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MOTHER & CHILD
GROUP OF COMPANIES



Photo: OR1 Integrated operating theatre in Ufa hospital

MD MEDICAL GROUP INVESTOR PRESENTATION:

EMEA One-on-One Conference 2016

June 27-28, 2016
London



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1

COMPANY OVERVIEW

OVERVIEW OF THE COMPANY

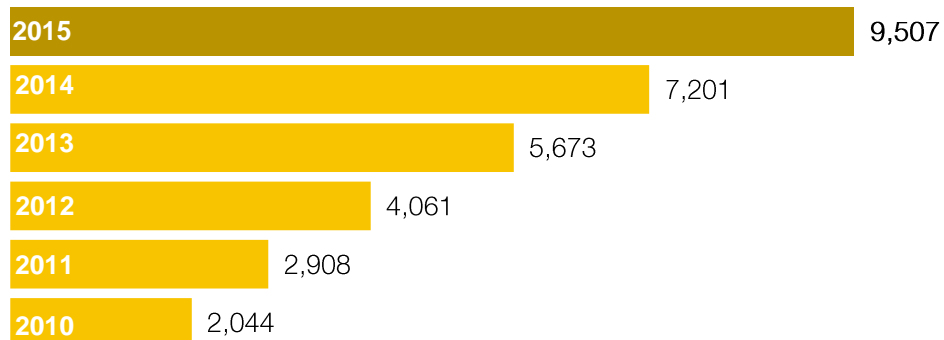
15 regions **17 cities** **26 clinics** **4 hospitals** **5,673 employees**



