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**MOTHER & CHILD**  
GROUP OF COMPANIES



INVESTOR  
PRESENTATION

DEUTSCHE BANK CEEMEA  
CONFERENCE

January 22-23, 2015



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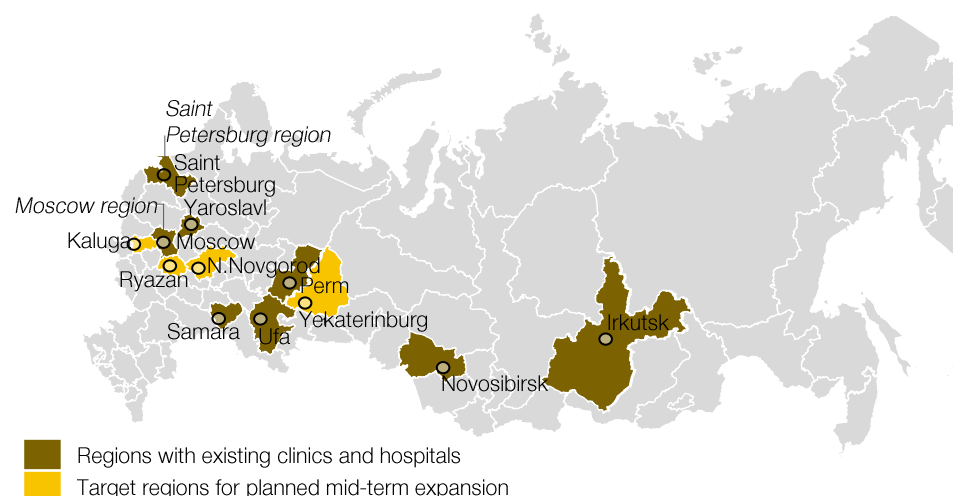
MD MEDICAL GROUP AT A GLANCE

# MD MEDICAL GROUP AT A GLANCE

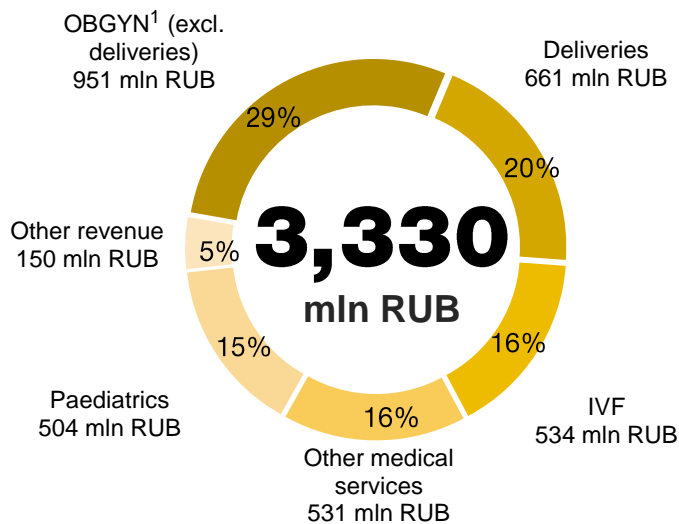
## MD Medical Group (“MDMG”) overview

- Russia’s leading private healthcare provider focused on women’s health and paediatrics
- Wide range of medical services including OBGYN<sup>1</sup>, 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

## Extensive network across Russian regions



## Revenue breakdown, 1H'14

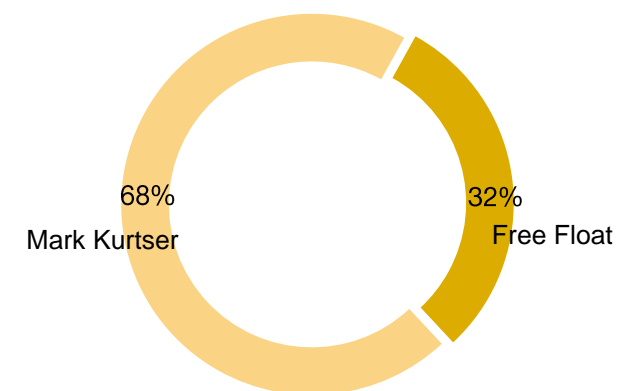


Note: 1 OBGYN – obstetrics and gynaecology  
2 calculated as operating profit before depreciation and amortization

## Key financial metrics

RUB mln	2012	2013	1H'13	1H'14
Revenue	4,061	5,673	2,578	3,330
growth, %	40%	40%	31%	29%
EBITDA <sup>2</sup>	1,694	1,586	645	969
margin, %	42%	28%	25%	29%
Net Income	1,538	764	250	625
Net Debt	(2,054)	(275)	(1,218)	709
Net Debt / EBITDA	(1.2x)	(0.2x)	(1.9x)	0.4x

## Shareholder structure

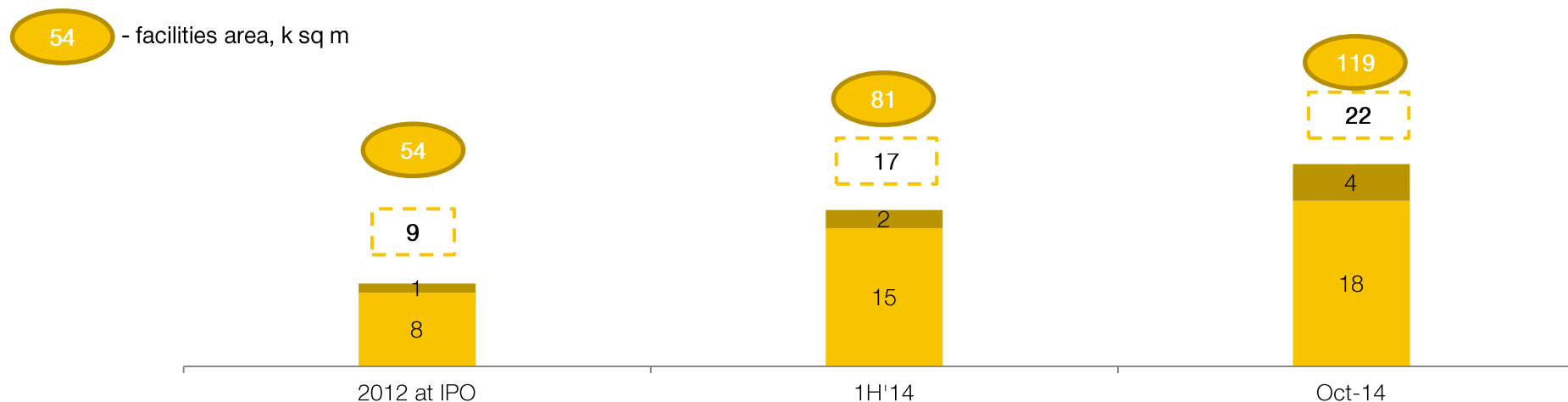


Note: Company has GDRs listed on the LSE (Ticker: MDMG LI)

# MDMG'S FOOTPRINT EXPANSION

## Healthcare facilities 2014 vs. 2012

■ Out-patient clinics ■ Hospitals



## Delivering on IPO plans

	Plans announced during IPO	Timeline	Current status
Pipeline of projects	Lapino hospital	2012	✓
	M&C clinic in Perm	2012	✓
	Ufa hospital	2014	✓
Broadening of services	Traumatological and somatic centre at Lapino	2012; 2013	✓
	General surgery, ambulance service for adults	2013+	✓ MDMG continues to broaden its services beyond core business step-by-step in existing assets, i.e. Lapino surgery department, diagnostic center at PMC, and through M&A, i.e. Avicenna has urology, oncology, surgery departments, etc
Expansion	Regional expansion through organic growth and M&A	2013+	✓ Company continue to extend its geographic reach in Russia: opened clinic in Yaroslavl and performed number of successful M&A deals in Samara, Novosibirsk and Irkutsk.

Source: company's data, 2012, 1H 2014 audited financial statements

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OUR MARKET

# TRENDS IN THE RUSSIAN PUBLIC HEALTHCARE SYSTEM

## Key trends

### Federal Budget Shrinkage

“The Government of the Russian Federation under the influence of external factors and economic difficulties forced to accept a reduction of budget expenditures... said Prime Minister Dmitry Medvedev, speaking at the International investment forum”

**ITAR-TASS, September 2014**

### Decrease of Federal Expenditures on Healthcare

“...Federal expenditures on healthcare should be reduced from 169 bln roubles in 2014 to 155 bln roubles in 2015. Projected MHI funding will be 145 billion roubles comparing to 123 billion in the current year.”

**RBC, September 2014**

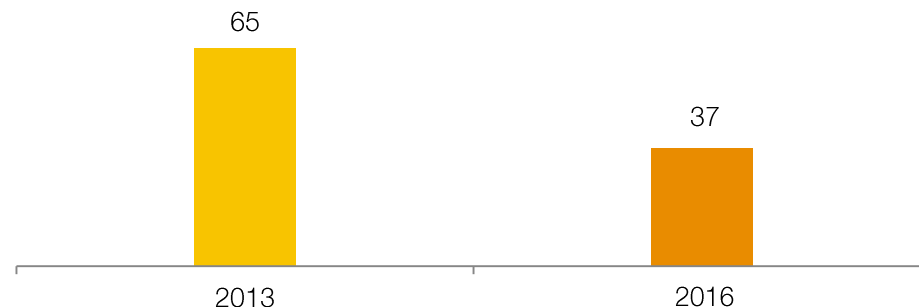
### High Decrease of Healthcare Expenditures by Moscow Government

“...the decrease in public expenditures on healthcare in both 2013 and 2014 was 10% in real prices, in Moscow - 18%... "Moscow so vigorously reduces healthcare projects, in 2014 they were 4% lower in real prices than in 2011"... Partially due to the transfer of costs to funds of mandatory healthcare insurance.”

