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MOTHER & CHILD
GROUP OF COMPANIES

MD MEDICAL GROUP DEUTSCHE BANK CEEMEA CONFERENCE

20 January, 2017



Photo: OR1 Integrated operating theatre in Ufa hospital

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COMPANY OVERVIEW

OVERVIEW OF THE COMPANY

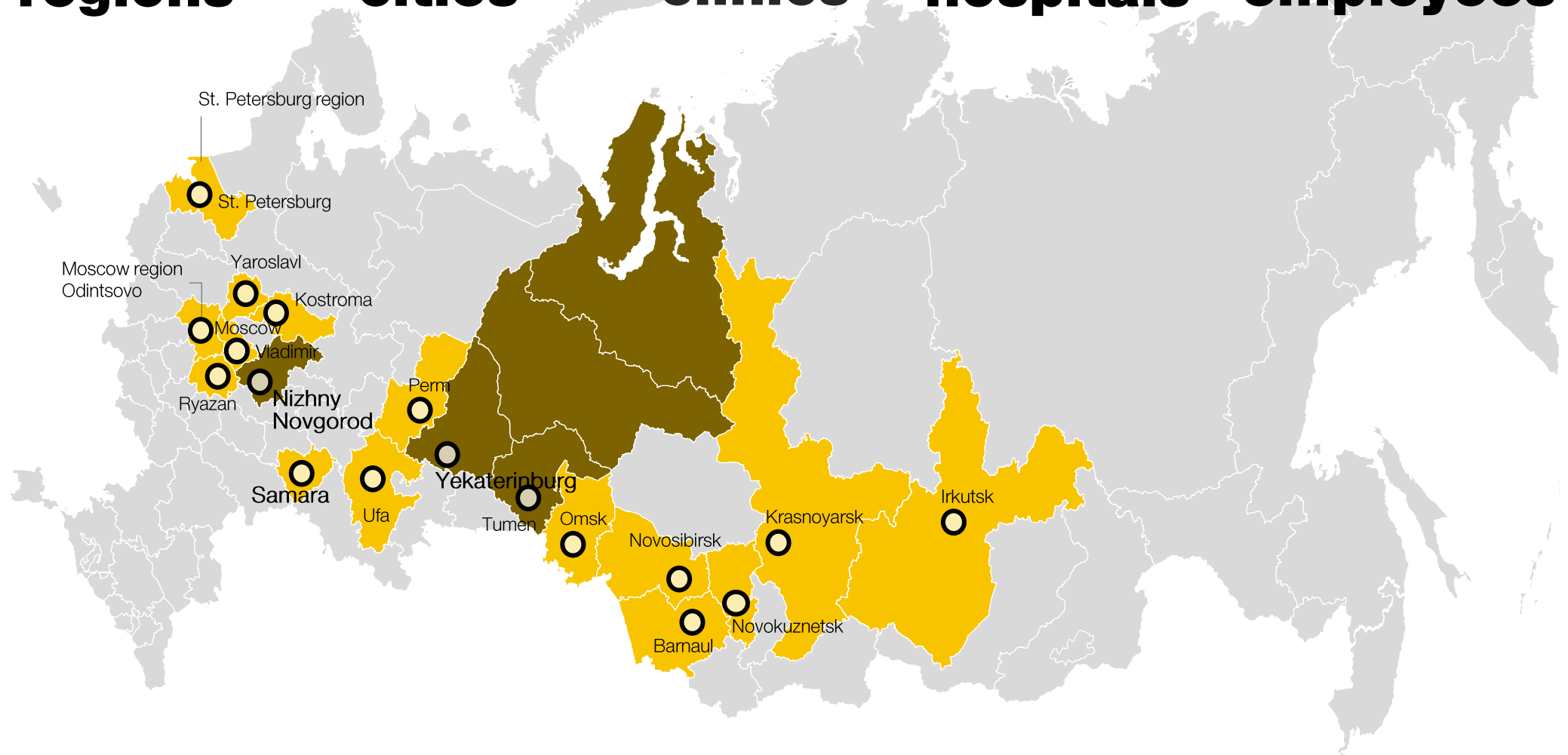
16
regions

19
cities

28
clinics

4
hospitals

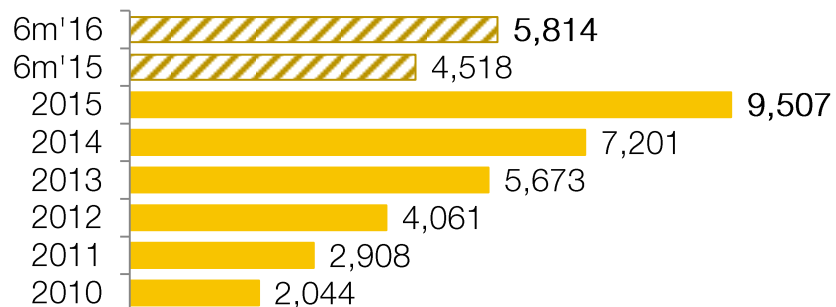
≈6,000
employees



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

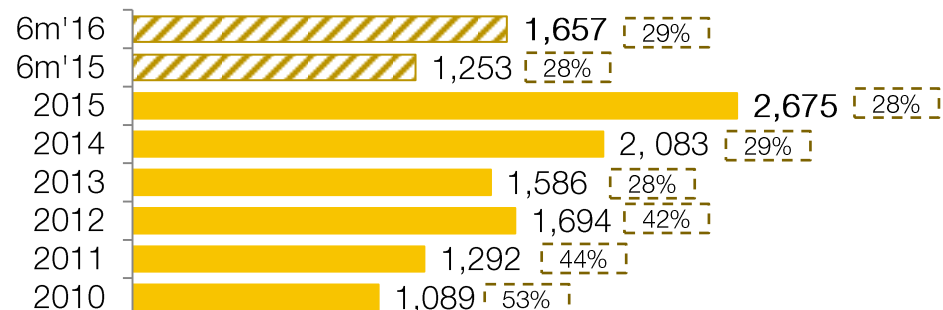
EXCELLENT FINANCIAL PERFORMANCE

Revenue



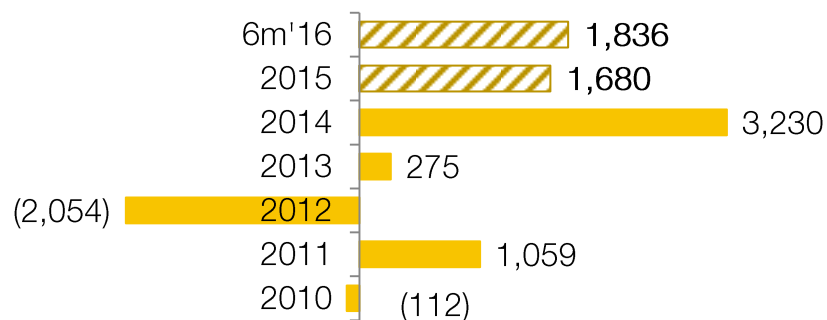
CAGR 2012-2015
+36%

EBITDA



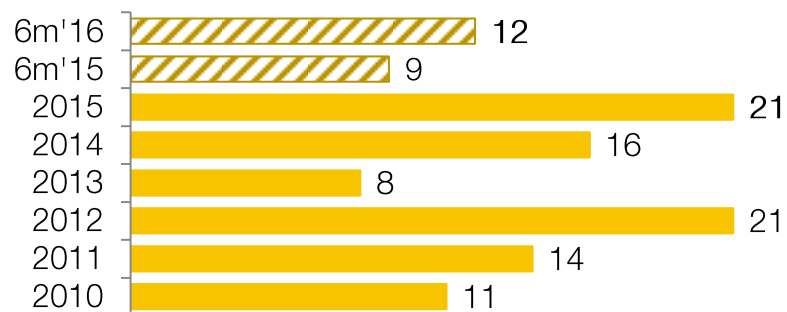
CAGR 2012-2015
+20%

Net Debt



Net debt/EBITDA ratio
0.6x

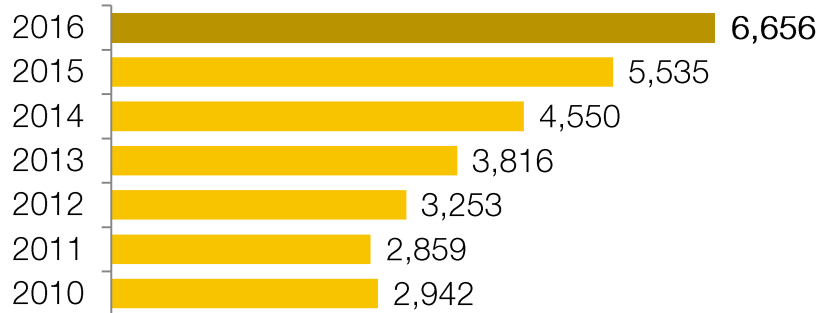
EPS



CAGR 2012-2015
+14%

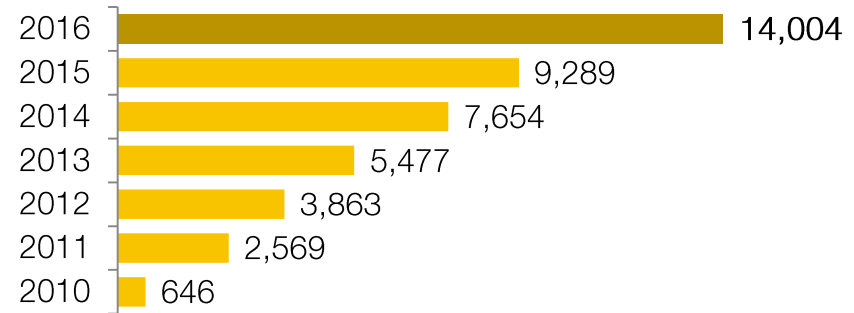