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

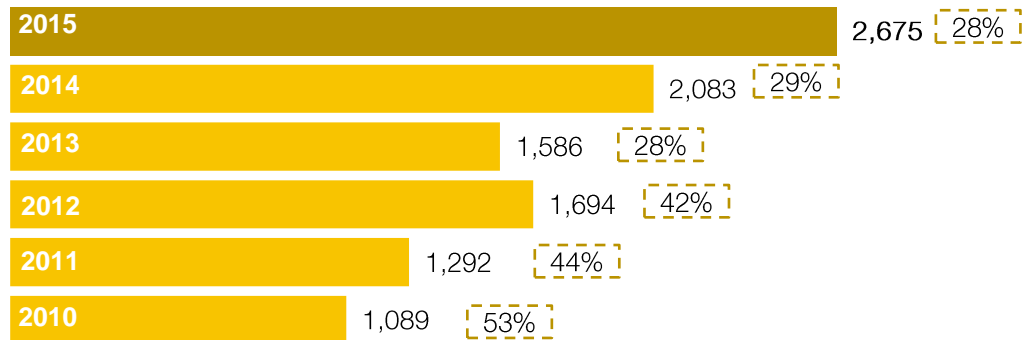
FINANCIAL RESULTS

Revenue



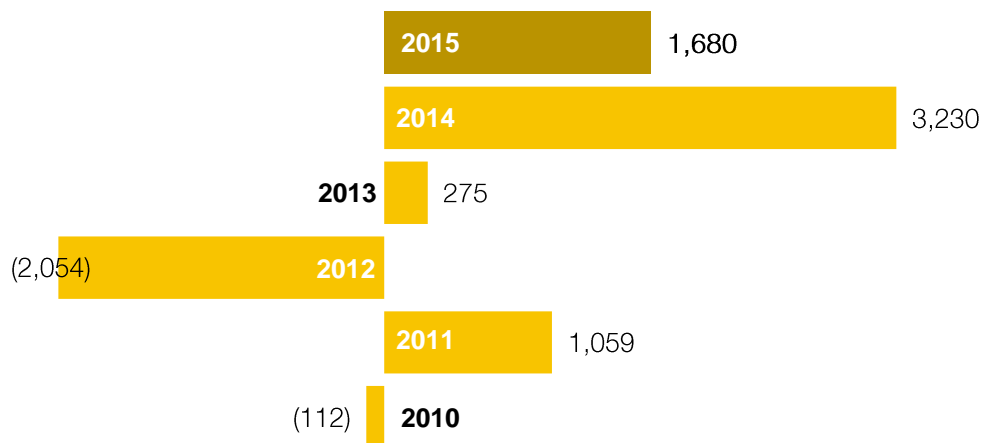
CAGR +36%

EBITDA

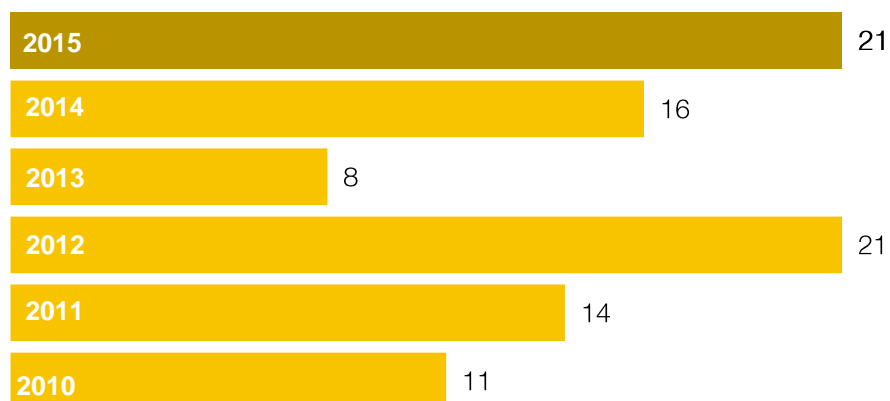


CAGR +20%

Net Debt



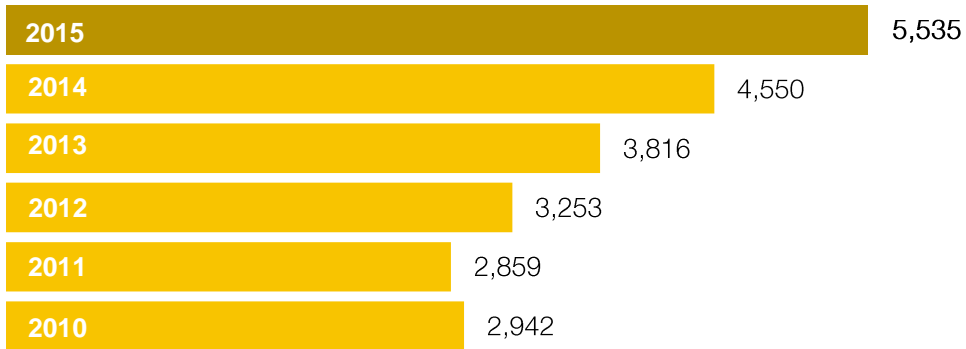
EPS



CAGR +14%

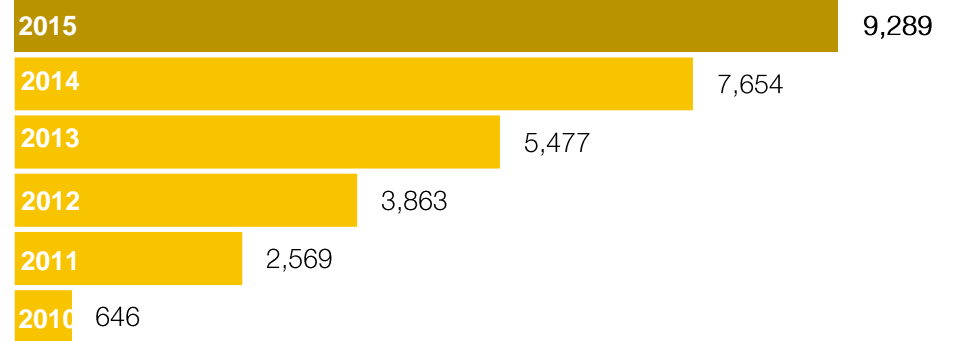
OPERATIONAL RESULTS

Deliveries



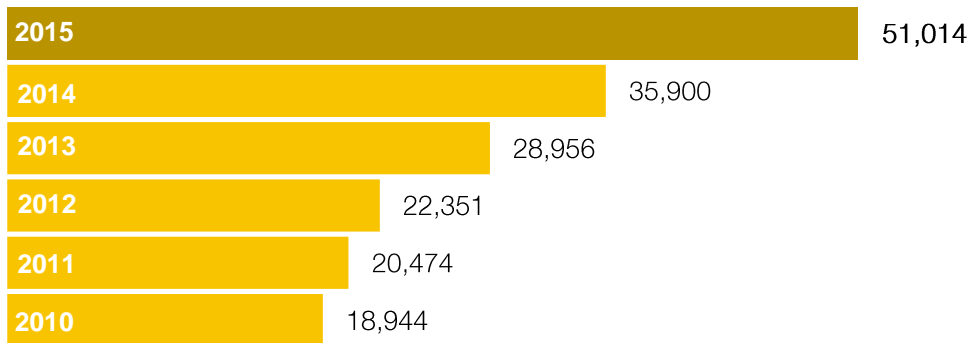
CAGR +13%

IVF cycles



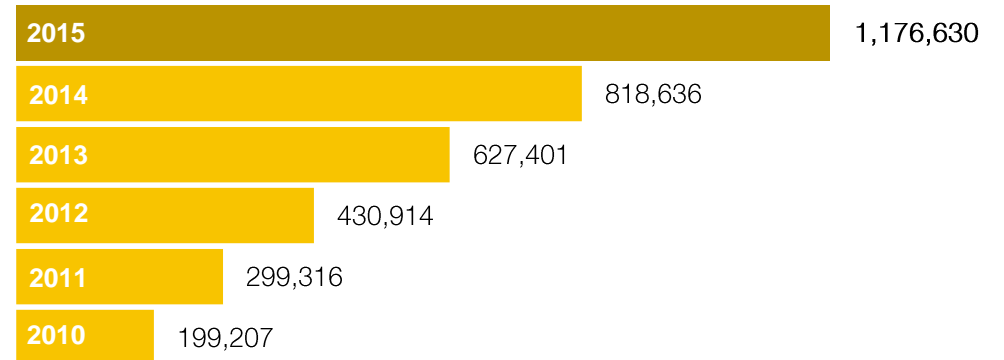
CAGR +70%

In-patient days



CAGR +22%

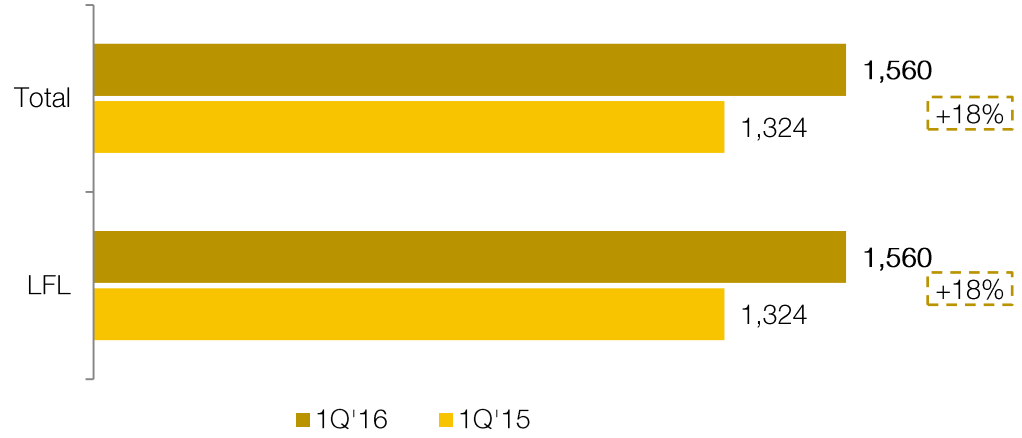