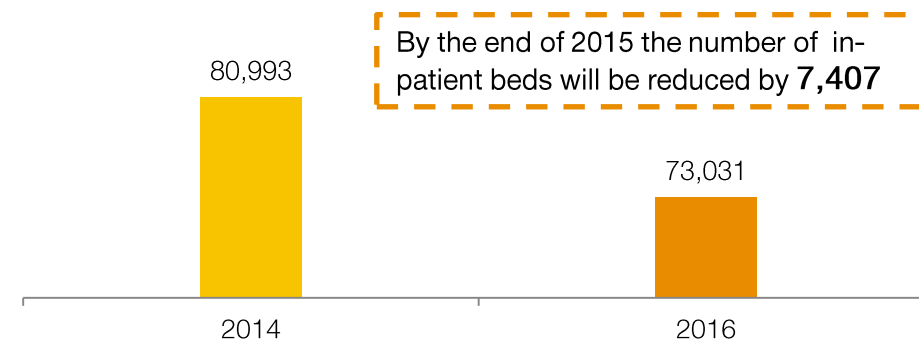
**RBC, September 2014**

## PLANS FOR PUBLIC HC SYSTEM DEVELOPMENT IN MOSCOW

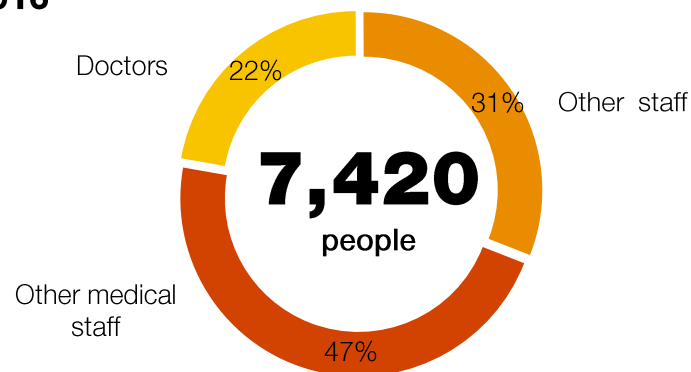
### Number of public hospitals in Moscow



### Reduction of in-patient beds



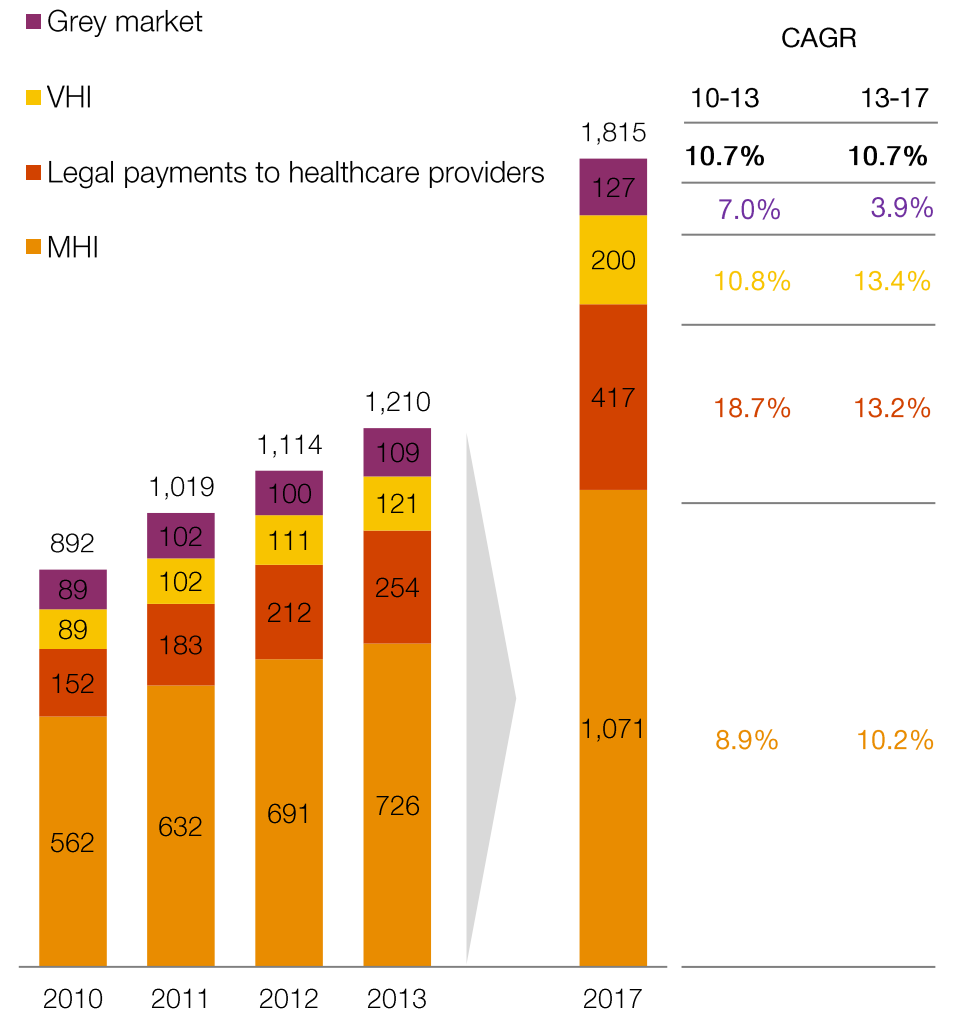
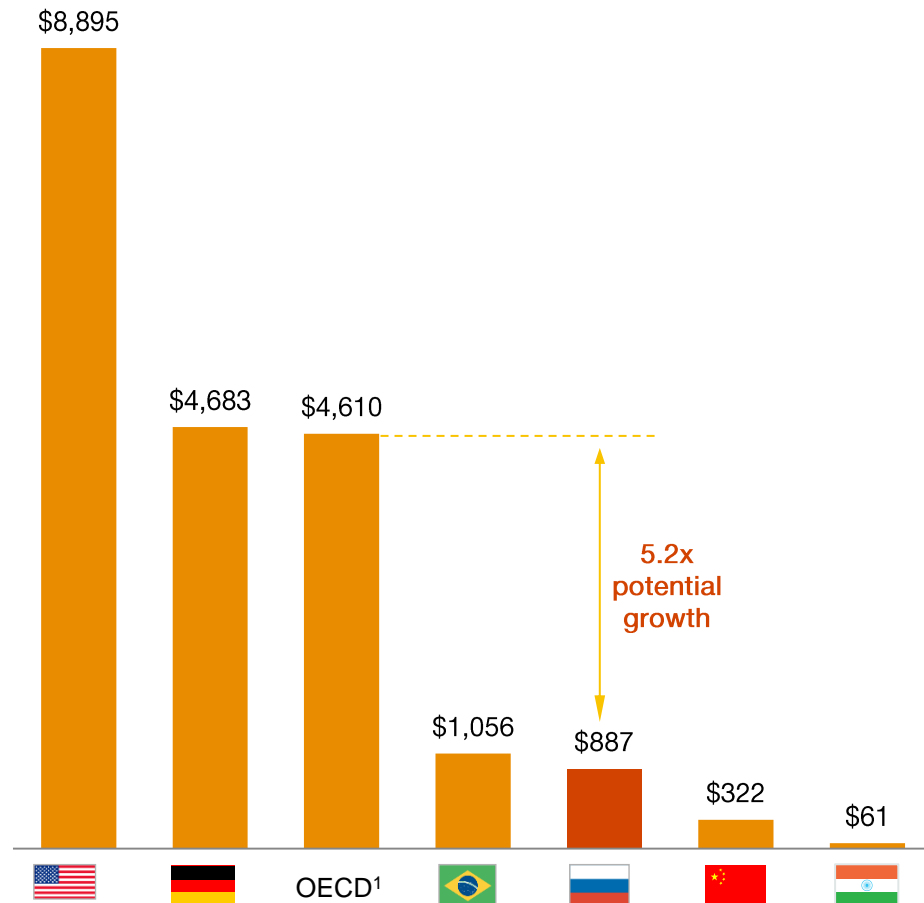
### Reduction of medical staff breakdown by specialization, 2014-2016



# PROVIDING SIGNIFICANT GROWTH POTENTIAL OF RUSSIAN FEE-FOR-SERVICE HEALTHCARE SERVICES MARKET

Significant room for further growth – per capita healthcare expenditures\*

Fee-for-service healthcare services market (RUB bn)










Note: \* based on data and exchange rates as of 2013  
 1 Member countries of the Organisation for Economic Co-operation and Development  
 Source: Company data, World Bank 2013; BusinesStat 2014