OPERATIONAL RESULTS

Deliveries



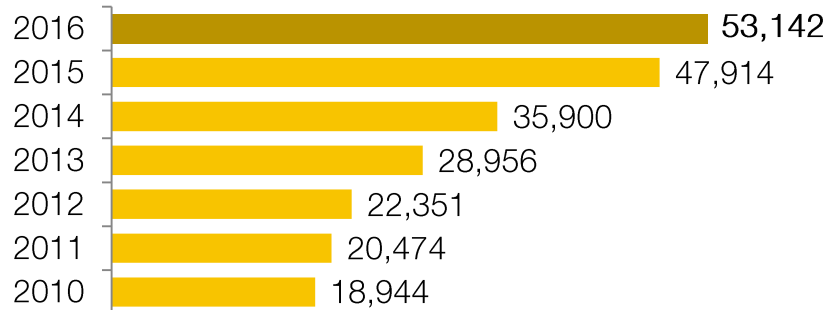
CAGR 2010-2016
+15%

IVF



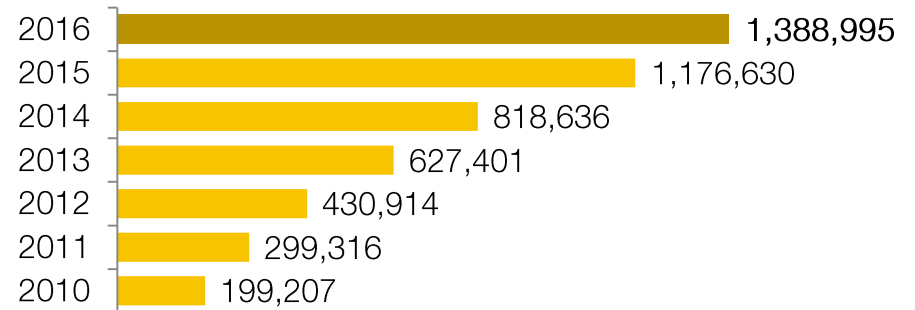
CAGR 2010-2016
+67%

In-patient treatments



CAGR 2010-2016
+19%

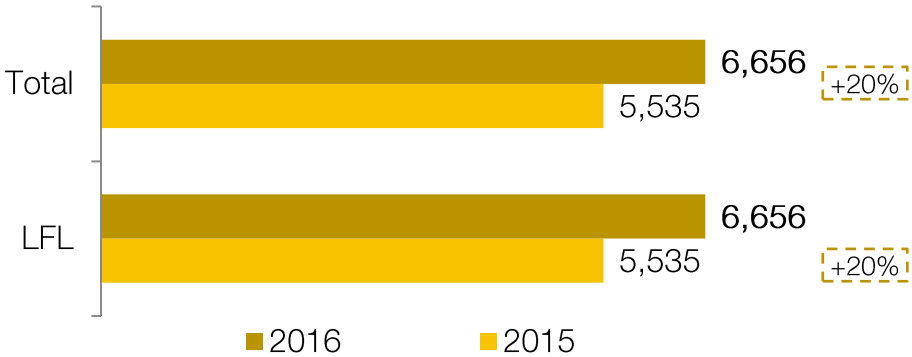
Out-patient treatments



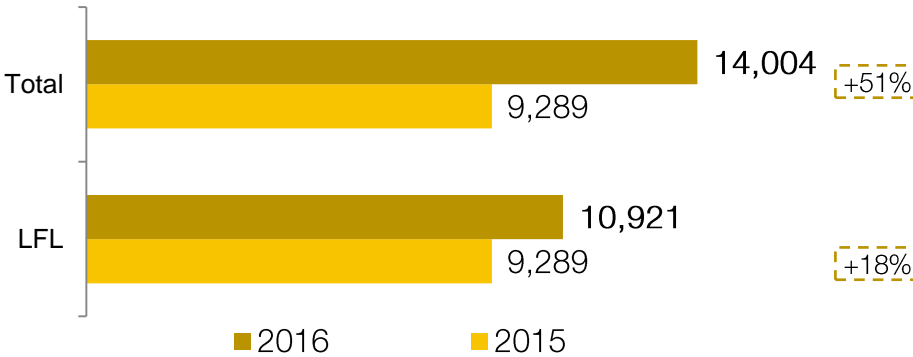
CAGR 2010-2016
+38%

OPERATING PERFORMANCE FOR FY2016

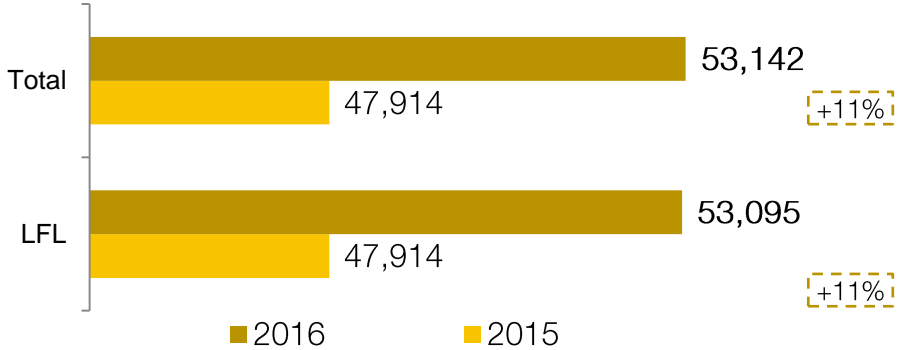
Deliveries



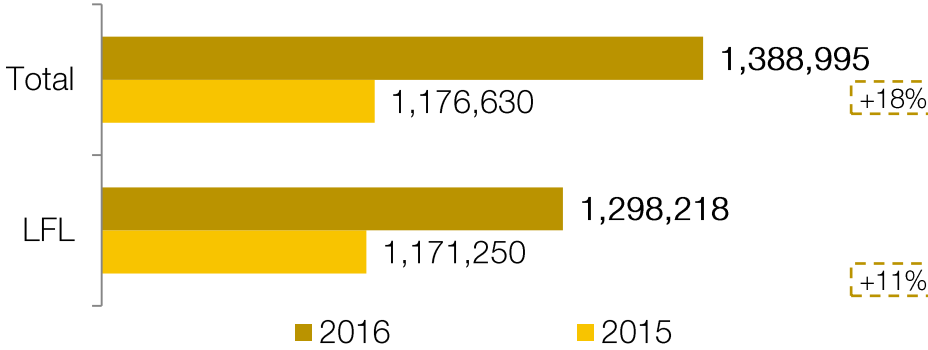
IVF



In-patient treatments

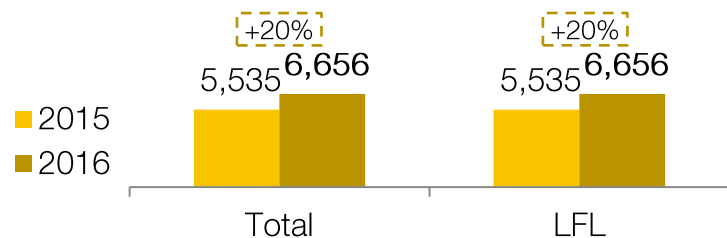


Out-patient treatments

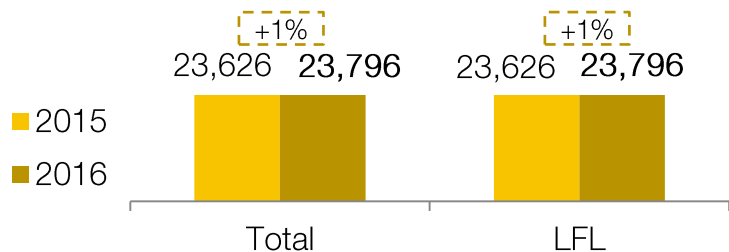


OPERATING PERFORMANCE FOR FY2016

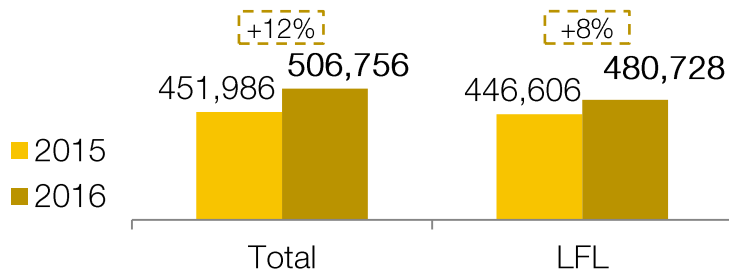
DELIVERIES



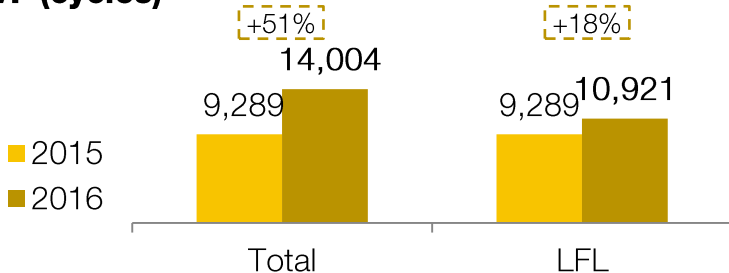
OBGYN in-patient (patient-days)¹



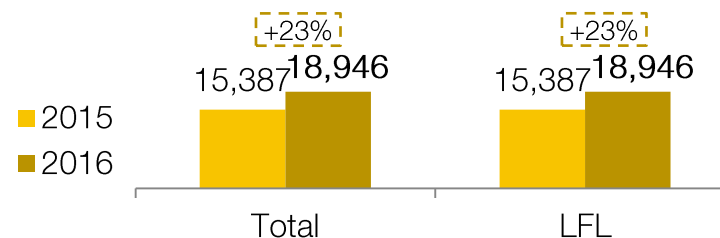
OBGYN out-patient (visits)



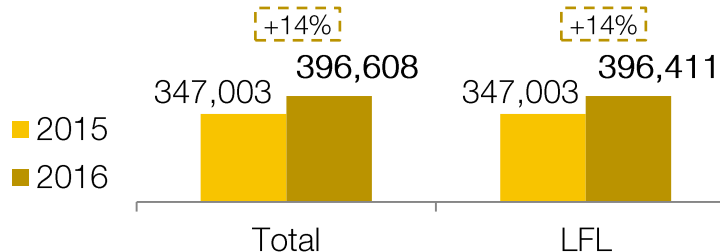
IVF (cycles)