Out-patient treatments



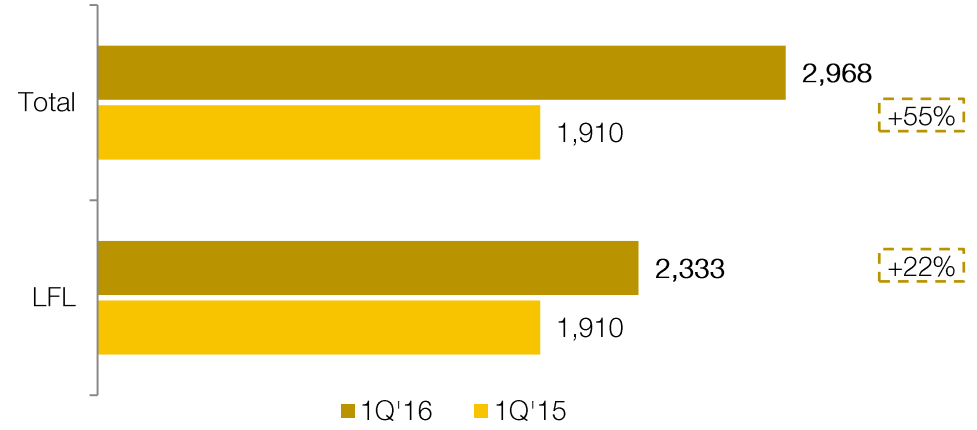
CAGR +43%

OPERATIONAL RESULTS FOR 1Q'16

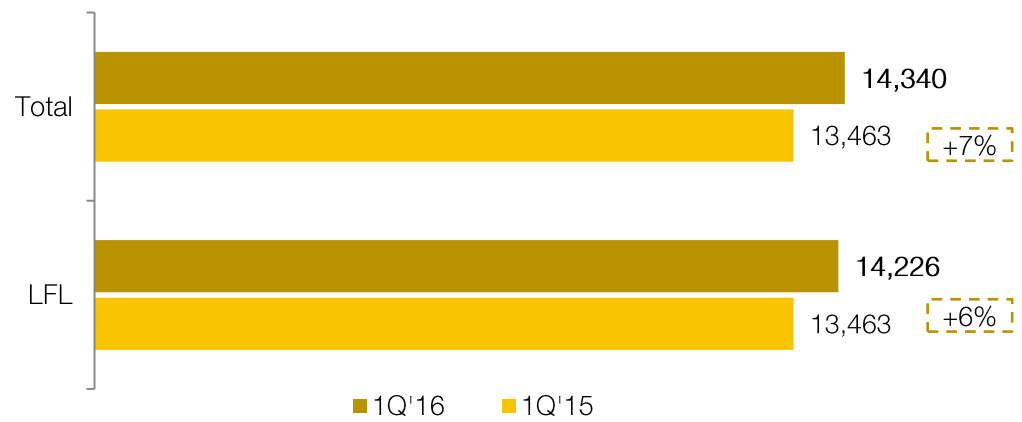
Deliveries



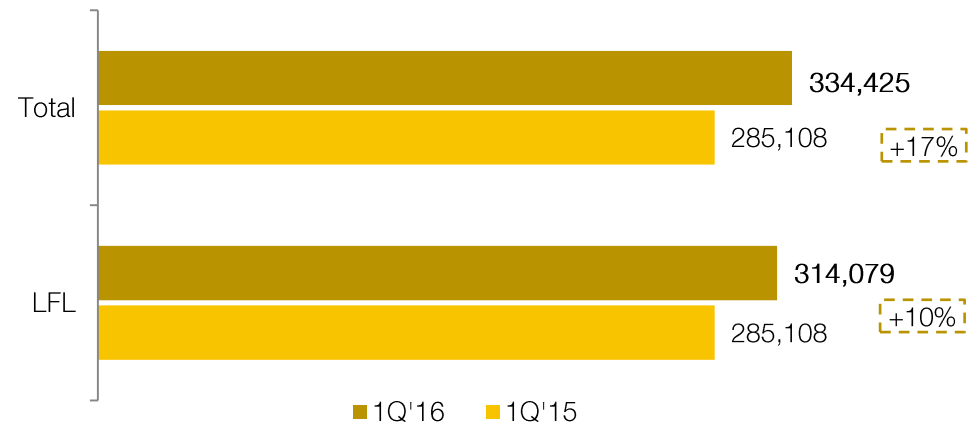
IVF cycles



In-patient days

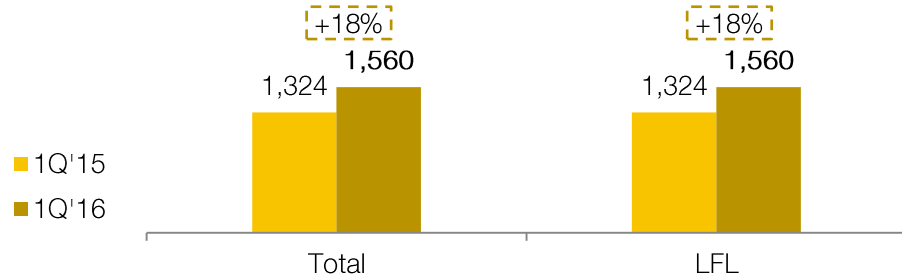


Out-patient treatments

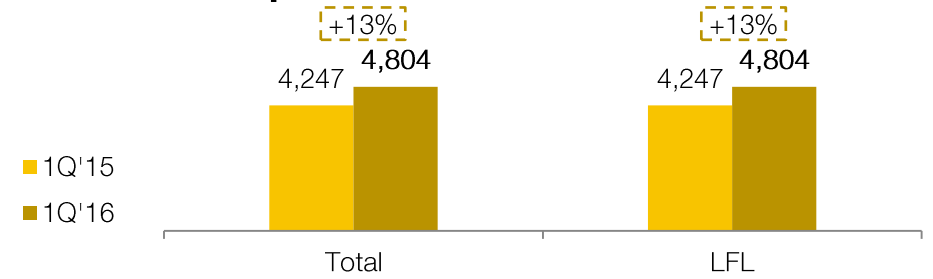


OPERATING PERFORMANCE FOR 1Q'16

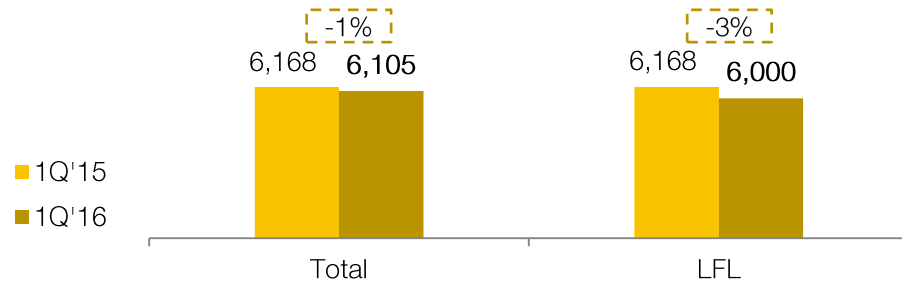
Deliveries



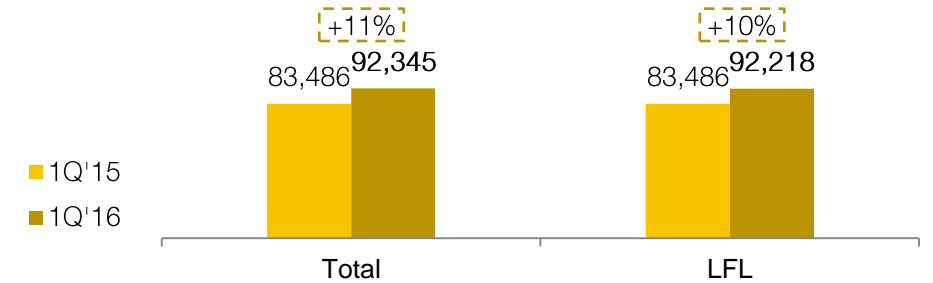
Paediatrics in-patients treatments



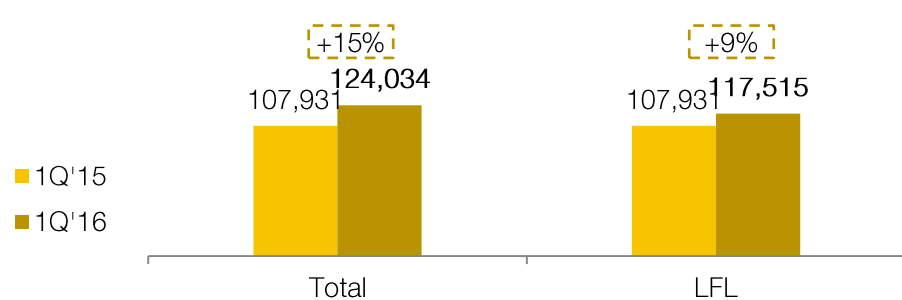
OBGYN in-patient (patient-days)