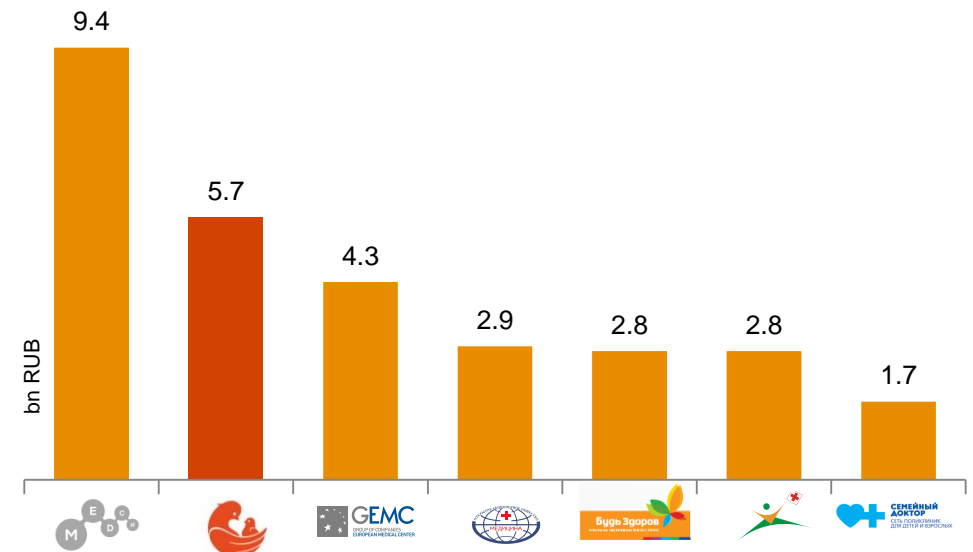


# LIMITED COMPETITION: MDMG IS THE ONLY ESTABLISHED PLAYER FOCUSED ON MATERNITY CARE

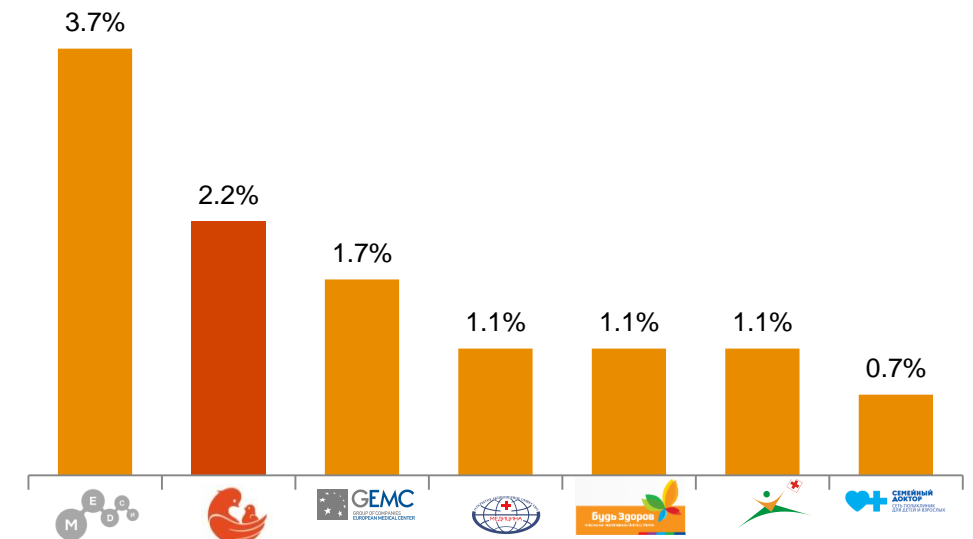
## Key players in the market

General practices	 <p><b>MDMG</b></p>	<p>Focus: Women's health and paediatrics                      Location: Moscow and Russian regions                      Number of clinics: 22 (incl. 4 hospitals)                      Number of in-patient beds: 663</p>
	 <p><b>Medsis</b></p>	<p>Focus : General practices                      Location: Moscow and Russian regions                      Number of clinics: 30 clinics (incl. 3 hospitals)                      Number of in-patient beds: 1,153</p>
	 <p><b>Medicina</b></p>	<p>Focus: General practices                      Location: Moscow                      Number of clinics: 1 hospital                      Number of in-patient beds: 105</p>
	 <p><b>GEMC</b>                      GROUP OF COMPANIES                      EUROPEAN MEDICAL CENTER  <b>EMC</b></p>	<p>Focus: General practices, trauma                      Location: Moscow                      Number of clinics: 2                      Number of hospitals: 3</p>
	 <p><b>СЕМЕЙНЫЙ ДОКТОР</b>                      СЕТЬ ПОЛИКЛИНИК                      ДЛЯ ДЕТЕЙ И ВЗРОСЛЫХ  <b>Family Doctor</b></p>	<p>Focus: General practices                      Location: Moscow                      Number of clinics: 14</p>
	 <p><b>Будь Здоров</b>                      национальный медицинский бизнес-центр  <b>Bud Zdorov</b></p>	<p>Focus: General practices                      Location: Moscow and Russian regions                      Number of clinics: 10</p>
	 <p><b>КЛИНИКА                      «СКАНДИНАВИЯ»</b>  <b>Scandinavia</b></p>	<p>Focus: Women's health, IVF                      Location: Saint Petersburg and Russian regions                      Number of clinics: 13 (incl. 1 hospital)                      Number of in-patient beds: 12</p>
Women's health		

## Revenue, 2013



## Market share in commercial healthcare (2013)<sup>1</sup>



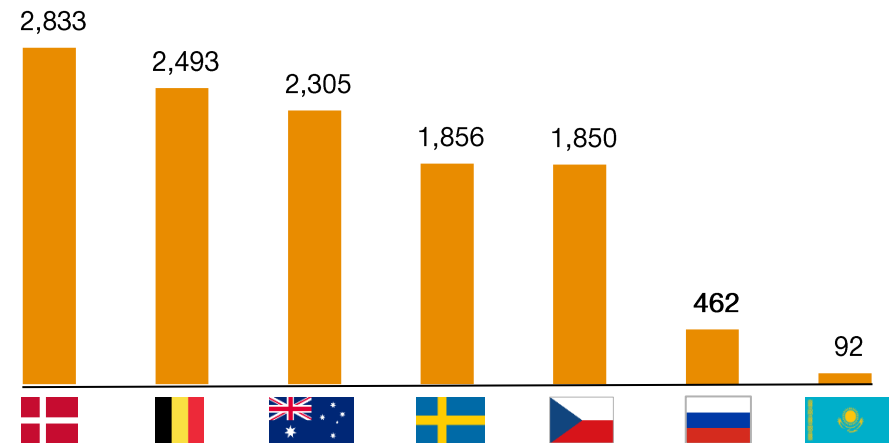
Note: 1 Based on market value of RUB254bn (US\$8.0bn) comprised of legal payments to healthcare providers  
 Source: Company data, public sources

# CASE STUDY: IVF SERVICES IN RUSSIA – HIGHLY ATTRACTIVE SEGMENT OF PRIVATE HEALTHCARE SERVICES

## Key aspects

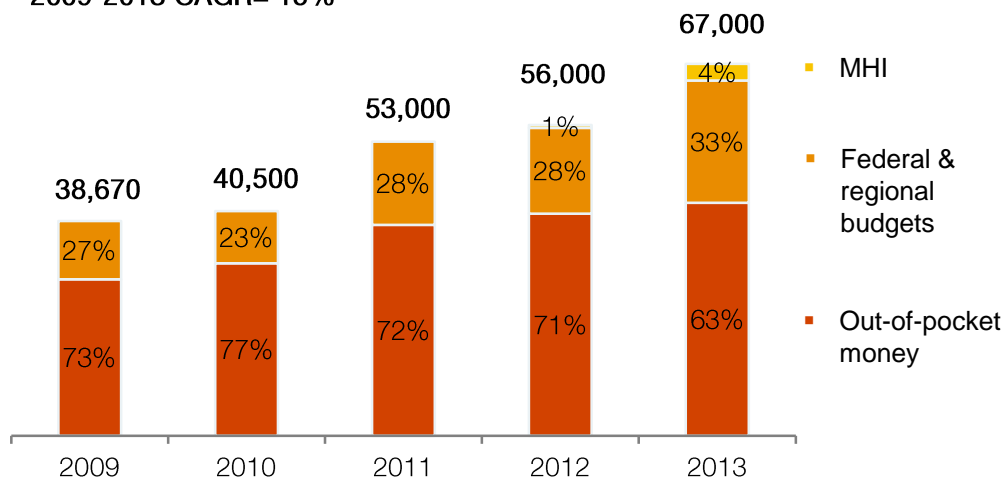
- IVF market in Russia continues to grow with CAGR for 2009 – 2013 of 15%
- Since 2012 government started to provide funding not only for IVF services in public hospitals (federal and regional budgets), but for private healthcare companies as well through MHI system
- General trend seen on the IVF market is reduction of funding provided by federal and regional budgets (only for public hospitals) and growing share of MHI funding. Meaning that private healthcare companies will get more MHI quota for IVF cycles
- It is expected that in 2014 total number of IVF cycles funded by MHI will grow up to 15 000