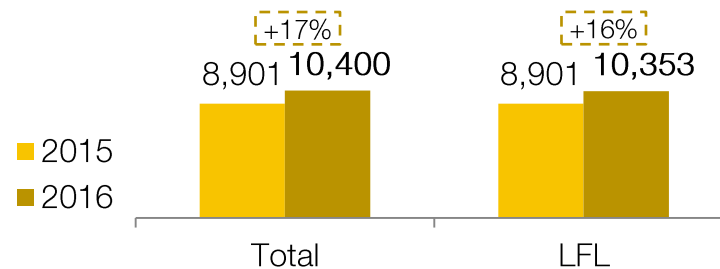
PAEDIATRICS in-patient (patient-days)



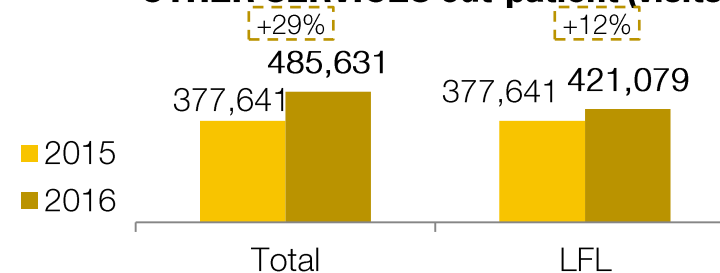
PAEDIATRICS out-patient (visits)



OTHER SERVICES in-patient (patient-days)



OTHER SERVICES out-patient (visits)



2

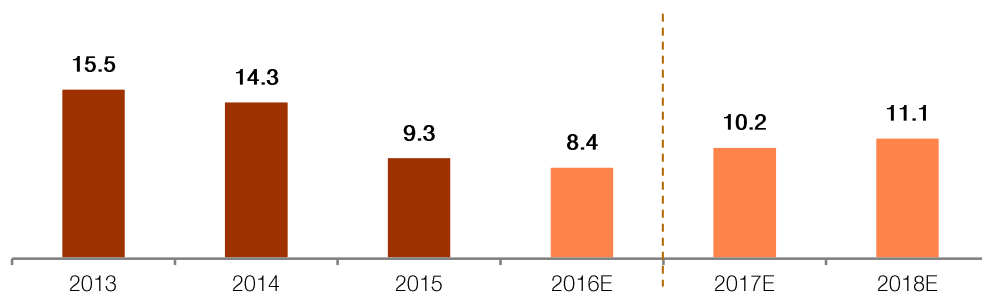
MARKET OVERVIEW

HIGHLY ATTRACTIVE PRIVATE HEALTHCARE SERVICE MARKET

Population welfare returning to growth...

GDP per capita, '000 \$ per year

Growth, YoY **3.5%** **(7.6%)** **(35.4%)** **(9.5%)** **21.8%** **8.2%**

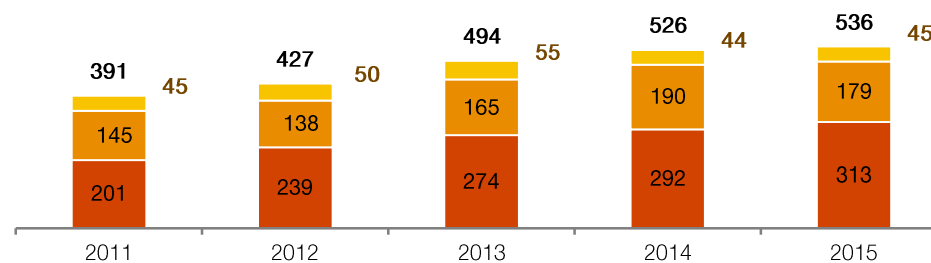


... and increasing healthcare expenditures...

Household healthcare expenditures, RUB per month

■ Pharmaceuticals ■ Out-patient services ■ In-patient services

CAGR 2011-2015= 8.3%



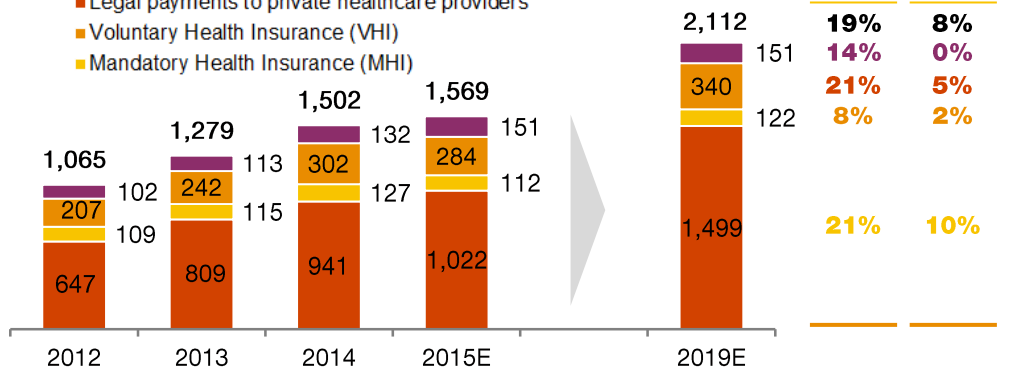
... resulting in growth of fee-for-service healthcare market...

Fee-for-service healthcare market. RUB bn

■ Grey market
 ■ Legal payments to private healthcare providers
 ■ Voluntary Health Insurance (VHI)
 ■ Mandatory Health Insurance (MHI)

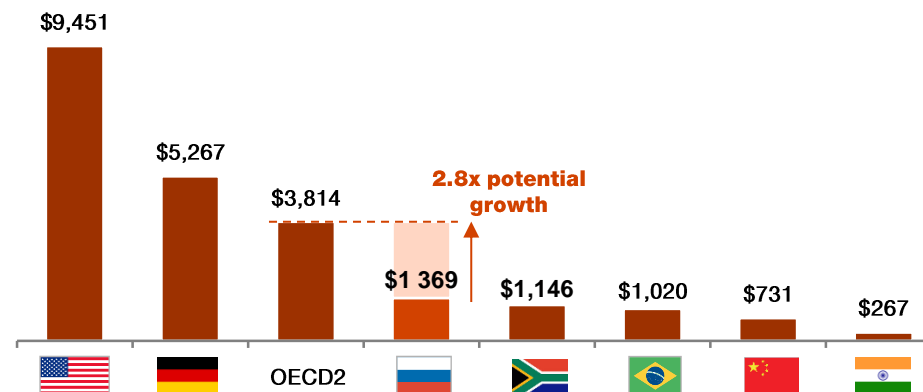
CAGR

12-14 15E-19E



... with significant room for further upside

Per capita healthcare expenditures¹










Source: Rosstat, BusinesStat 2014, OECD, Global Insight, Company data

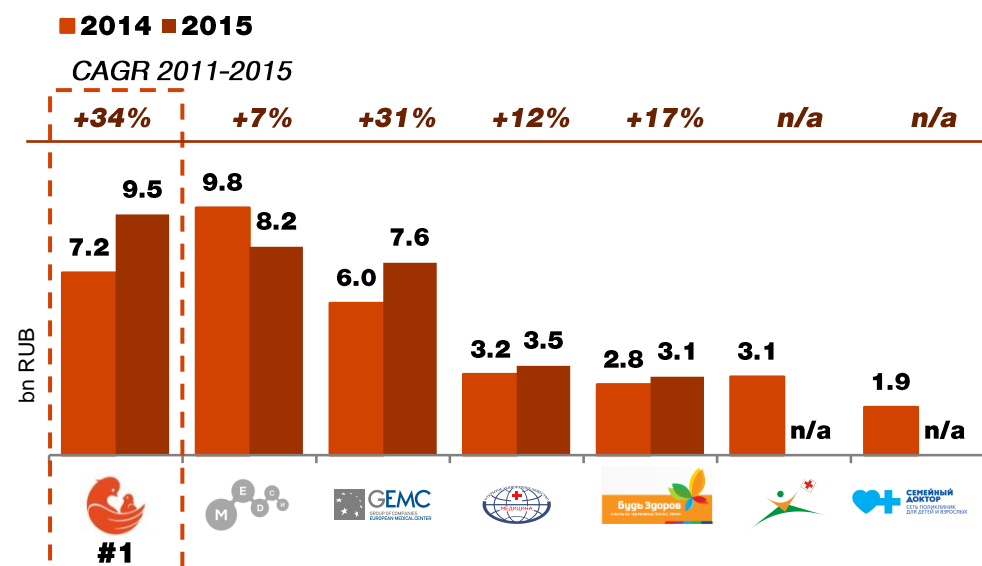
Note: ¹ Based on data as of 2015 or latest available; ² Member countries of the Organization for Economic Co-operation and Development

LEADING PRIVATE HEALTHCARE PLAYER

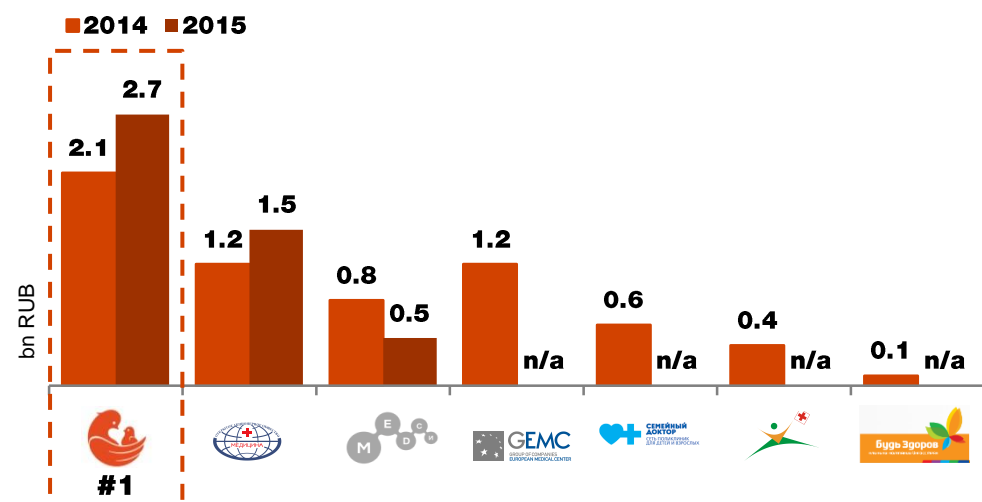
Private healthcare providers

MI		<p>Focus: Women's health and paediatrics Location: Moscow and Russian regions Number of clinics: 28 Number of hospitals: 4 Number of in-patient beds: 648</p>
GE		<p>Focus: General practices Location: Moscow and Russian regions Number of clinics: 31 clinics (incl. 2 hospitals) Number of in-patient beds: 829¹</p>
		<p>Focus: General practices Location: Moscow Number of clinics: 1 hospital Number of in-patient beds: 105</p>
		<p>Focus: General practices, trauma Location: Moscow Number of hospitals: 4</p>
		<p>Focus: General practices Location: Moscow and Saint Petersburg Number of clinics: 18</p>
		<p>Focus: General practices Location: Moscow and Russian regions Number of clinics: 11</p>
wo		<p>Focus: Women's health, IVF Location: Saint Petersburg and Russian regions Number of clinics: 13 (incl. 1 hospital) Number of in-patient beds: 106</p>