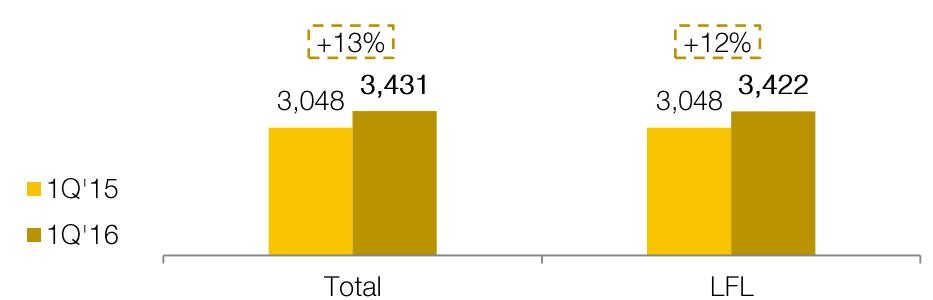
Paediatrics out-patients treatments



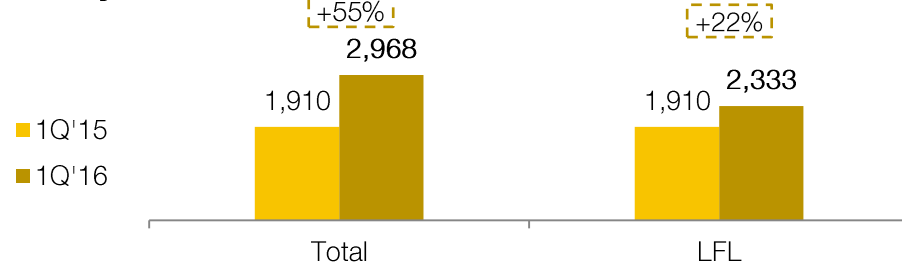
OBGYN out-patient (visits)



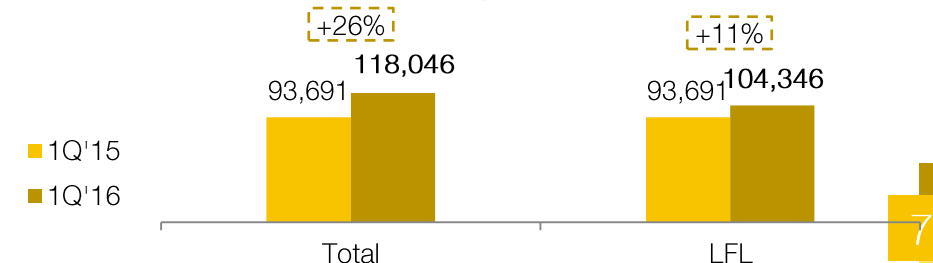
Other medical services in-patient treatments



IVF cycles



Other medical services out-patient treatments



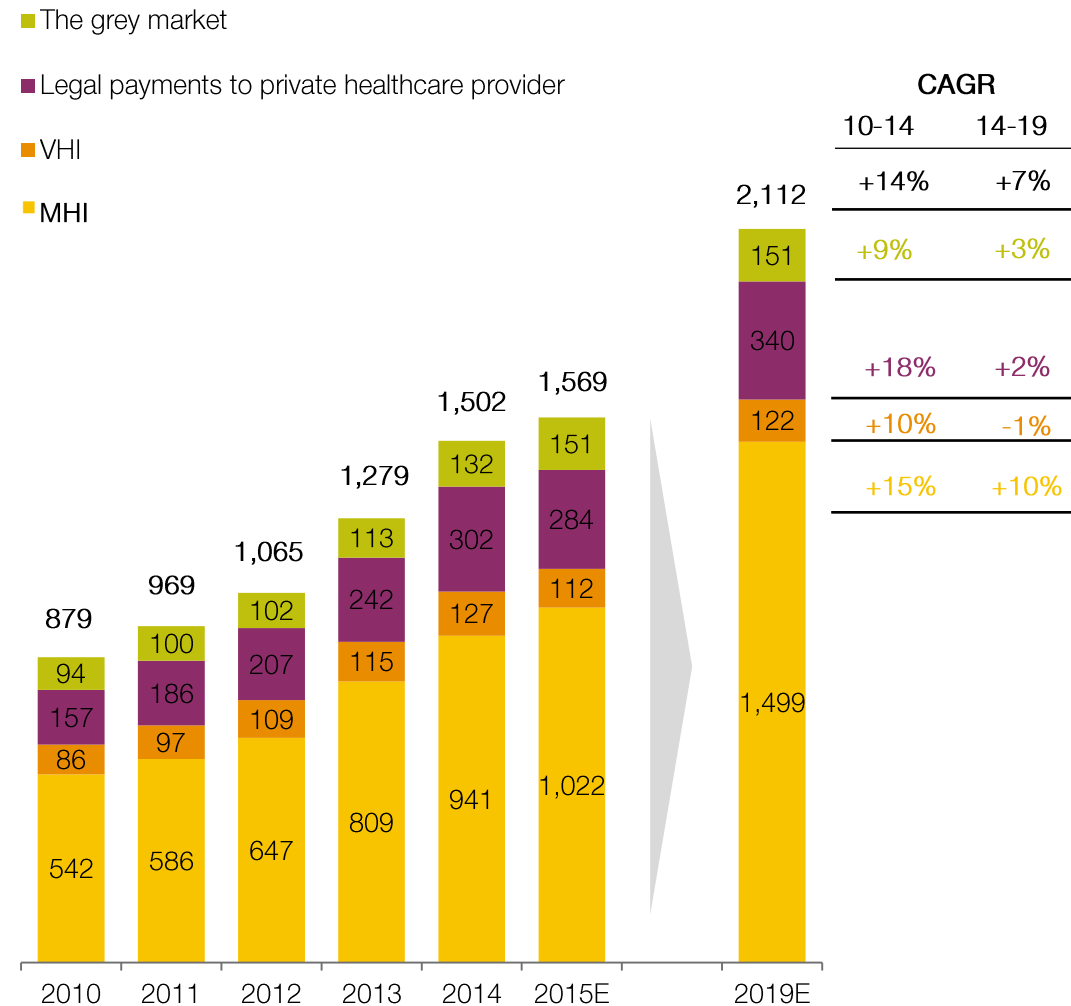
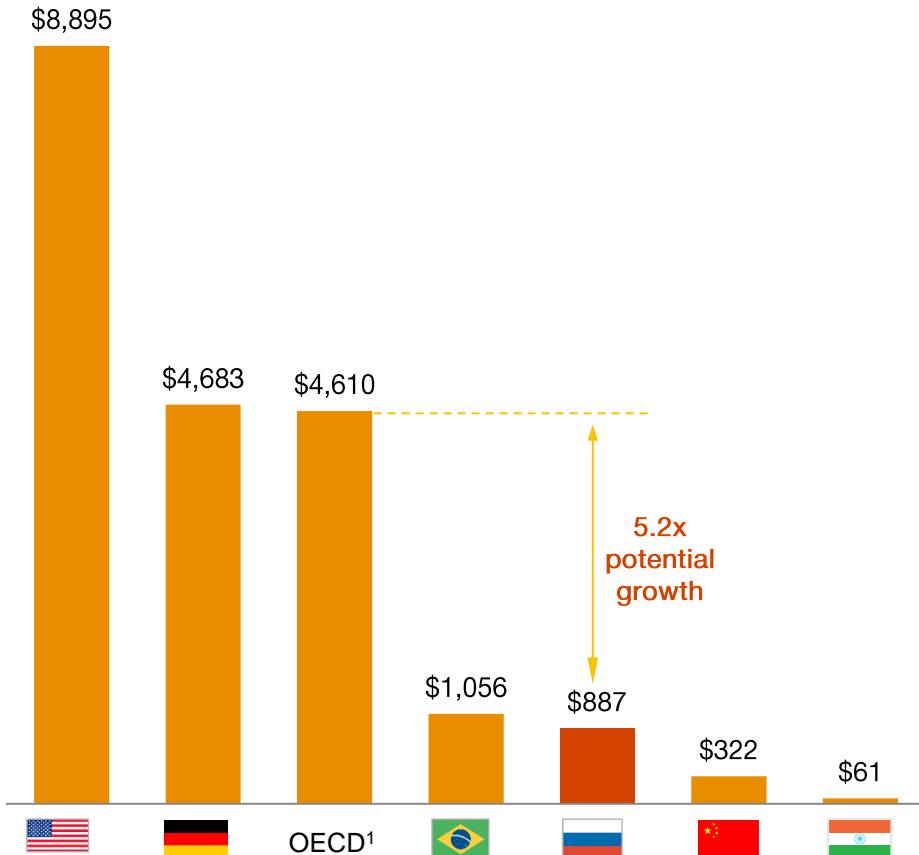
2

