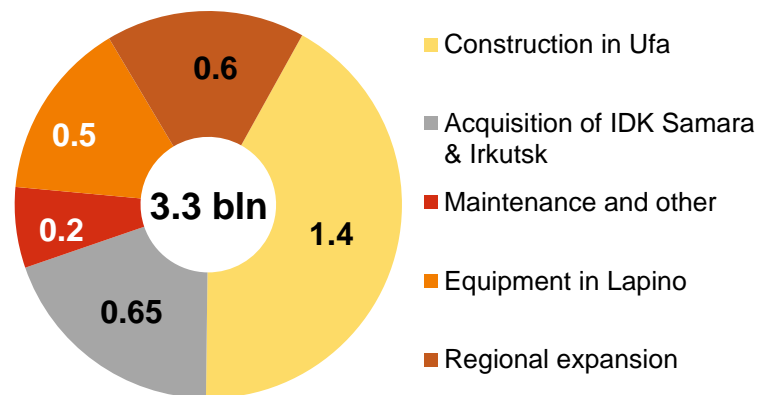


- Continued investments in Hospital in Ufa, repayment of payables for Lapino and refurbishment of additional premises at “Clinic of Health Moscow”, which was successful re-opened in May
- Total CapEx increased by 14% and amounted to RUB 1,401 mln in 1H2013
- Revised CapEx plans for 2013 decreased by 0.5 bln since the beginning of the year due to lower expectations on regional expansion

1H2013 CapEx breakdown (RUB mln)



2013 CapEx plans breakdown (RUB bln)



Note: ¹ Calculated as Net cash flow from operating activities less Capital expenditures



Pipeline of existing projects: Ufa, Bashkortostan

Disciplined execution

- Construction started on schedule. Ground breaking ceremony was held on 11 March 2013
- Design and engineering of the project has been completed
- Technical conditions are agreed and necessary permits obtained
- Work to connect to technical utilities has begun
- Construction is well underway and 5 floors of the main building are finished
- Opening scheduled for late 2014 / early 2015



Key figures

- **Deliveries** – 3,000 units
- **Gynecology** – 18,250 patient days
- **IVF** – 1100 IVF cycles
- **Pediatrics** – 13,500 patient days
- **Outpatient services capacity** - c245k admissions
- **Total CAPEX** - 3.7 bln (7% increase on ruble weakening)



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Appendix





MDMG's extracts from profit and loss statement

| (RUB thsd) | 6m2013 | 6m 2012 | 6m 2011 |
|------------------------------|------------------|------------------|------------------|
| Revenue | 2,577,752 | 1,966,944 | 1,323,924 |
| Cost of sales | (1,605,479) | (982,383) | (732,473) |
| Gross Profit | 972,273 | 984,561 | 591,451 |
| <i>% of revenue</i> | 38% | 50% | 45% |
| Other income | 2,222 | 611 | 691 |
| Administrative expenses | (524,447) | (192,016) | (109,384) |
| Other expenses | (1,703) | (1,840) | (418) |
| EBITDA | 644,734 | 850,550 | 535,733 |
| <i>% of revenue</i> | 25% | 43% | 40% |
| Operating profit | 448,345 | 791,316 | 482,340 |
| Profit before tax | 271,120 | 754,516 | 506,628 |
| Tax | (21,320) | (26,518) | (110,757) |
| Profit for the period | 249,800 | 727,998 | 395,871 |
| <i>% of revenue</i> | 10% | 37% | 30% |