## Number of IVF cycles per 1 million people

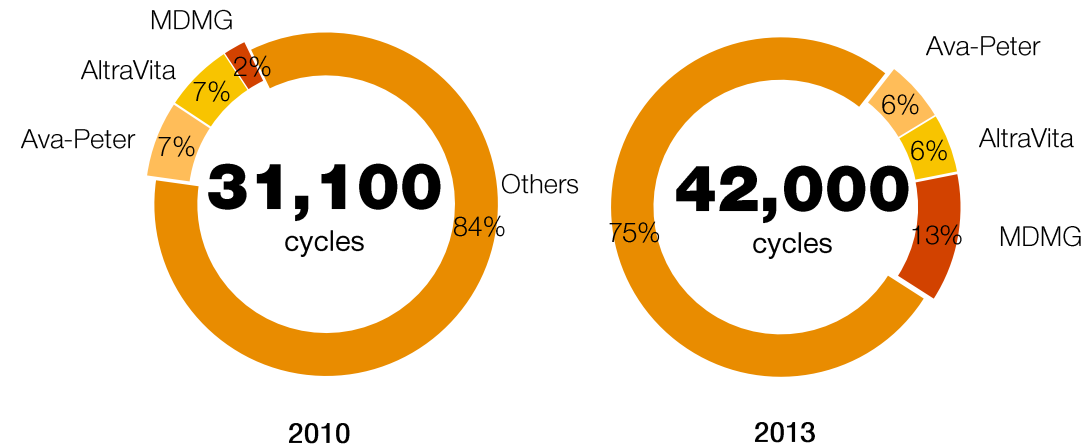


## IVF cycles in Russia by source of funding

2009-2013 CAGR= 15%



## Structure of IVF market covered by out-of-pocket money

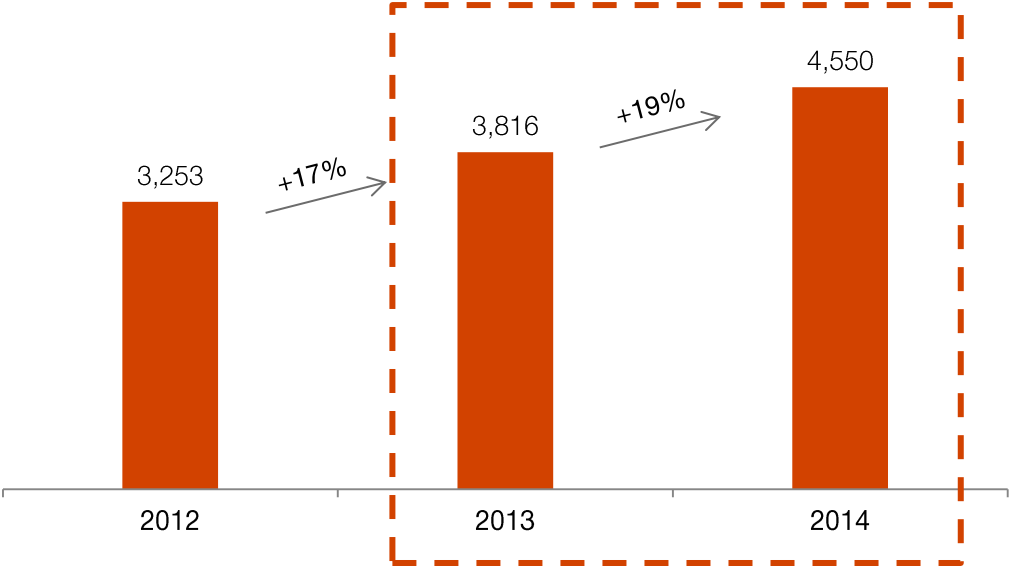


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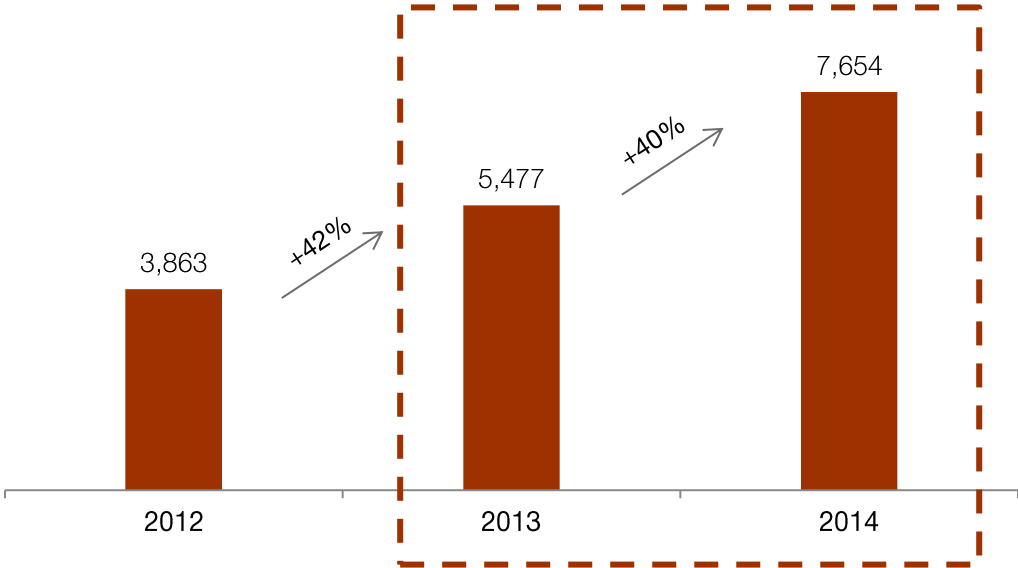
BUSINESS UPDATE