Key private market players by revenue (2015)



Key private market players by EBITDA (2015)



Source: Company data, public sources

¹ As of 2014YE

3

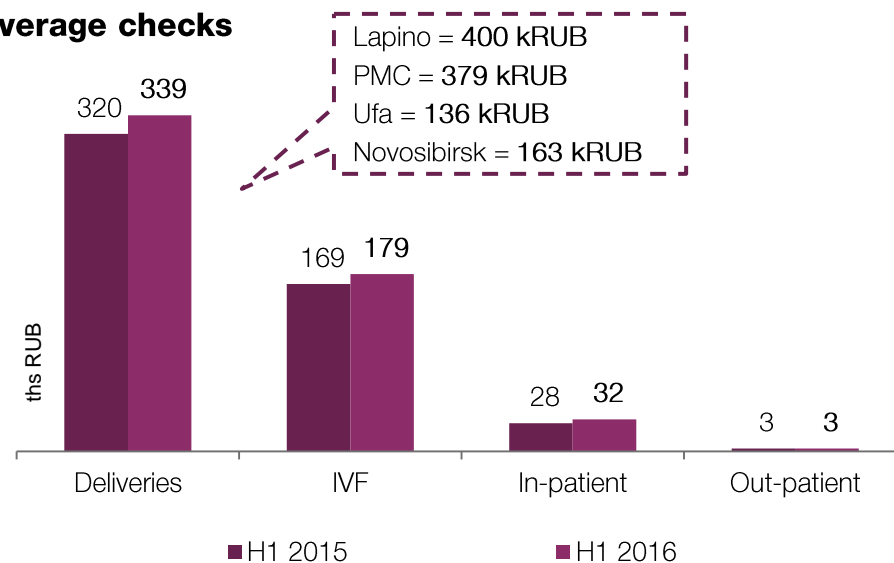
H1 2016

FINANCIAL RESULTS ANALYSIS

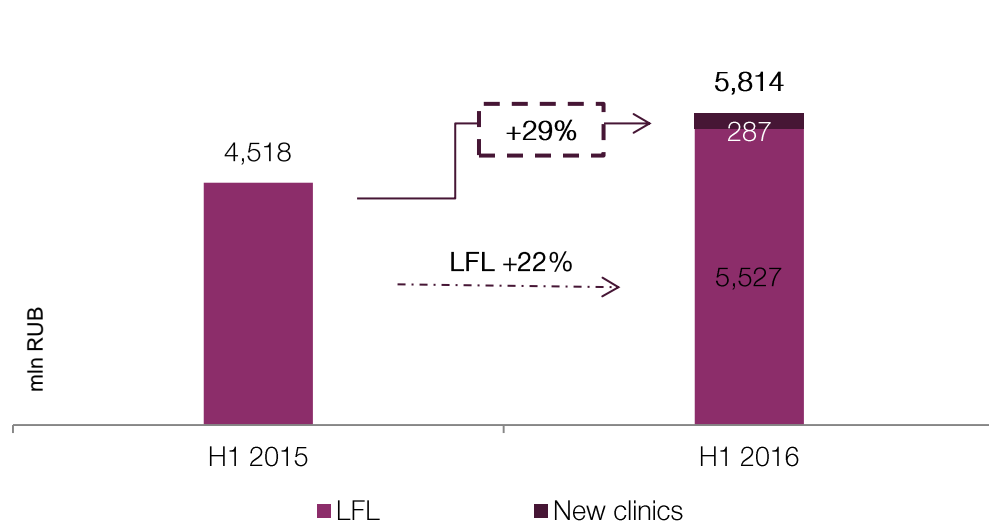
KEY FINANCIAL INDICATORS FOR H1'16

- The Company increased its revenue and EBITDA in H1'16 by 29% and 32% respectively vs. H1'15
- EBITDA margin was 29%
- LFL revenue and EBITDA grew by 22% and 29% correspondingly
- Average tickets grew up year-on-year:
 - +6% - deliveries
 - +6% - IVF
 - +14% - in-patient treatments
 - Remained flat for out-patient visits

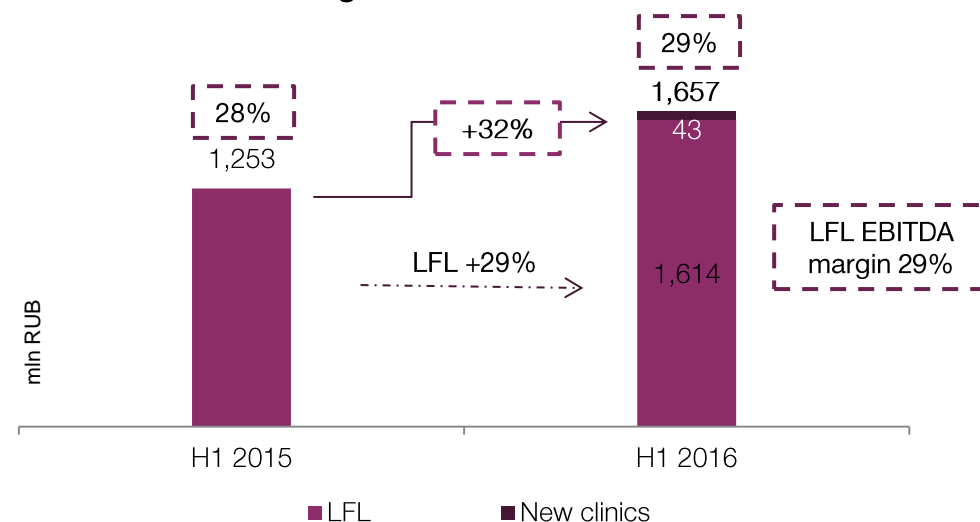
Average checks



Revenue



EBITDA & EBITDA margin

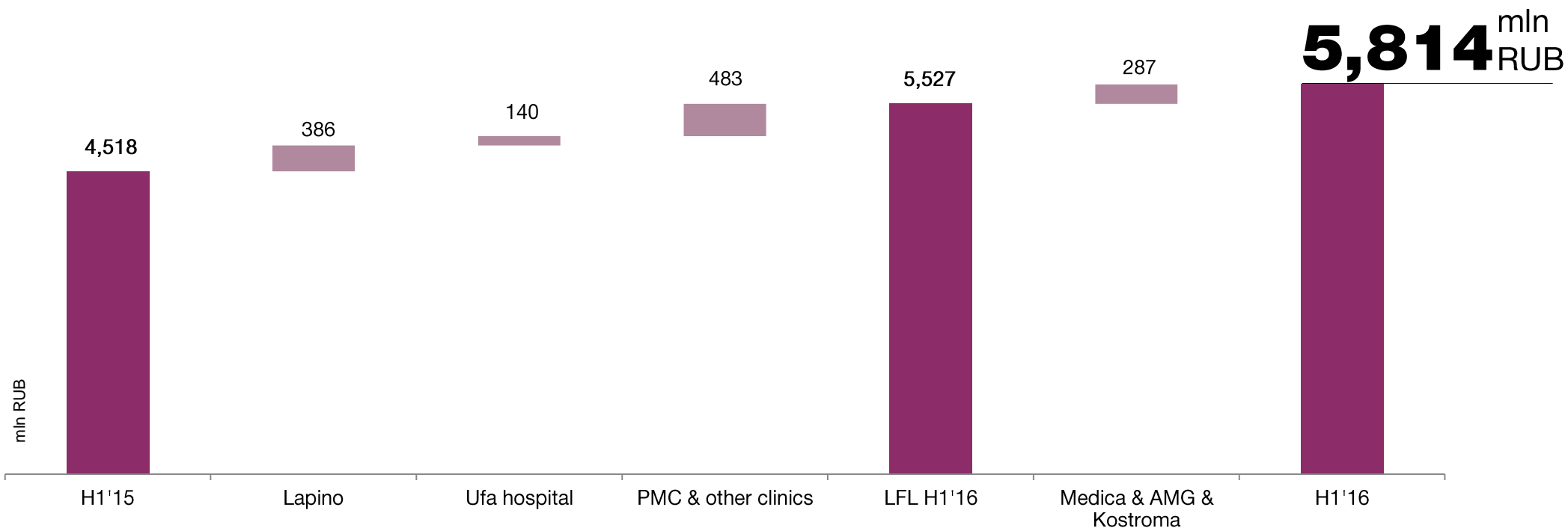


REVENUE BRIDGE ANALYSIS

Revenue increased 29% y-o-y to RUB 5,814 mln

- LFL revenue increased 22% or by RUB 1,009 mln since:
 - For the 4th year in a row Lapino continues to be the largest solitary contributor to LFL revenue increase, adding RUB 386 mln or 8.5% to Group revenue
 - Other Group's clinics contributed an additional 14% or RUB 623 mln
- M&C Kostroma and newly acquired clinics in Siberia (former Medica and ARTMedGroup) in total contributed RUB 287 mln