MDMG's extracts from balance sheet

| (RUB thsd) | 30.06.2013 | 31.12.2012 | 30.06.2012 |
|--|--------------------|--------------------|------------------|
| Cash and cash equivalents | 2,670,849 | 2,582,933 | 341,392 |
| Short-term investments | 1,635,450 | 2,429,816 | - |
| Current trade, other receivables and deferred expenses | 117,636 | 229,224 | 55,305 |
| Inventories | 62,286 | 50,475 | 30,459 |
| Current tax asset | 6,312 | 16,899 | 29,381 |
| Property, plant and equipment | 8,233,301 | 7,422,875 | 5,474,396 |
| Loans receivable | 1,750 | - | - |
| CAPEX prepayments | 308,490 | 150,483 | 572,877 |
| Other non-current assets | 461,787 | 30,804 | 31,252 |
| TOTAL ASSETS | 13,497,861 | 12,913,509 | 6,535,062 |
| Current trade and other payables | 1,051,188 | 755,613 | 699,369 |
| Short-term portion of long-term loans and obligations under finance leases | 598,081 | 262,888 | 30,981 |
| Other current liabilities | 509,131 | 448,697 | 369,817 |
| Long term loans and borrowings | 2,487,863 | 2,694,901 | 1,970,498 |
| Other non-current liabilities | 74,055 | 127,993 | 92,853 |
| Equity | 8,777,543 | 8,623,417 | 3,371,544 |
| TOTAL EQUITY AND LIABILITIES | 13,497,861 | 12,913,509 | 6,535,062 |
| Net Debt* | (1,218,382) | (2,054,151) | 1,660,087 |

* Including banking deposits with maturity less than six months, classified as short-term investments



MDMG's extracts from cash flow statement

| (RUB thsd) | 6m2013 | 6m 2012 | 6m 2011 |
|--|------------------|--------------------|------------------|
| Cash flow from operating activities | 249,800 | 727,998 | 395,871 |
| Profit for the period | | | |
| Adjustments for: | | | |
| D&A | 192,004 | 59,090 | 53,290 |
| Excess of Group's interest in the net fair value of the subsidiaries' assets | - | - | (42,043) |
| Taxation | 21,320 | 26,518 | 110,757 |
| Other adjustments | 160,974 | 17,522 | 50,260 |
| Cash flow from operations before working capital changes | 624,098 | 831,128 | 568,135 |
| Increase in inventories | 1,520 | (3,388) | 3,226 |
| Increase in trade and other receivables | (17,461) | (15,233) | (62,872) |
| Increase in trade and other payables | 64,880 | 57,988 | 135,484 |
| Increase in deferred income | 44,292 | 38,979 | 53,130 |
| Cash flow from operations | 717,329 | 909,474 | 697,103 |
| Tax paid | (8,397) | (49,449) | (209,029) |
| Net cash flow from operating activities | 708,932 | 860,025 | 488,074 |
| Cash flow from investing activities | | | |
| Payment for acquisition of PP&E | (752,147) | (1,211,971) | (364,482) |
| The change of short-term investments | (909,909) | - | - |
| Payment for acquisition of investments in subsidiaries | (647,603) | - | (340,076) |
| Payment for acquisition of investments in subsidiaries under common control | - | (9,118) | (238,176) |
| Other proceeds and payments | 32,882 | 464 | 284,484 |
| Net cash flow used in investing activities | (456,959) | (1,220,625) | (658,250) |
| Cash flow from financing activities | | | |
| GDR contributions received from underwriters | 150,216 | - | - |
| Repayment of borrowings | (38,877) | (59,836) | (278,309) |
| Repayments of obligations under finance leases | (1,622) | (88,106) | - |
| Proceeds from borrowings | 96,467 | 940,838 | 43,085 |
| Interest paid | (141,199) | (60,668) | (3,538) |
| Dividends paid to the owners of the Company | (313,873) | (153,654) | - |
| Dividends paid to non-controlling interests | (34,700) | (10,500) | (14,240) |
| Other proceeds | - | - | 382,510 |
| Net cash flow from financing activities | (283,588) | 568,074 | 129,508 |
| Net increase/(decrease) in cash and cash equivalents | (31,615) | 207,474 | (40,668) |
| Cash and cash equivalents at the beginning of the period | 2,582,933 | 133,474 | 111,529 |
| Effect due to exchange rate changes | 119,531 | 444 | - |
| Cash and cash equivalents at the end of the period | 2,670,849 | 341,392 | 70,861 |