OUR MARKET

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

Significant room for further growth – per capita healthcare expenditures*








Market Structure, 2014-2019, bn RUB



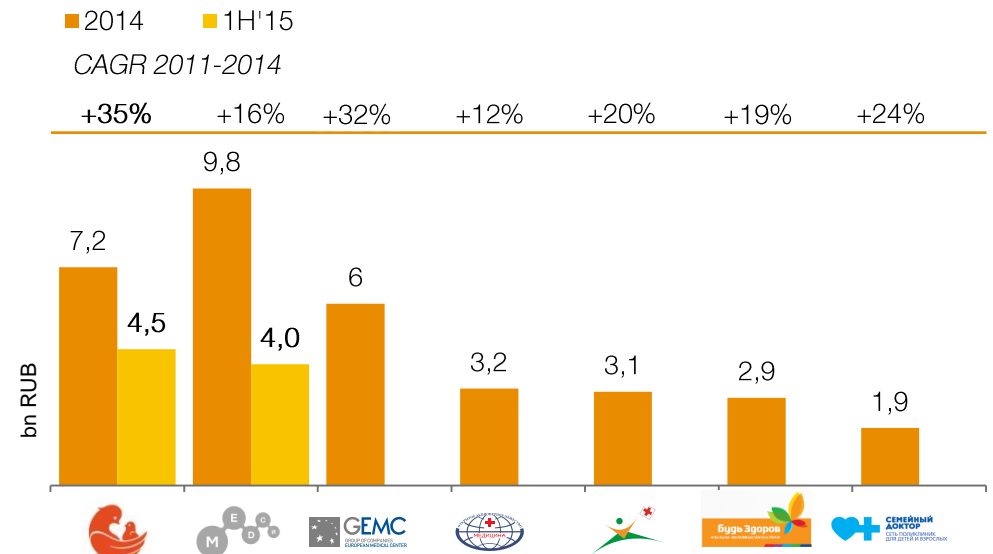
Note: * based on data and exchange rates as of 2013
 1 Member countries of the Organisation for Economic Co-operation and Development
 Source: Company data, World Bank 2013; BusinesStat 2014