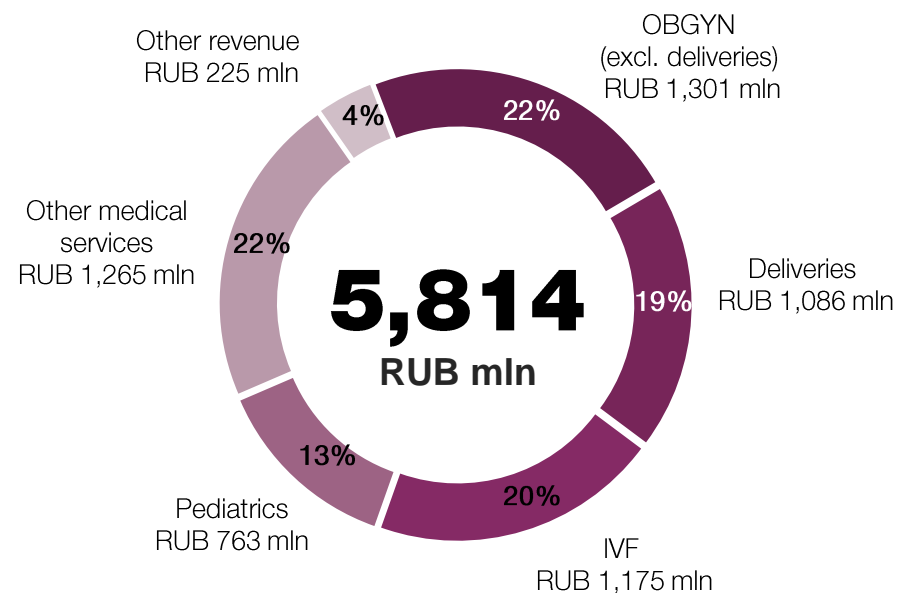
Revenue bridge H1 2016 vs H1 2015



REVENUE STRUCTURE

- The Group's revenue structure saw some changes y-o-y:
 - +4 p.p. increase in IVF' revenue share (20% vs. 16% in H1'15)
 - 2 p.p. decrease in OBGYN ex. deliveries revenue share (22% vs. 24% in H1'15)
 - 1 p.p. was lost by both other medical services and paediatrics
- Most of the top-line growth was ensured by:
 - IVF which grew by RUB 464 mln, 65% y-o-y
 - Deliveries increased by RUB 237 mln, 28% y-o-y
 - Other Medical Services' revenue grew by RUB 230 mln, 22% y-o-y

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, RUB mln

H1 2015	H1 2016	Change, %	Type of revenue	LFL H1 2015	LFL H1 2016	Change, %
1,094	1,301	19% ↑	OBGYN (excl. deliveries)	1,094	1,279	17% ↑
849	1,086	28% ↑	Deliveries	849	1,086	28% ↑
711	1,175	65% ↑	IVF	711	966	36% ↑
642	763	19% ↑	Paediatrics	642	763	19% ↑
1,036	1,265	22% ↑	Other medical services	1,036	1,209	17% ↑
187	225	21% ↑	Other revenue	187	225	21% ↑
4,518	5,814	29%		4,518	5,527	22%

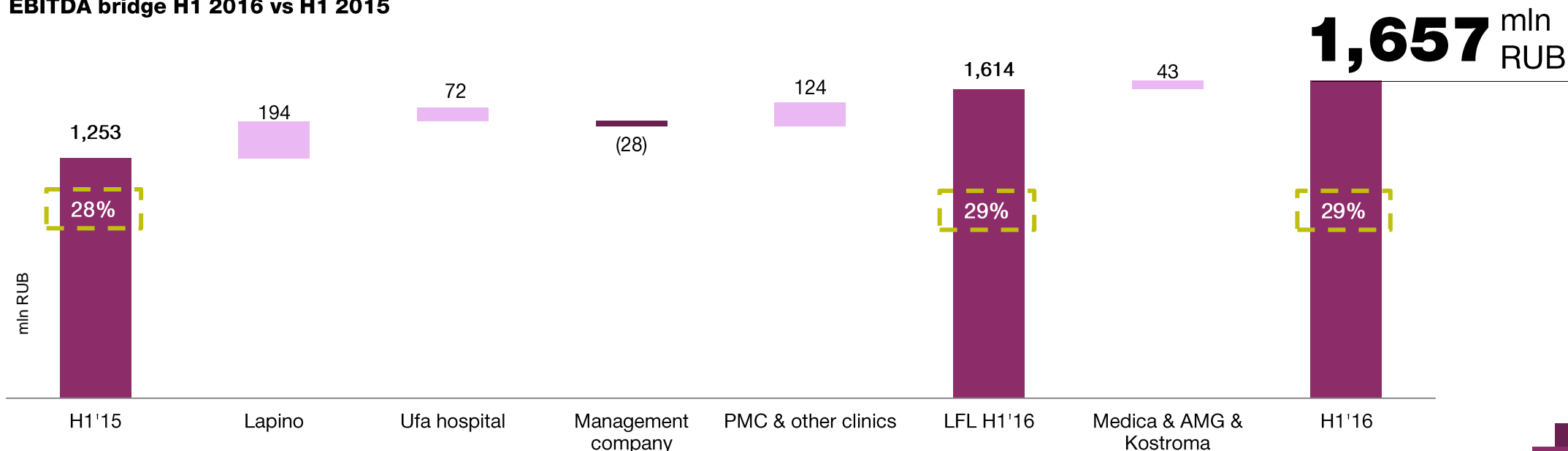
EBITDA BRIDGE ANALYSIS



EBITDA increased 32% y-o-y to RUB 1,657 mln with a strong margin of 29%

- LFL EBITDA grew up by 29% or by RUB 361 mln and amounted to RUB 1,614 mln
- LFL EBITDA margin was 29% that reflects temporary diluting effect from single digit margin in Ufa hospital which is now included into LFL results. Key drivers of like-for-like figures growth:
 - Lapino made the most significant contribution adding RUB 194 mln
 - Ufa hospital gained RUB 72 mln
 - LFL clinics ex. Lapino added RUB 124 mln
- Management company expenses increased by RUB 28 mln y-o-y

EBITDA bridge H1 2016 vs H1 2015



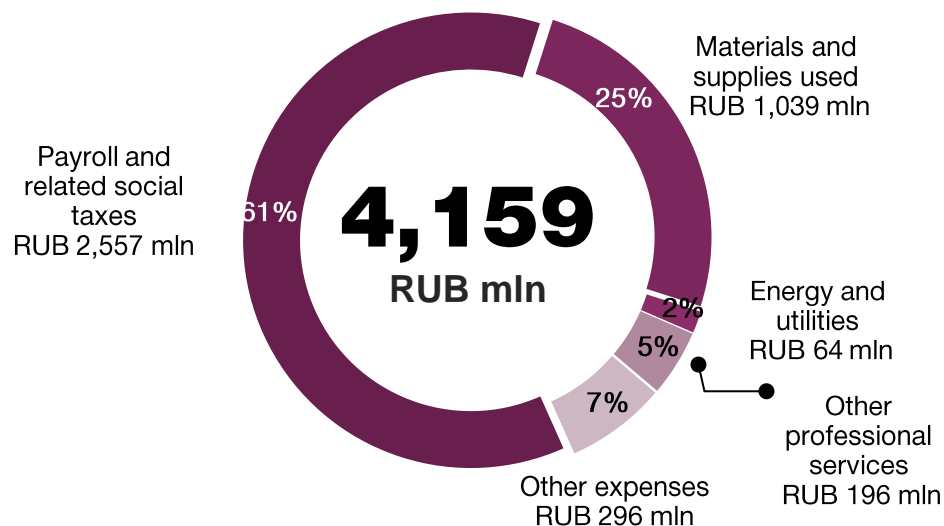
Source: H1 2016 audited financial statements under IFRS

x% - EBITDA margin

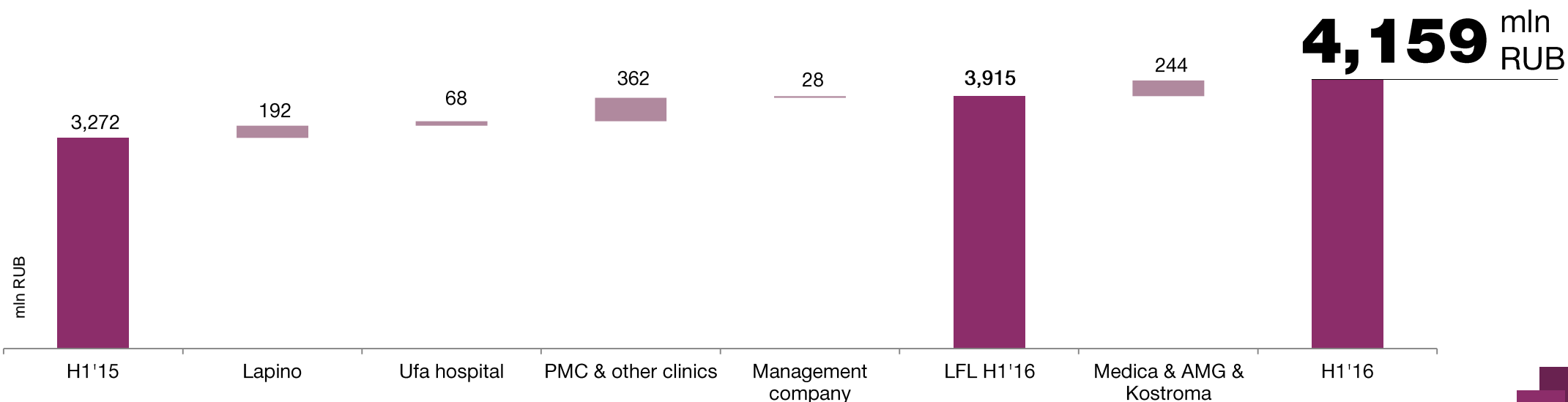
OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) for H1'16 grew up by 27% vs. corresponding period of last year and amounted to RUB 4,159 mln
- LFL OPEX (excl. D&A) increased 20% y-o-y and amounted to RUB 3,915 mln
- The largest contributors to OPEX growth were Lapino, Ufa and PMC hospitals where the number of patients grew up as well as newly acquired clinics in Siberia
- Management company added extra RUB 28 mln half of which were contributed by long-term management incentive programme valid till 2018 (in 2015 these expenses were accounted in H2'15) and the rest mostly came from new employees and marginal salary growth