# OPERATIONAL RESULTS

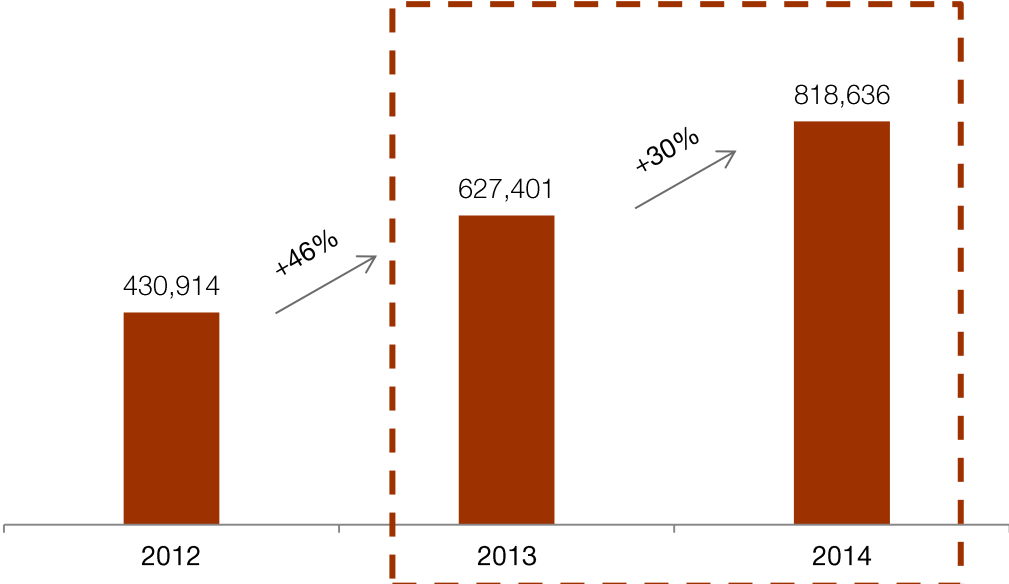
## Deliveries



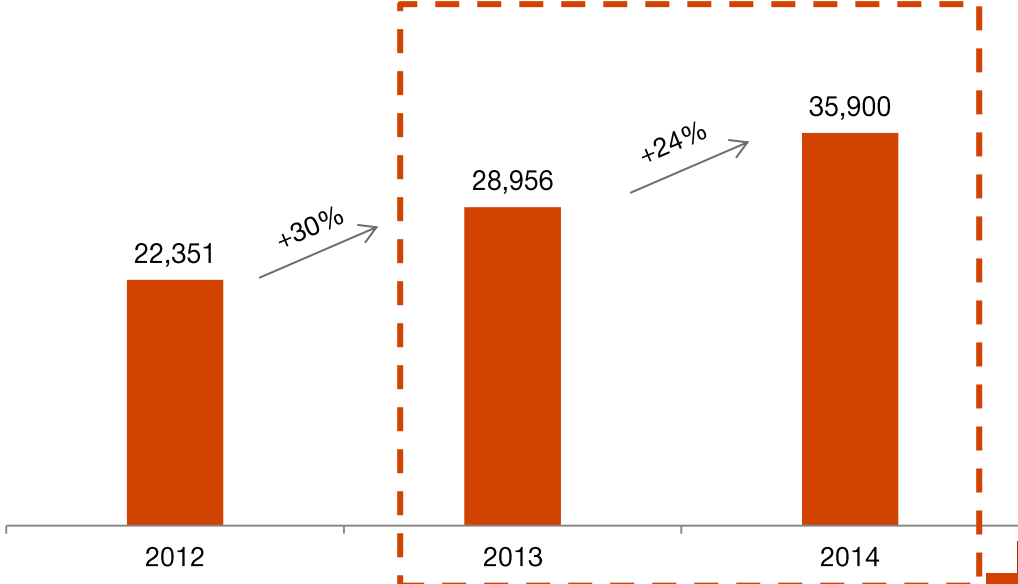
## IVF cycles



## Out-patient treatments



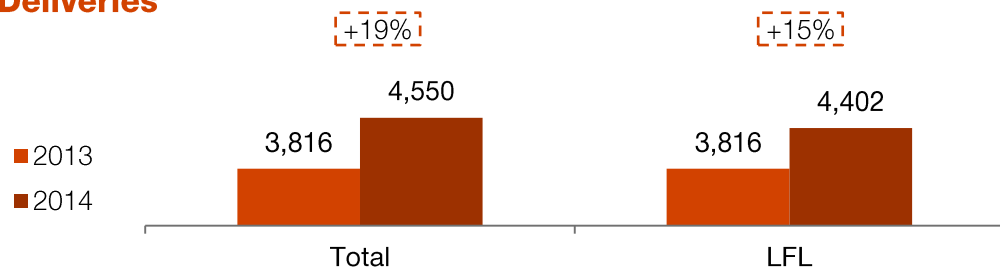
## In-patient treatments



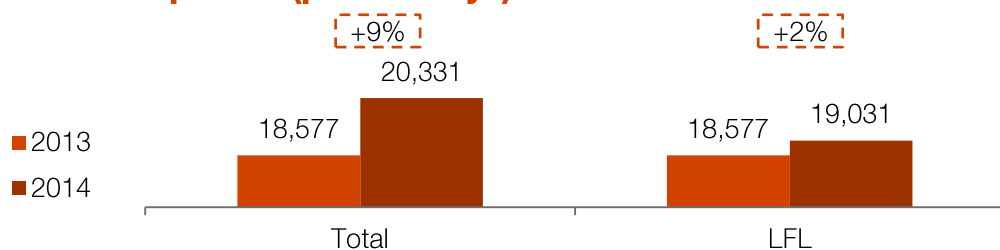
Source: unaudited management estimates

# OPERATING PERFORMANCE FOR 2014

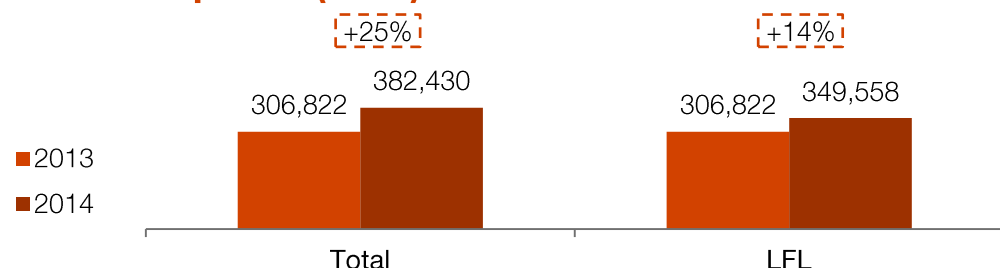
## Deliveries



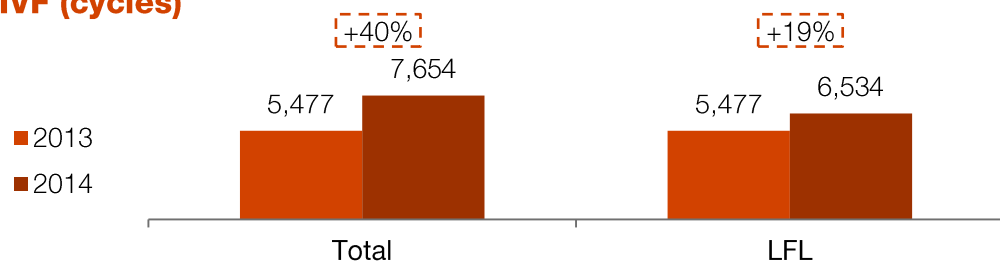
## OBGYN in-patient (patient-days)<sup>1</sup>



## OBGYN out-patient (visits)



## IVF (cycles)



Note: 1 OBGYN excl. deliveries  
Source: unaudited management estimates

## DELIVERIES

- In 12M 2014, the total number of deliveries increased 19% y-o-y to 4,550.
- The continuing growth of number of deliveries at Lapino hospital, consolidation of newly acquired Avicenna Medical Centre and first results of Ufa hospital were the growth drivers.

## OBGYN IN-PATIENT TREATMENTS

- The total number of in-patient treatments in 12M 2014 increased by 9% y-o-y to 20,331.
- Drivers of the growth were Lapino hospital and IDK clinics (Samara) as well as new Avicenna Medical Center and Ufa hospital.

## OBGYN OUT-PATIENT TREATMENTS

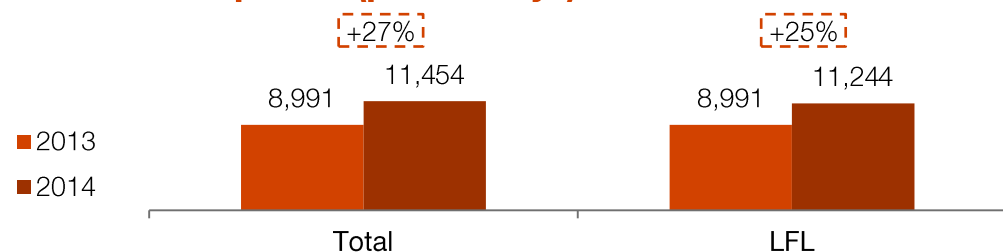
- The total number of OBGYN out-patient treatments in 12M 2014 increased by 25% to 382,430 visits.
- Key triggers for the growth were Lapino hospital, clinics in Samara and Irkutsk.

## IVF

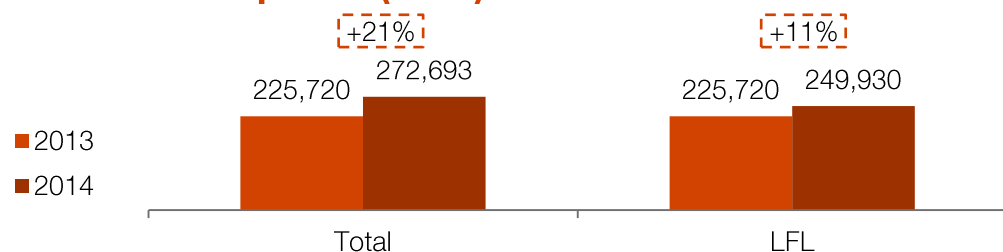
- The total number of IVF cycles in 2014 increased 40% y-o-y to 7,654.
- The overall growth in IVF cycles in FY 2014 was primarily due to strong performance of Lapino IVF department, clinics in Samara, Saint-Petersburg, Perm as well as positive effect of consolidation of Avicenna.

# OPERATING PERFORMANCE FOR 2014

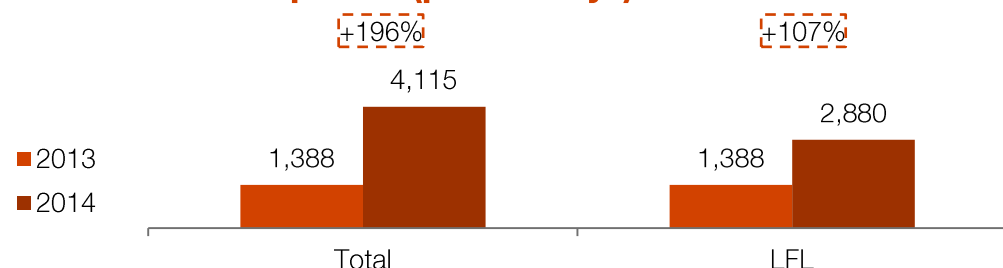
## Paediatrics in-patient (patient-days)



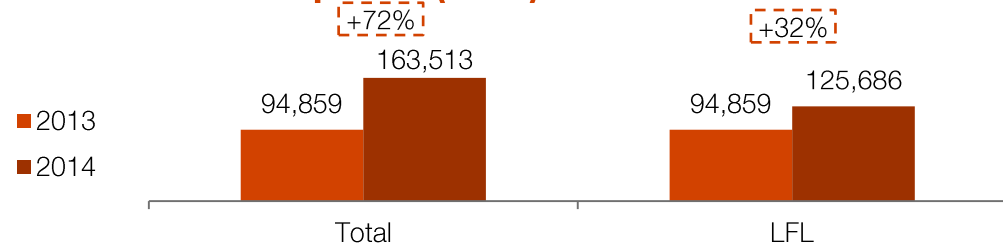
## Paediatrics out-patient (visits)



## Other services in-patient (patient-days)



## Other services out-patient (visits)



## PAEDIATRICS IN-PATIENT TREATMENTS

- The total number of paediatrics in-patient treatments in 12M 2014 increased by 27% to 11,454.
- The growth was supported by better performance of Lapino, PMC and consolidation of Avicenna.

## PAEDIATRICS OUT-PATIENT TREATMENTS

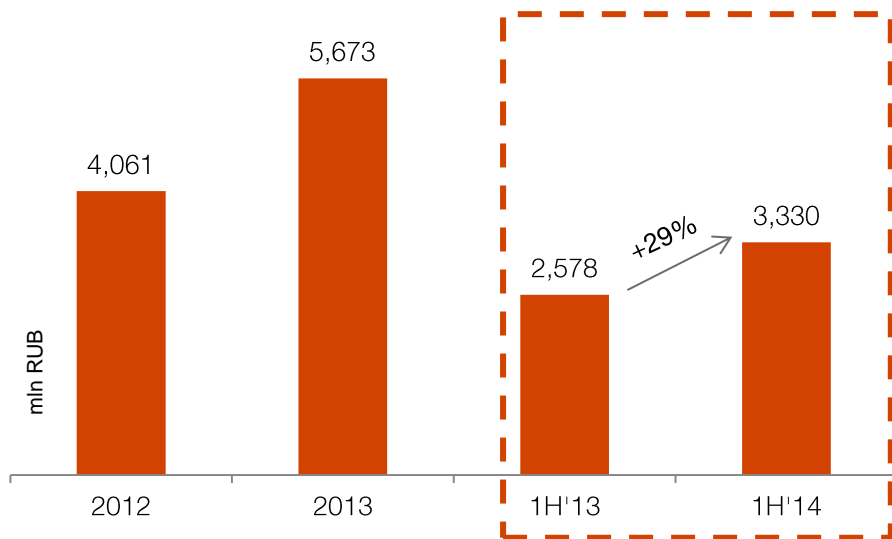
- The total number of paediatrics out-patient treatments in 12M 2014 increased by 21% to 272,693 visits.
- The total increase in out-patient treatments was mostly driven rapid growth in Lapino and IDK clinics (Samara) as well consolidation of Avicenna.