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

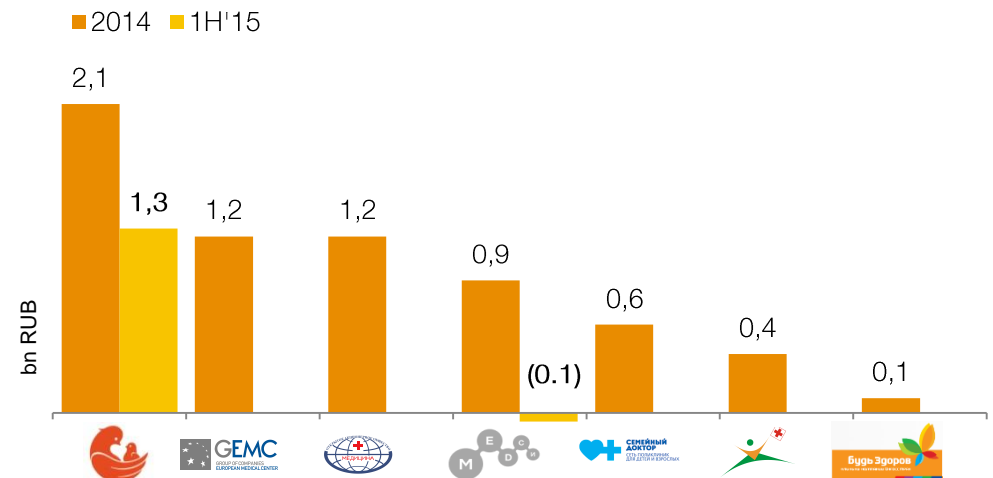
Key players in the market

General practices	 <p>MDMG</p>	<p>Focus: Women's health and paediatrics Location: Moscow and Russian regions Number of clinics: 23 (incl. 4 hospitals) Number of in-patient beds: 663</p>
	 <p>Medsis</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>Medicina</p>	<p>Focus: General practices Location: Moscow Number of clinics: 1 hospital Number of in-patient beds: 105</p>
	 <p>GEMC GROUP OF COMPANIES EUROPEAN MEDICAL CENTER</p> <p>EMC</p>	<p>Focus: General practices, trauma Location: Moscow Number of clinics: 2 Number of hospitals: 3</p>
	 <p>СЕМЕЙНЫЙ ДОКТОР СЕТЬ ПОЛИКЛИНИК ДЛЯ ДЕТЕЙ И ВЗРОСЛЫХ</p> <p>Family Doctor</p>	<p>Focus: General practices Location: Moscow Number of clinics: 14</p>
	 <p>Будь Здоров НАЦИОНАЛЬНЫЙ МЕДИЦИНСКИЙ ЦЕНТР</p> <p>Bud Zdorov</p>	<p>Focus: General practices Location: Moscow and Russian regions Number of clinics: 10</p>
	 <p>КЛИНИКА «СКАНДИНАВИЯ»</p> <p>Scandinavia</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, 2014



EBITDA, 2014



3

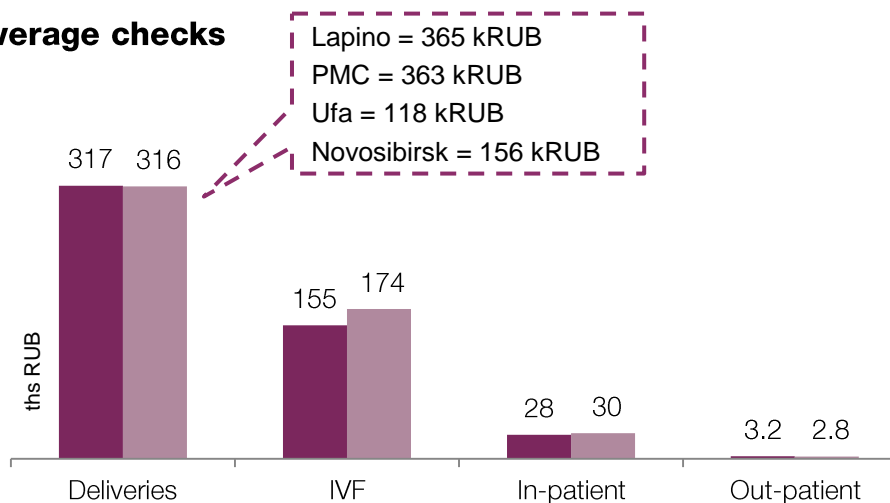
FY 2015

FINANCIAL RESULTS ANALYSIS

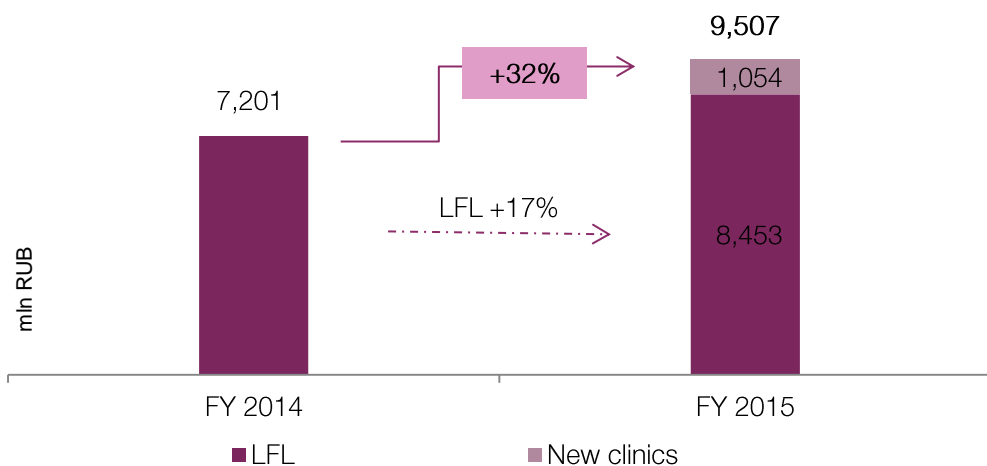
KEY FINANCIAL INDICATORS FOR FY 2015

- The Company increased its revenue and EBITDA in 2015 by 32% and 28% respectively vs. FY 2014.
- EBITDA margin was 28%
- LFL revenue and EBITDA grew by 17% and 25% correspondingly
- LFL EBITDA margin reached 31%
- Despite price increase during 2015 average checks remained almost flat y-o-y (except for IVF) due to increased number of operations in the regions where prices are lower compared to Moscow
- IVF prices are comparable within Group's clinics and are not affected by regional discount