OPEX structure



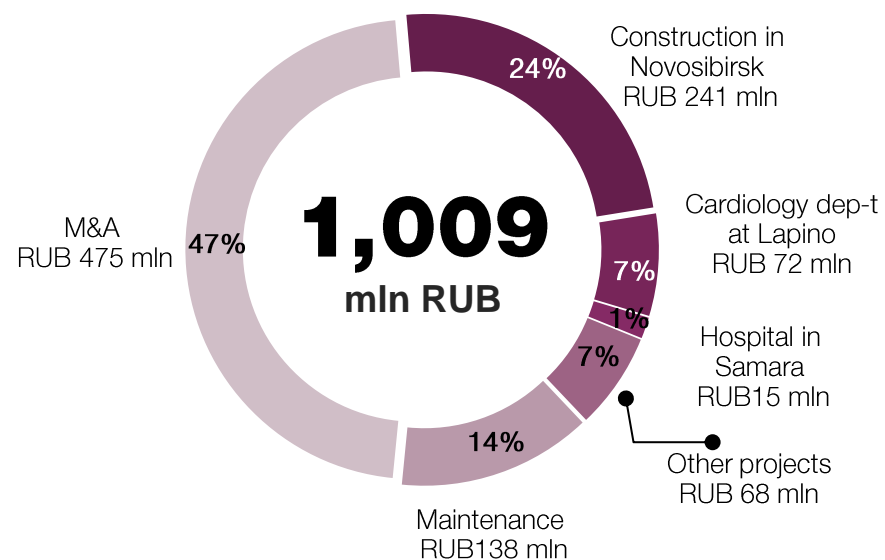
OPEX (excl. D&A) bridge analysis



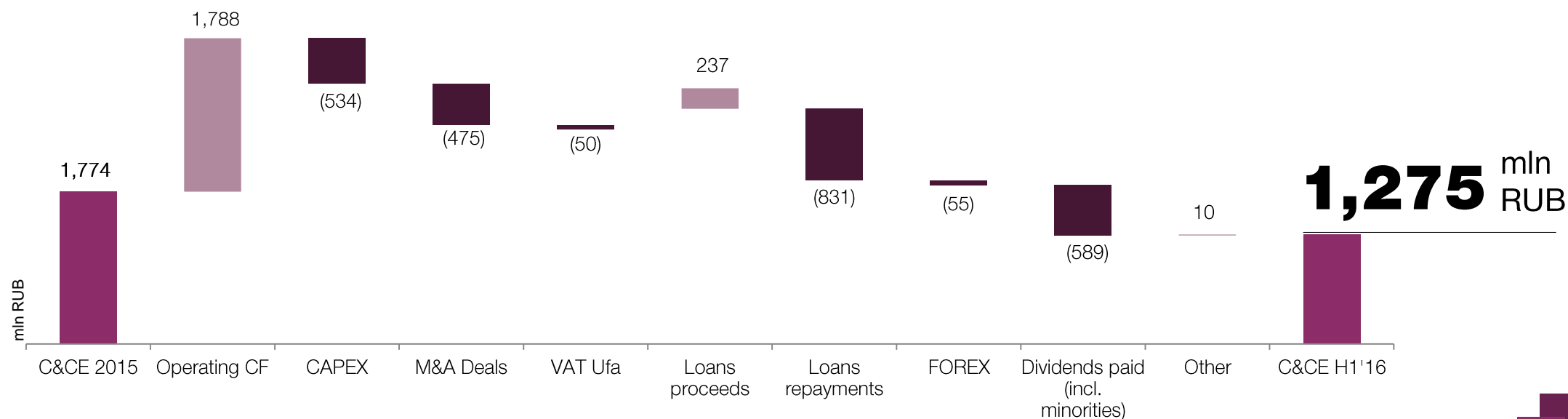
CAPEX & CASH FLOW

- Group had solid liquidity position with RUB 1,275 mln in cash & cash equivalents as of June 30, 2016
- OCF amounted to RUB 1,788 mln and increased 38% vs. H1'15
- CAPEX cash outflow amounted to RUB 534 mln and was mostly related to construction of a new wing of hospital in Novosibirsk and maintenance
- On M&A Group spent RUB 475 mln
- VAT for Ufa hospital construction (RUB 466 mln) that was returned from local authorities in 2015 should be annually redeemed in equal parts till 2025. For 2016 this payment amounted to RUB 50 mln
- Redemption of bank loans and related finance expenses amounted to RUB 831 mln

CAPEX structure, incl. M&A



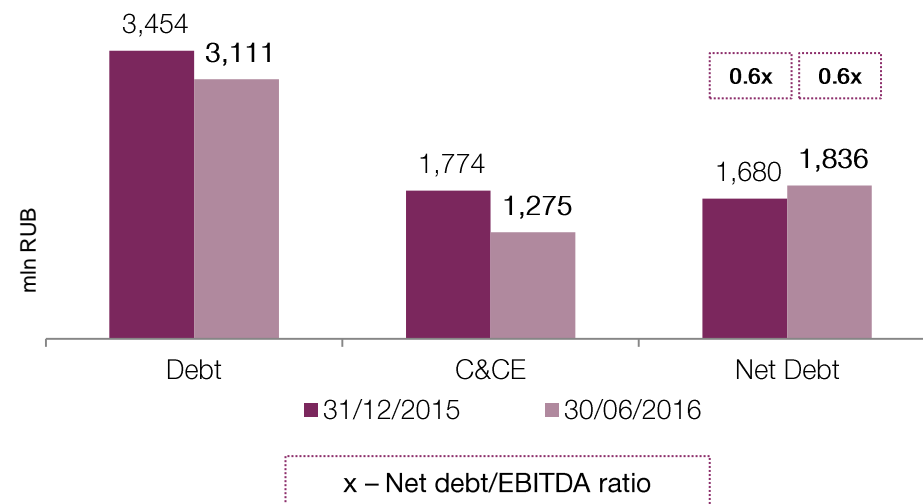
Cash Flow waterfall



WORKING CAPITAL AND NET DEBT

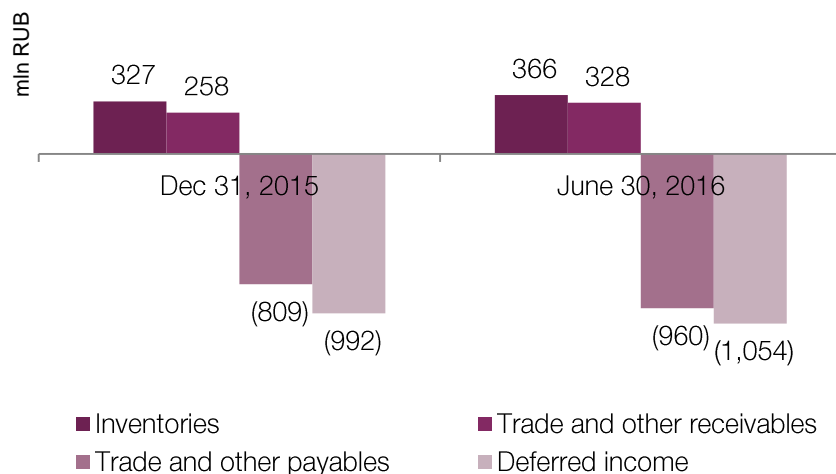
- The Group's debt decreased by 10% year-to-date to RUB 3,111 mln
- The Company's cash & cash equivalents went down by 28% and amounted to RUB 1,275 mln due to acquisition of AMG
- The net debt position as of June 30, 2016 was RUB 1,836 mln with net debt to EBITDA ratio of 0.6x remaining stable year-to-date
- The company works with negative working capital as a source of additional financing. Working capital decreased 9% to RUB (1,320) mln from the beginning of the year