## OTHER MEDICAL SERVICES

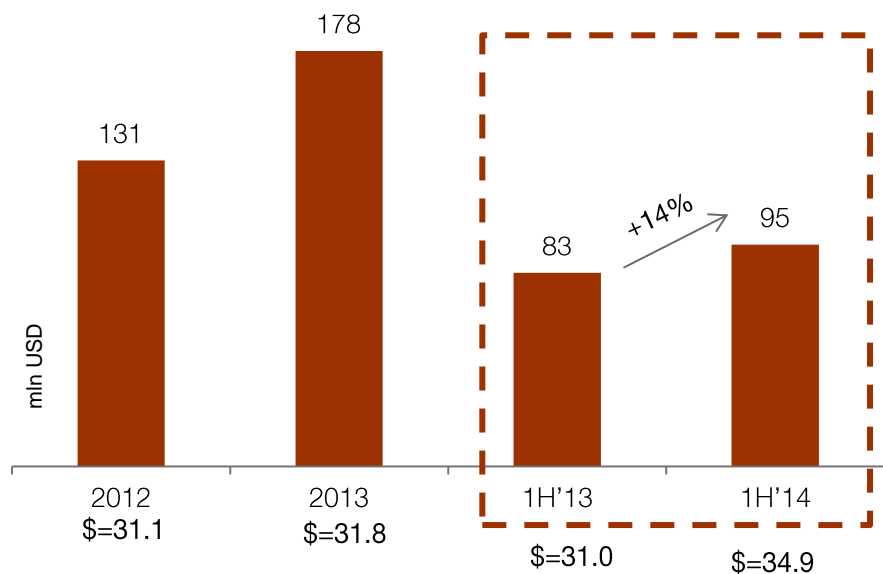
- The total number of other medical in-patients treatments (surgery and traumatology) in 12M 2014 increased by 196 % y-o-y to 4,115 due to growth of patient-days at Lapino and consolidation of Avicenna.
- The total number of other medical out-patient treatments in 12M 2014 increased by 72% y-o-y to 163,513.
- The largest share in other medical out-patient treatments growth was related to Avicenna Medical Center, diagnostic centers (IDK clinics (Samara) and Lapino) and number of rehabilitation treatments.

# KEY FINANCIAL INDICATORS FOR 1H 2014

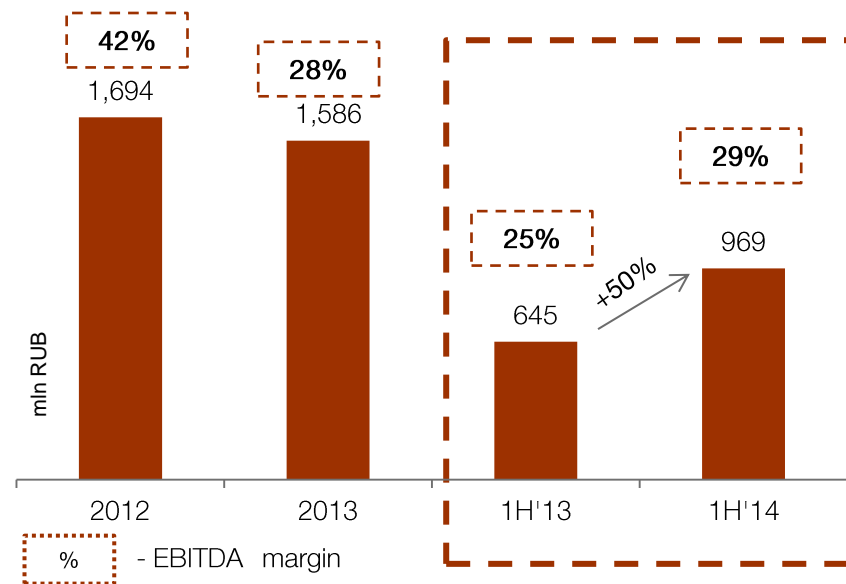
## Revenue



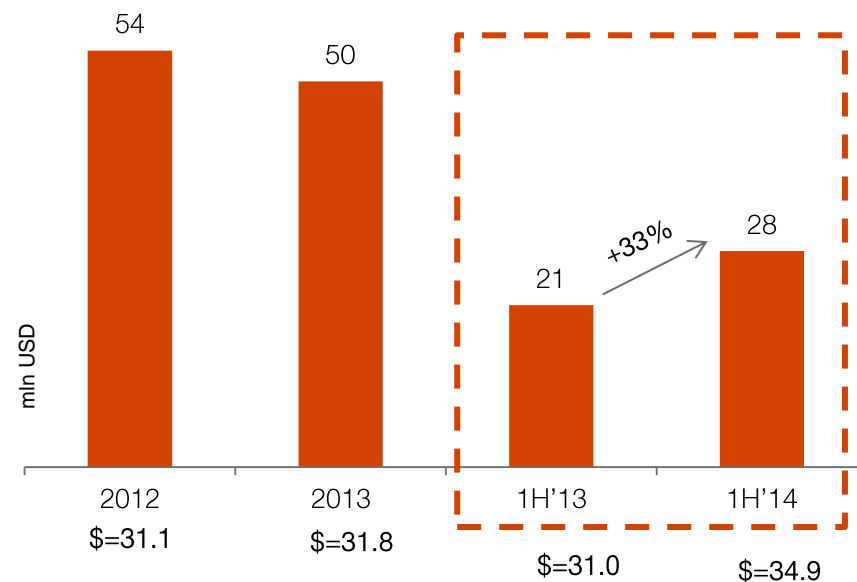
## Revenue in USD



## EBITDA and EBITDA margin



## EBITDA in USD



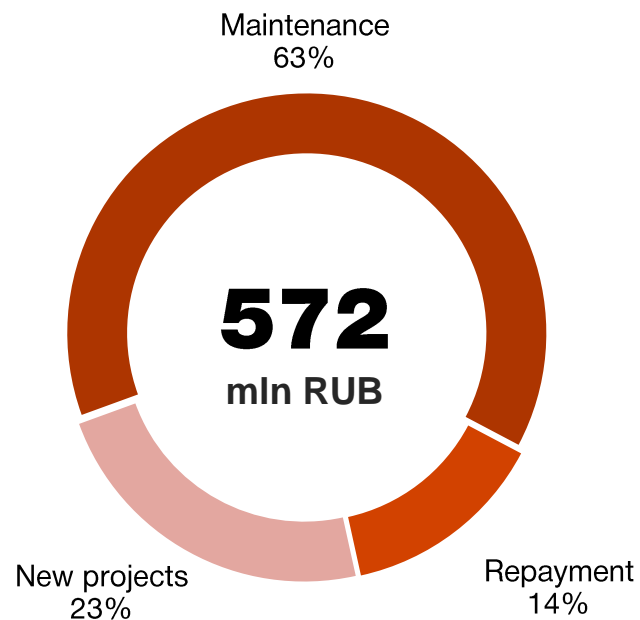
# CAPEX PLAN FOR 2015, ex. M&A

- Company approved CAPEX plan for 2015 in amount of 572 mln RUB, ex. potential M&A deals
- Management did not include CAPEX for new hospital for 2015 since:
  - At first, Ufa hospital should prove it is successful story. And afterwards the decision on construction of next hospital, city and size of project will be made based on Ufa ramp-up process and its results
  - Management of the Company decided to temporarily put on hold new hospital construction taking into account new macroeconomic



## Maintenance = 362 mln RUB:

- Equipment and instruments renewal
- IT projects



## New projects = 131 mln RUB:

- Optimisation of premises and its location for clinics in Samara
- Opening of IVF dep at MC Yugo-Zapad clinic
- Moving of MC Sokol clinic to new and more spacy premises