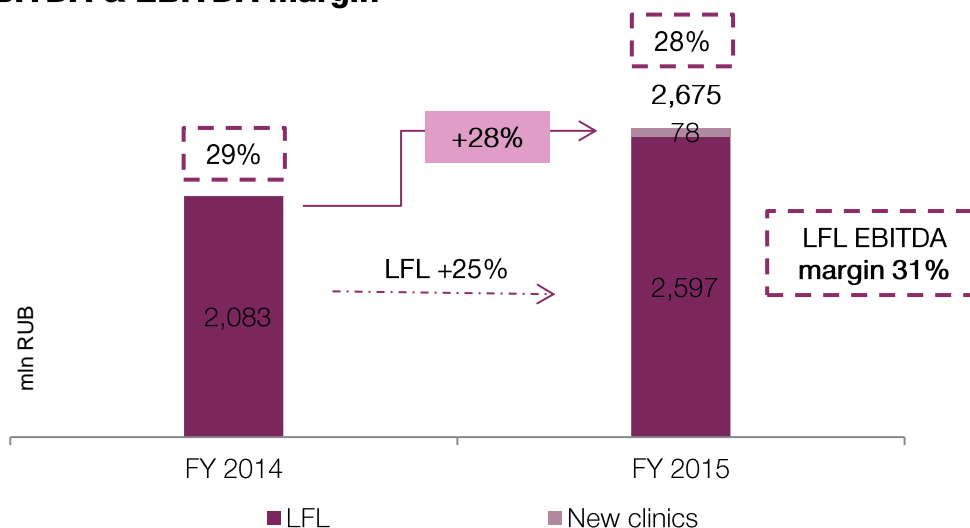
Average checks



Revenue



EBITDA & EBITDA margin

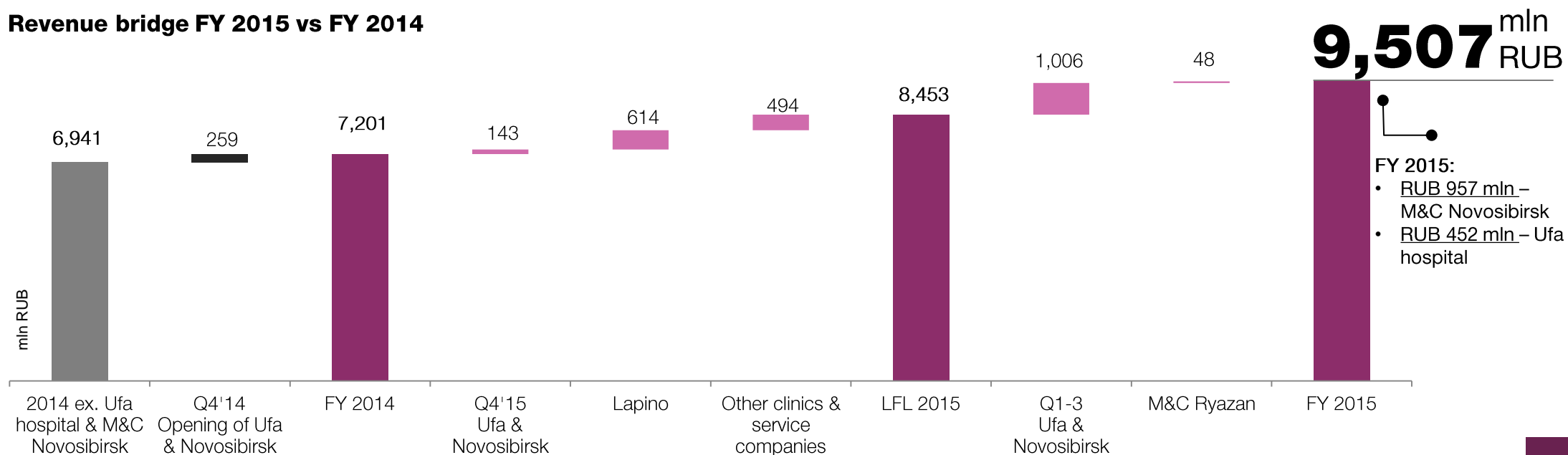


REVENUE BRIDGE ANALYSIS

Revenue increased 32% y-o-y to RUB 9,507 mln

- LFL revenue increased 17% or by RUB 1,252 mln since:
 - Number of patients at Lapino continued to grow and it became the largest contributor to LFL revenue increase, adding RUB 614 mln or 8.5% to Group revenue
 - Other Group's clinics contributed an additional 7% or RUB 494 mln
- M&C Novosibirsk (former “Avicenna”) and Ufa hospital entered the Group in 4Q 2014. In order to present fair impact of those hospitals on business, Q4 2015 is included in LFL 2015 number. RUB 143 mln is calculated as revenue generated on top of Q4 2014 results.
- FY 2015 combined revenue of M&C Novosibirsk and Ufa hospital is RUB 1,409 mln.
- An out-patient clinic in Ryazan opened in February 2015, contributing RUB 48 mln

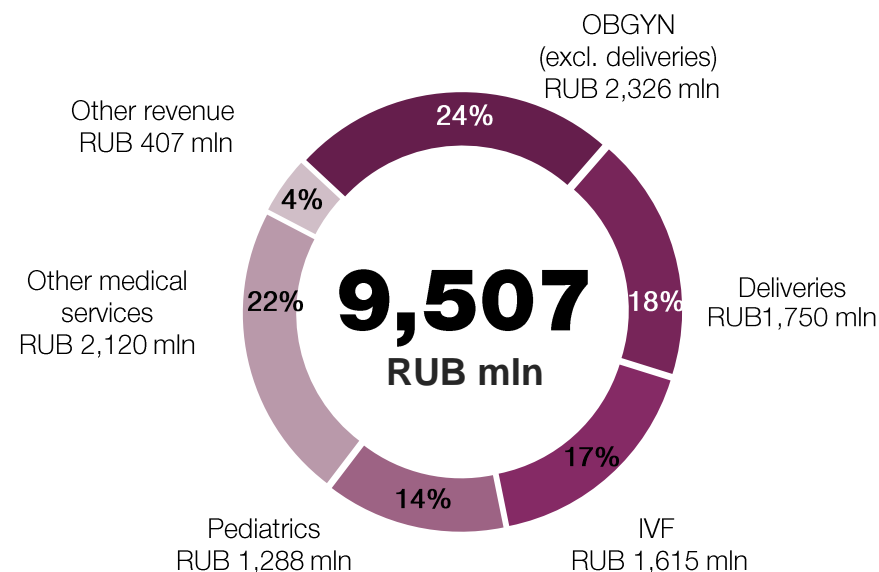
Revenue bridge FY 2015 vs FY 2014



REVENUE STRUCTURE

- The Group's revenue structure saw some changes y-o-y:
 - +5 p.p. increase in other medical services' revenue share (22% vs. 17% as of 2014)
 - 3 p.p. decrease in OBGYN ex. deliveries revenue share (24% vs. 27% as of 2014)
 - 1 p.p. was lost by both deliveries and paediatrics
- Top-line growth was mostly provided by 3 revenue lines:
 - IVF grew by RUB 428 mln, 36% y-o-y
 - OBGYN ex. deliveries increased by RUB 366 mln, 19% y-o-y
 - Other Medical Services' revenue increased by RUB 871 mln, 70% y-o-y
- Other medical services revenue is mostly generated by laboratory examinations, diagnostics centres and surgery

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, RUB mln

FY 2014	FY 2015	Change, %	Type of revenue	LFL 2014	LFL 2015	Change, %
1,960	2,326	19% ↑	OBGYN (excl. deliveries)	1,960	2,189	12% ↑
1,444	1,750	21% ↑	Deliveries	1,444	1,643	14% ↑
1,187	1,615	36% ↑	IVF	1,187	1,421	20% ↑
1,058	1,288	22% ↑	Paediatrics	1,058	1,225	16% ↑
1,249	2,120	70% ↑	Other medical services	1,249	1,574	26% ↑
303	407	35% ↑	Other revenue	303	401	33% ↑
7,201	9,507	32%		7,201	8,453	17%