Debt

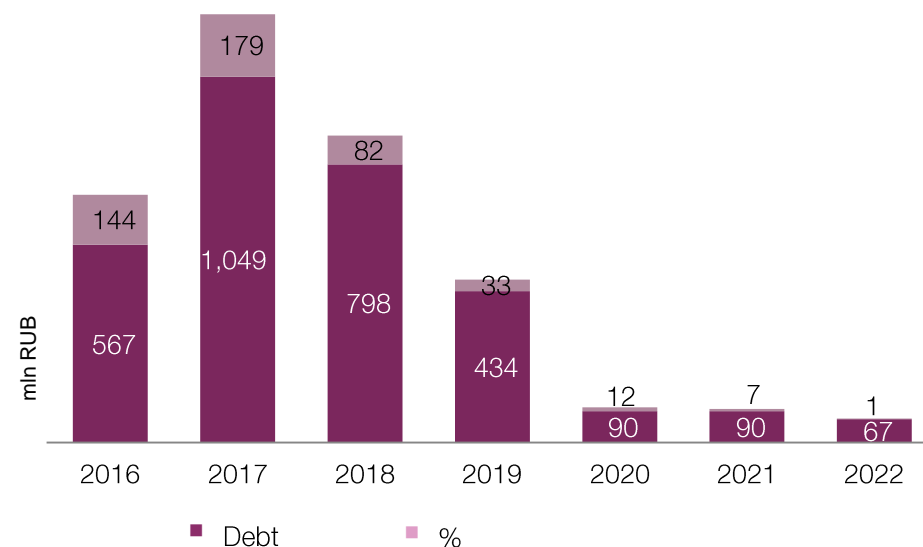


Net working capital

2015 = (1,216) mln RUB June 30, 2016 = (1,320) mln RUB



Debt repayment schedule



4

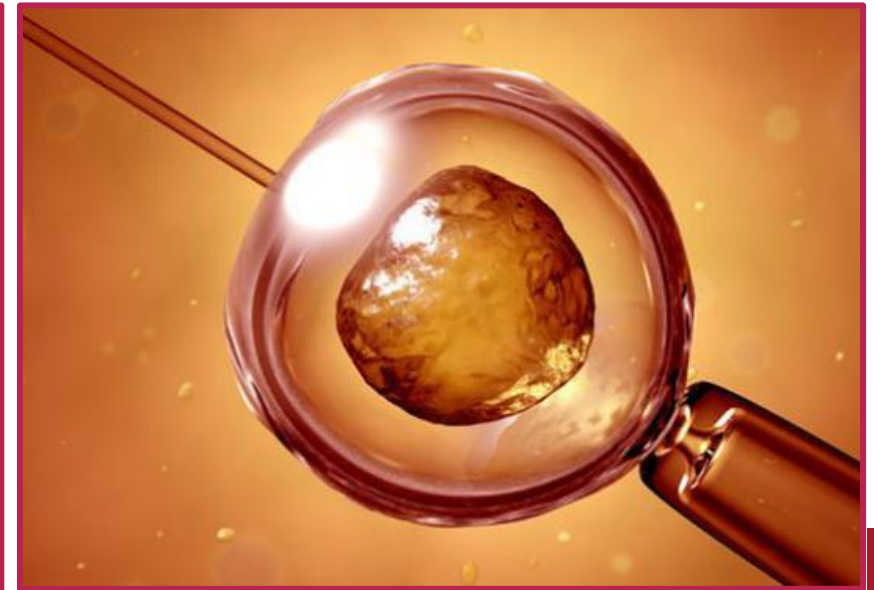
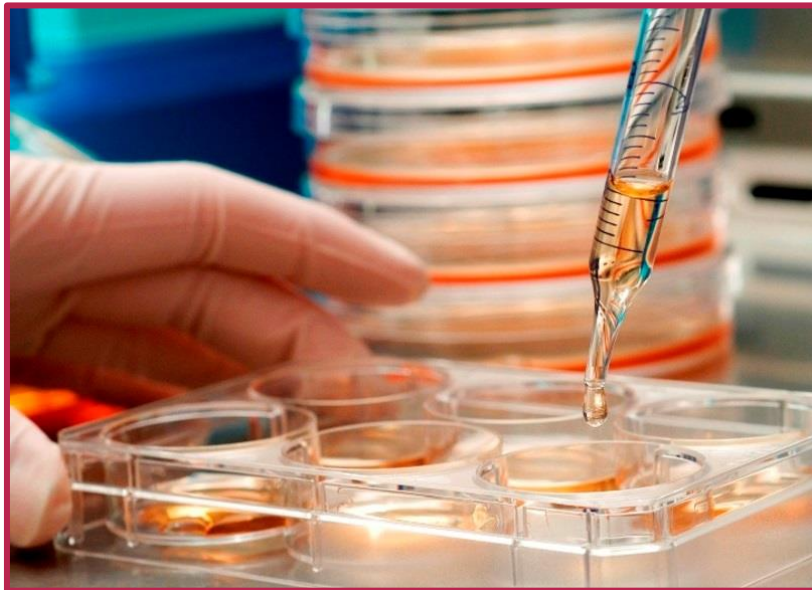
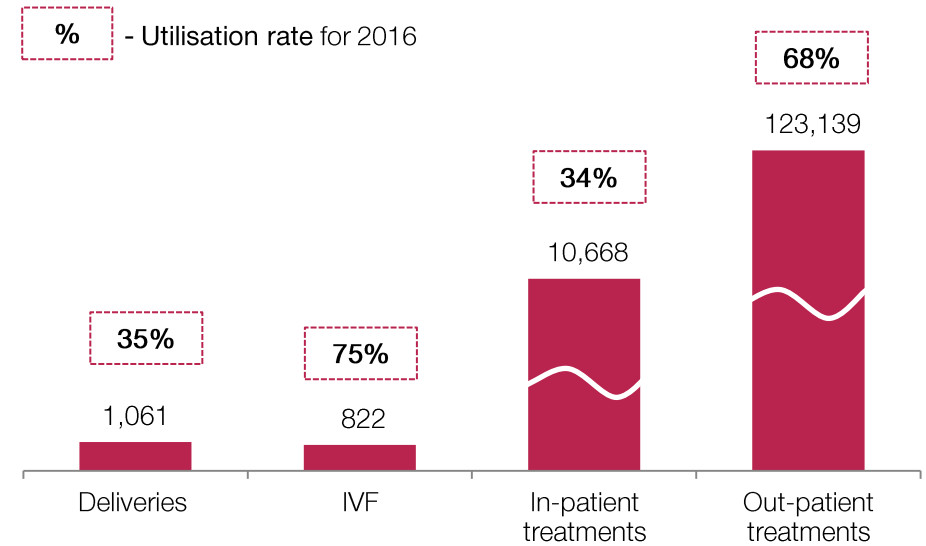
OUR STRATEGY

STRATEGY IN ACTION: UFA, BASHKORTOSTAN

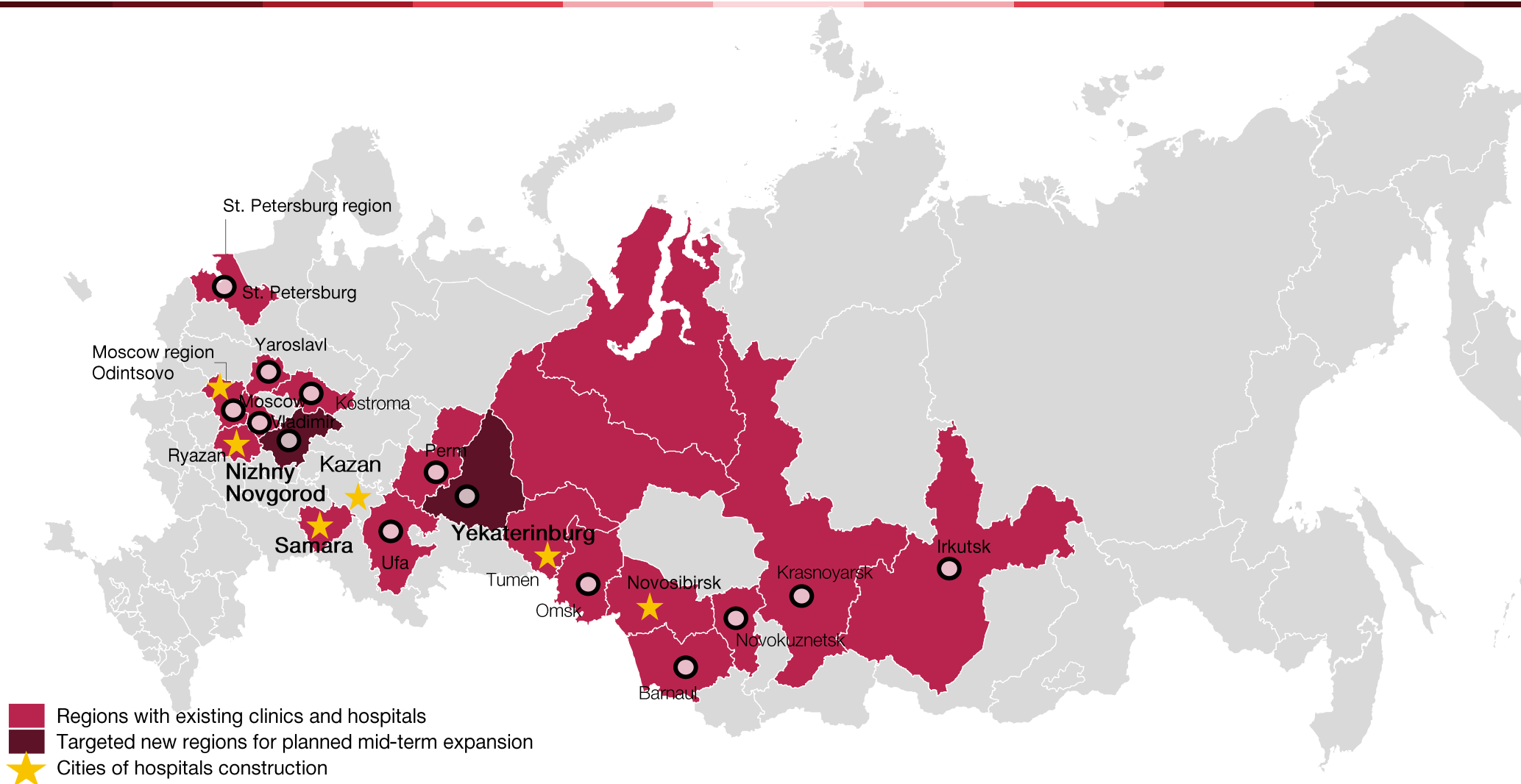
Key facts about Ufa hospital

- The first Company's hospital outside of the Moscow region
- Total area of 33,000 m² with 192 beds
- A multi-purpose hospital offering a wide range of high-quality services, some of which were not currently available in the republic. List of services include:
 - Deliveries
 - IVF
 - Gynaecology and obstetrics in- and out-patient care
 - Paediatrics in- and out-patient care
 - Neonatology
 - Surgery, urology
 - Stem cell bank

Operational results & capacity utilization for 2016



REGIONAL EXPANSION AS ONE OF KEY STRATEGIC TARGETS: MID-TERM PLANS



Key points

- Presence in new regions would be achieved through organic growth and M&A. Company is constantly monitoring for potential accretive M&A opportunities in several Russian regions
- Top priority for Company's attention would be cities with population over 1 mln people and high level of birth rates & disposable income
- MDMG continues to look for new attractive locations in the cities of its presence, i.e. Moscow, Saint Petersburg

MID-TERM ROLL-OUT PLANS IN RUSSIA

Regional development strategy

- MDMG has a list of targeted regions for mid-term expansion and clear criteria for regions of potential presence:
 - Cities with population over 1 mln people and high level of disposable income
 - High birth rates and/or unsatisfied demand for Company's core services
 - Attractive site location
 - Knowledge of the region
 - Regions without competition are preferred