## Repayment = 79 mln RUB:

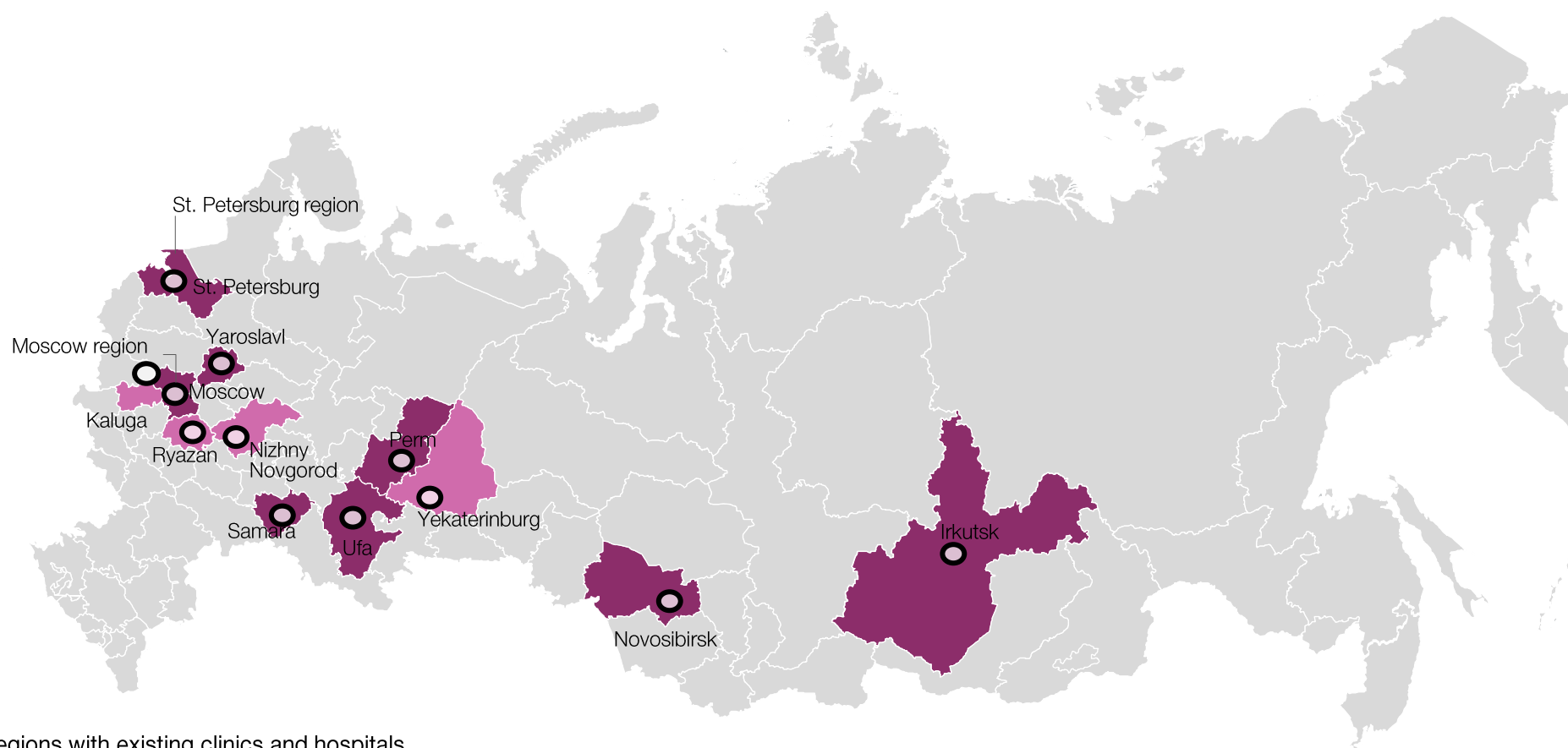
- Repayment of Lapino and Ufa



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OUR STRATEGY

# MID-TERM REGIONAL EXPANSION STRATEGY



- Regions with existing clinics and hospitals
- Target regions for planned mid-term expansion

## Key points

- Company sees its regional expansion as one of key strategic targets
- Presence in new regions would be achieved through organic growth and M&A
- Top priority for Company's attention would be cities with population over 1 mln people and high level of disposable income
- MDMG continues to look for new attractive locations in the cities of its presence, i.e. Moscow, Saint Petersburg

# STRATEGY IN ACTION: UFA, BASHKORTOSTAN

## Key facts about Ufa hospital

- The first Company's hospital outside of the Moscow region
- Total area is 33,000 m<sup>2</sup> with 192 beds
- Will provide employment opportunities for c.800 people
- A multi-purpose hospital offering a wide range of high-quality services, some of which are not currently available in the republic.

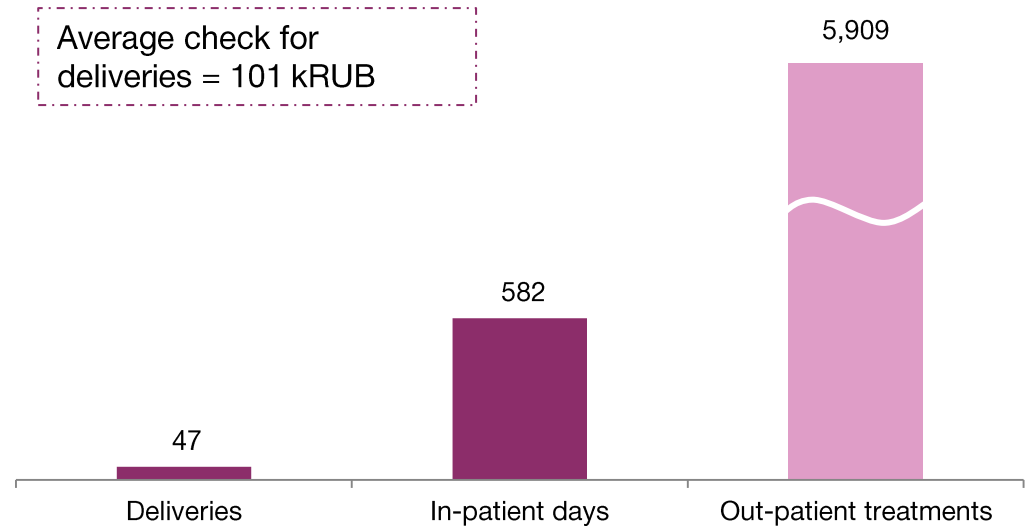
List of services will include:

- Deliveries
- IVF
- Gynaecology and obstetrics in- and out-patient care
- Paediatrics in- and out-patient care
- Neonatology
- Surgery, urology, stem cell bank

## Capacity

- Deliveries – 3,000 units
- OBGYN – 18,250 patient days
- IVF – 1,100 IVF cycles
- Paediatrics – 13,500 patient days
- Out-patient services capacity - c245k admissions

## First operational results & average ticket for 2014



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CHANGES IN RUSSIAN LAWS

# CHANGES IN RUSSIAN LAWS

## Came into force

### DE-OFFSHORISATION LEGISLATION

- **Status:** Came into force since Jan 1, 2015
- **New legal conceptions** introduced into Russian laws: Controlled foreign companies (CFC) and Russian tax residence
- **Management plan (to be confirmed):** to register MDMG as Russian tax resident
- **Timeline:** 1H 2015
- **Subsequent changes for investors and the Company:**
  - Achievement of the proper formalization of the corporate governance structure within the Group and land the effective management of the Group in Russia, incl. Board of Directors
  - Reduction of tax cost on distribution of dividends to the level of MDMG down to 0% which will improve the tax efficiency of reinvesting the funds back into the operational business
  - Withholding tax on dividends distributed by MDMG to minority shareholders will increase from current 0% up to 5-15% (standard rate is 15%). *A reduced rate may be available for shareholders tax resident in certain states with which Russia has a double tax treaty allowing for a special rate with no additional requirements (e.g. treaties with USA, UK, Ireland and some other states allow a 10% rate with no additional criteria to meet)*
- Company's dividend tax burden will not increase despite the change of dividend tax rate up to 15% due to different tax base. Previously dividend tax was paid based on 100% amount of dividends distributed to MDMG, while after moving to Russian residence Company will pay dividend tax based only on the part of net profit which will be paid out as dividend.

## Came into force

### CHANGES in CALCULATION OF REGRESSIVE SOCIAL TAX

- **Status:** Came into force since Jan 1, 2015
- **Changes:** 1) Limits used for regressive calculations were increased in 2015.
  - 2) Social tax that was paid in a part of MHI had cumulative limit. When cumulative salaries exceeded the limit tax rate went down from 5.1% to 0%. Since 2015 cumulative limits for MHI tax payments were cancelled.

2014		2015	
Cumulative Salaries	Tax rate	Cumulative Salaries	Tax rate
<624 kRUB	30.2%	<670 kRUB	30.2%
-	-	670 kRUB – 711 kRUB	27.3%
>624 kRUB	10.2%	>711 kRUB	15.3%

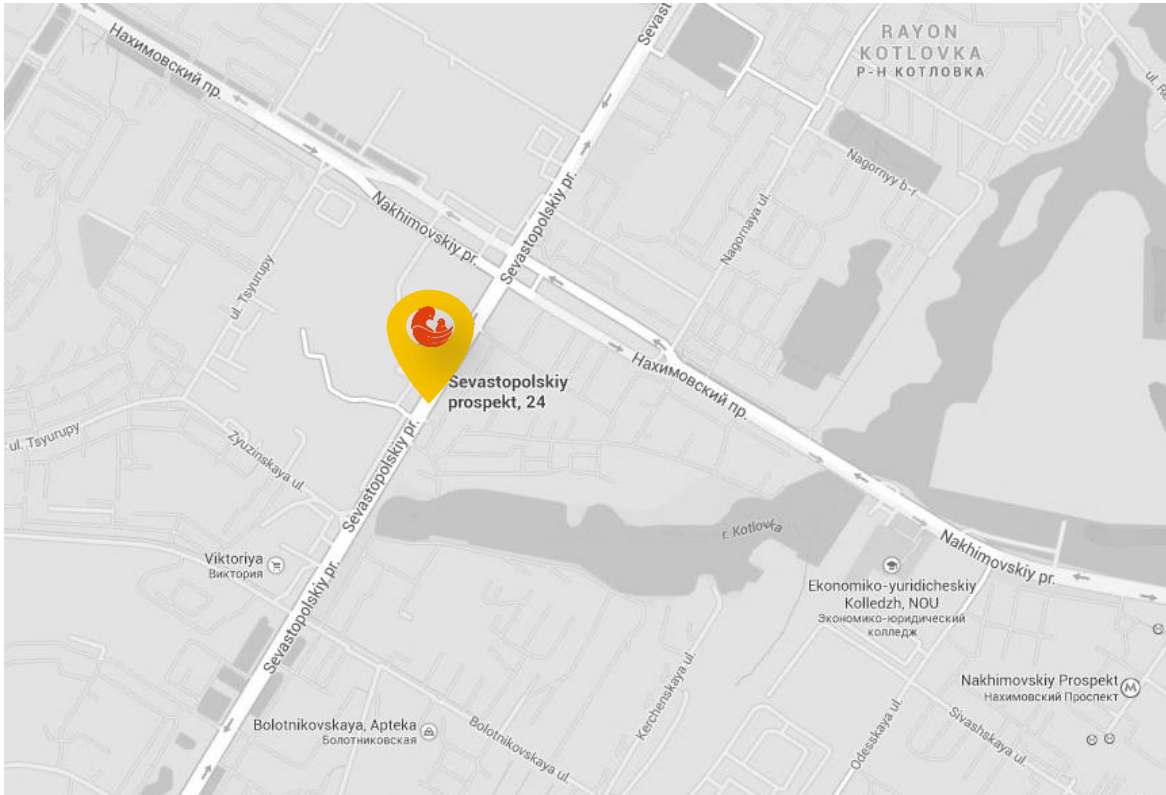
- **Estimated effect:** -0.6 p.p. for 2014 EBITDA margin or around -45 mln RUB on EBITDA line based on annualised 1H 2014 results