Overview of short- and midterm development projects

Project	Hospitals				Out-patient clinics	
	Novosibirsk	Samara	Lapino-2	Tyumen	Voronezh	Kemerovo
CAPEX (RUB mln)	1,300	3,000 – 3,500	2,500 + 250 land plot	3,000 – 3,500	80	50
Area (sq m)	7,000	15,000	10,000	15,000	400 - 500	500
# of beds	46	147	60	147	-	-
Start of construction / Launch	Nov'15 / Feb'17	Jun'16 / Q1'18	Apr'17 / Nov'18	Q2'17 / H1'18	Feb'17 / Jul'17	Apr'17 / Sept'17

INVESTMENT PROJECTS: NEW WING OF HOSPITAL IN NOVOSIBIRSK

Status:

- Construction in progress. Estimated put into operations – Jan-Feb, 2017

About the project:

- Estimated CAPEX ~ RUB 1.3 bn
- Area of new wing = 7,000 sq m. Total area of the hospital will be 11,000 sq m
- Number of new beds – 47, offices – 20, operating theatres - 3

Construction in progress:



Capacity

	As it is	As it will be
Deliveries	540	800
IVF	1,800	1,800
In-patient	8,030	23,000
Out-patient	261,450	538,560
Beds	24	71

INVESTMENT PROJECTS: HOSPITAL IN SAMARA

Status:


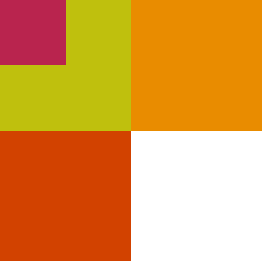
- Official ground breaking ceremony took place on June 23, 2016

About the project:

- Estimated CAPEX ~ RUB 3.0-3.5 bn
- Area = 15,000 sq m
- Number of beds – 137
- Services: OBGYN, deliveries, IVF, paediatrics, surgery, diagnostics, laboratory

Construction in progress





APPENDIX



REVENUE ANALYSIS



	H1 2016	H1 2015
Obstetrics and Gynaecology	1,301	1,094
<u>In-patient treatments</u>		
RUB mln	464	383
patient days	11,970	11,710
kRUB per day	38.7	32.7
% of total*	36%	35%
<u>Out-patient treatments</u>		
RUB mln	837	710
Admissions	246,929	220,209
kRUB per admission	3.4	3.2
% of total*	64%	65%
Deliveries	1,086	849
RUB mln	1,086	849
Deliveries	3,203	2,651
kRUB per delivery	339	320
IVF	1,175	711
RUB mln	1,175	711
Cycles	6,568	4,211
kRUB per cycles	179	169
Paediatrics	763	642
<u>In-patient treatments</u>		
RUB mln	195	143
Patient-days	9,393	8,259
kRUB per patient day	20.8	17.3
% of total*	26%	22%
<u>Out-patient treatments</u>		
RUB mln	568	499
Admissions	192,556	168,143
kRUB per admissions	2.9	3.0
% of total*	74%	78%

	H1 2016	H1 2015
Other medical services	1,266	1,036
<u>In-patient treatments</u>		
RUB mln	250	213
Patient days	6,787	5,980
kRUB per patient day	36.8	41.8
% of total*	20%	21%
<u>Out-patient treatments</u>		
RUB mln	500	391
Admissions	237,572	187,330
kRUB per admission	2.1	2.1
% of total*	39%	38%
<u>Other medical services</u>		
RUB mln	516	432
% of total*	41%	42%

EXTRACT FROM MDMG'S PROFIT AND LOSS STATEMENT



(RUB mln)	H1 2016	H1 2015	H1 2014
Revenue	5,814	4,518	3,330
Cost of sales	(3,592)	(2,834)	(1,956)
Gross Profit	2,222	1,684	1,374
% of revenue	38%	37%	41%
Other income	3	7	3
Administrative expenses	(1,017)	(866)	(632)
Other expenses	(7)	(7)	(3)
EBITDA	1,657	1,253	969
% of revenue	29%	28%	29%
Operating profit	1,200	818	741
Net finance expenses	(268)	(35)	(71)
Profit before tax	932	783	670
Tax	55	(15)	(45)
Profit for the period	987	768	625
% of revenue	17%	17%	19%
Minority interest	90	81	57
Profit for the year attributable to: shareholders	897	687	568

EXTRACT FROM MDMG'S BALANCE SHEET



(RUB mln)	H1 2016	2015	2014
Cash and cash equivalents	1,275	1,774	891
Investments	2	2	3
Current trade, other receivables and deferred expenses	328	258	229
Inventories	366	327	268
Current tax asset	13	7	8
Assets held for sale	61	46	46
Property, plant and equipment	12,709	12,364	12,540
Intangible assets	2,468	2,145	1,981
Non-current trade and other receivables and deferred expenses	128	184	105
Other non-current assets	171	99	4
TOTAL ASSETS	17,521	17,208	16,074
Current trade and other payables	1,086	873	899
Short term loans and borrowings	1,128	1,161	869
Other current liabilities	966	907	788
Long term loans and borrowings	1,983	2,293	3,251
Other non-current liabilities	462	464	131
Equity	11,895	11,509	10,137
TOTAL EQUITY AND LIABILITIES	17,521	17,208	16,074
Net Debt	1,836	1,680	3,230

EXTRACT FROM MDMG'S CASH FLOW STATEMENT



(RUB mln)	H1 2016	H1 2015	H1 2014
Cash flow from operating activities			
Profit for the period	987	768	625
Adjustments for:			
<i>D&A</i>	457	434	228
<i>Taxation</i>	(55)	15	45
<i>Other adjustments</i>	281	36	72
Cash flow from operations before working capital changes	1,670	1,253	969
<i>(Increase) / decrease in inventories</i>	6	(16)	(5)
<i>Increase in trade and other receivables</i>	(38)	(3)	(29)
<i>Increase in trade and other payables</i>	106	68	44
<i>Increase in deferred income</i>	51	(3)	45
Cash flow from operations	1,795	1,299	1,023
Tax paid	(7)	(7)	(35)
Net cash flow from operating activities	1,788	1,292	988
Cash flow from investing activities			
Payment for acquisition of PP&E	(527)	(339)	(1,639)
Withdrawal / (deposit) of investments	-	-	-
Acquisition of subsidiaries	475	(1)	-
Other proceeds and payments	13	20	22
Net cash flow used in investing activities	(988)	(320)	(1,617)
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	-	-
GDR Contributions received from underwriters	-	-	-
Proceeds from borrowings	237	0.5	6
Repayment of borrowings	(614)	(491)	(271)
Repayments of obligations under finance leases	(0.7)	(0.1)	(2.3)
Finance expenses paid	(217)	(240)	(158)
Other payments	(60)	(466)	(3)
Dividends paid to the owners of the Company	(500)	-	(180)
Dividends paid to non-controlling interests	(88)	(58)	(80)
Net cash flow from financing activities	(1,244)	(323)	(688)
Net increase in cash and cash equivalents	(444)	649	(1,317)
Cash and cash equivalents at the beginning of the period	1,774	891	3,273
Effect due to exchange rate changes	(55)	(8)	68
Cash and cash equivalents at the end of the period	1,275	1,531	2,024

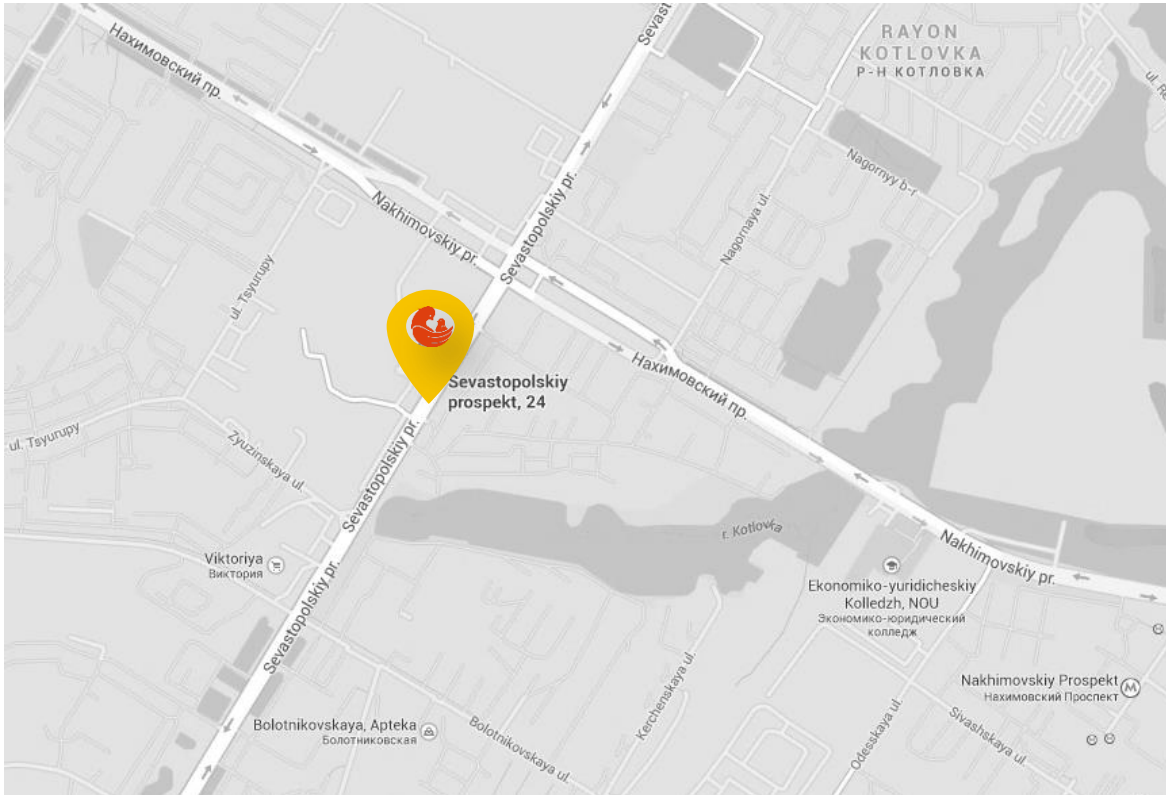
Source: audited financial statements of MDMG for H1 2014- H1 2016

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