# CONTACTS



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# Appendix



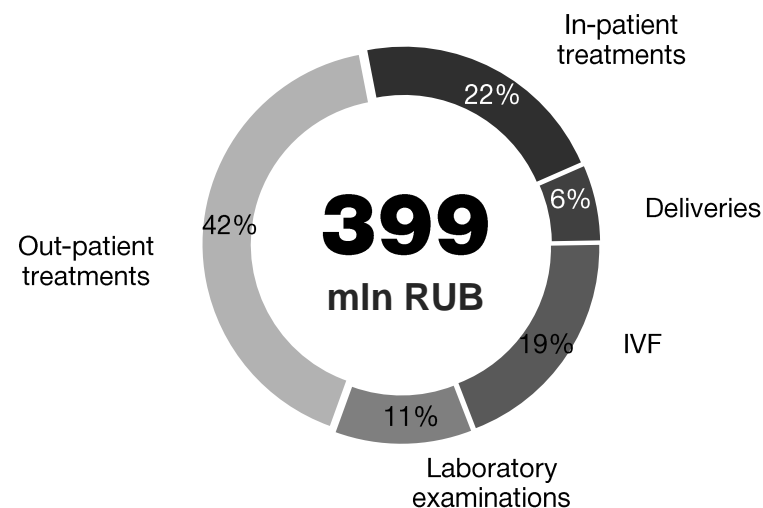
# AVICENNA MEDICAL CENTER & TRANSACTION OVERVIEW

- Avicenna Medical Center is the largest private healthcare company in Russia outside of Moscow & St. Petersburg
- AMC is efficiently run business that operates on the market for 18 years
- Medical facilities include 4 operating medical facilities:
  - multi-disciplinary medical clinic with its own laboratory
  - diagnostic centre
  - cardiological clinic
  - hospital with maternity ward and general medicine departments
- Provided services are:
  - obstetrics and gynecology
  - paediatrics
  - IVF
  - different types of diagnostics
  - oncology, cardiology, urology, dental care etc.
- Key transaction parameters:
  - Cash consideration - \$45.5 mln
  - Funds - 80% debt / 20% own funds
  - Special terms - 5% of payment will be on escrow account until the new hospital will be put into operation and adjoined to Avicenna (expected in 2016-2017)

## New region of MDMG presence



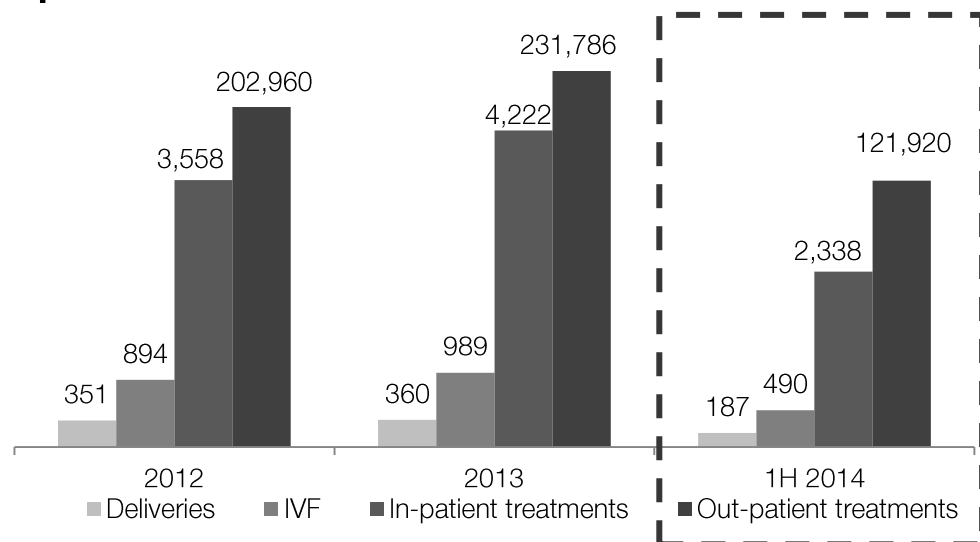
## Revenue structure 1H'2014



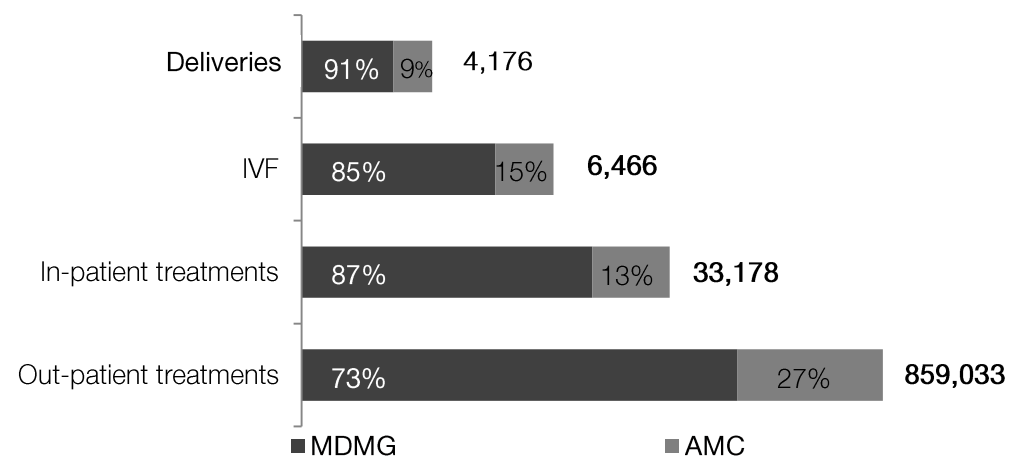


# AVICENNA KEY OPERATIONAL & FINANCIAL METRICS

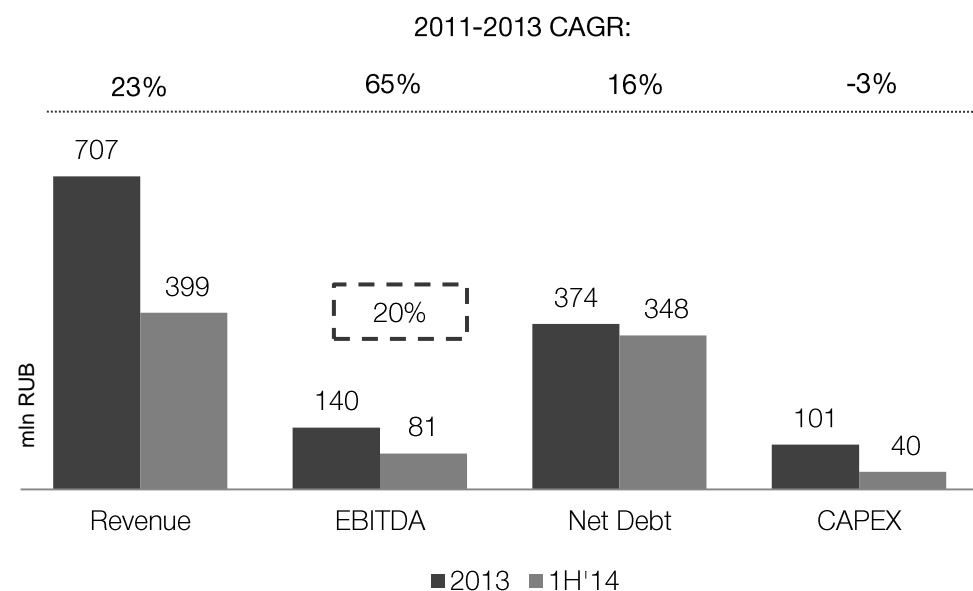
## Operational results



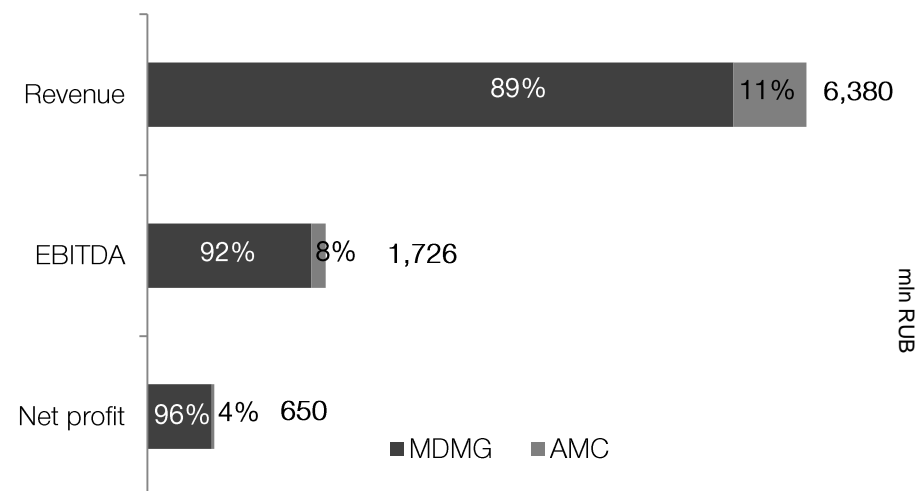
## Pro-forma consolidated operational results for 2013 – relative contribution



## AMC key financials



## Pro-forma consolidated financials for 2013 – relative contribution



Source: Company information