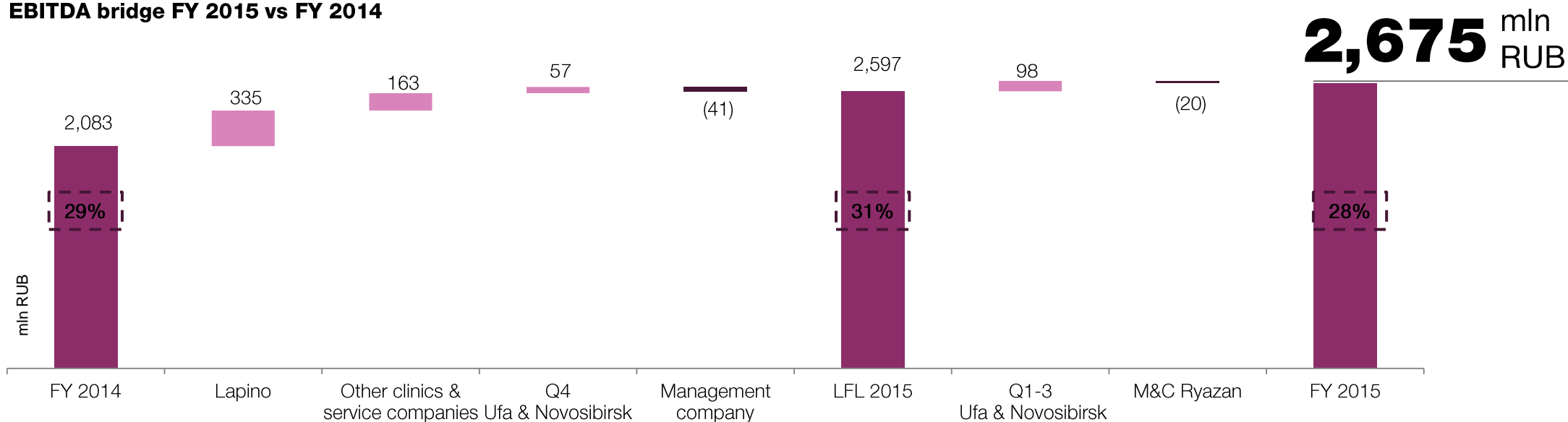
EBITDA BRIDGE ANALYSIS



EBITDA increased 28% y-o-y to RUB 2,675 mln with a robust margin of 28%

- LFL EBITDA grew up by 25% or by RUB 514 mln and amounted to RUB 2,597 mln
- LFL EBITDA margin reached 31% and grew up by 2 p.p. vs FY 2014. Key drivers of the growth:
 - For the third year Lapino made the most significant contribution to the Group's EBITDA in 2015, adding RUB 335 mln
 - LFL clinics ex. Lapino added RUB 163 mln
- Management company expenses increased by RUB 41 mln y-o-y
- M&C Ufa and Novosibirsk facilities added RUB 155 mln on top of FY 2014 results

EBITDA bridge FY 2015 vs FY 2014



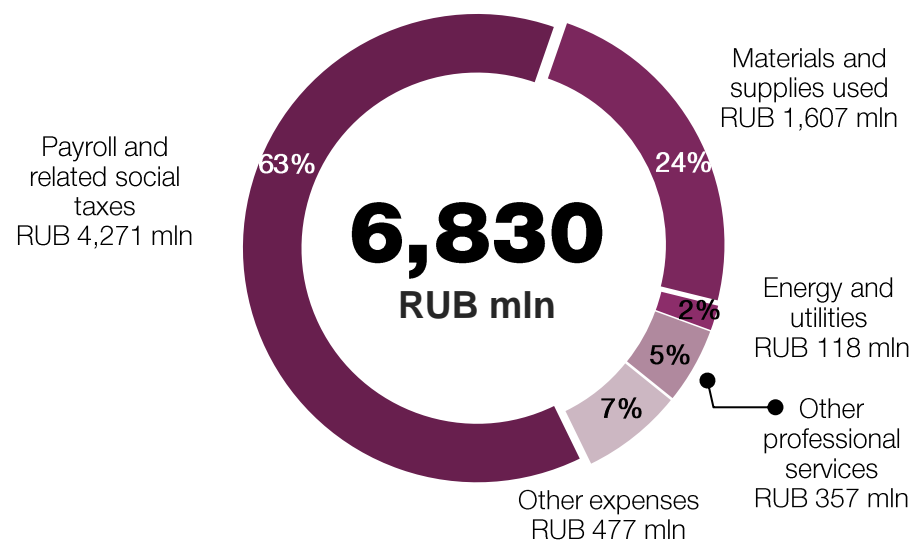
Source: FY2015 audited financial statements under IFRS

x% - EBITDA margin

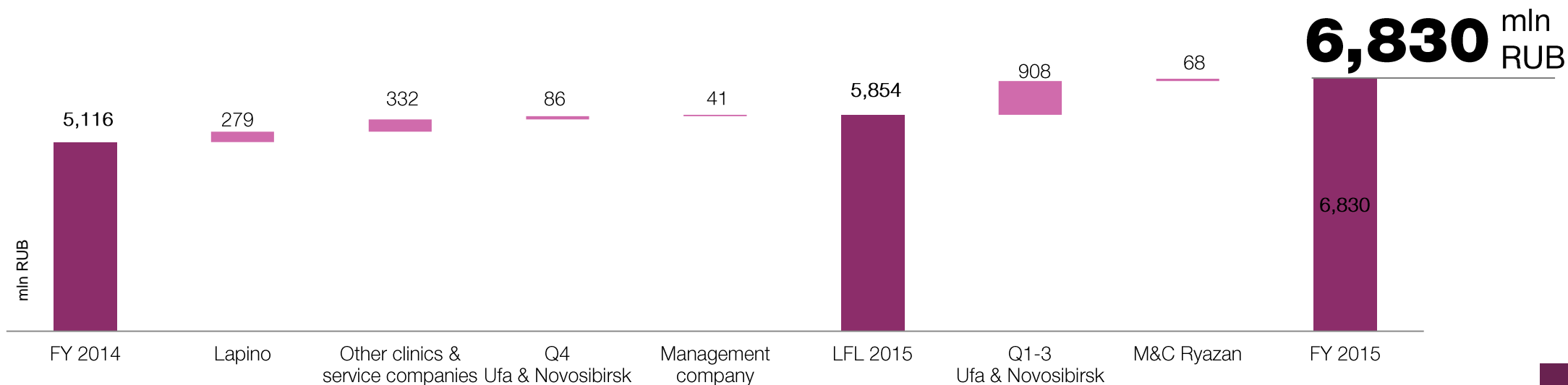
OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) for FY 2015 amounted to RUB 6,830 mln, up 34% y-o-y
- LFL OPEX (excl. D&A) increased 14% y-o-y and amounted to RUB 5,854 mln while LFL revenue rose by 17%
- The largest contributors to OPEX growth were M&C Novosibirsk and Ufa hospital as well as Lapino where the number of patients continues to grow
- Management company added extra RUB 41 mln most of which were contributed by long-term management incentive programme valid till 2018

OPEX structure

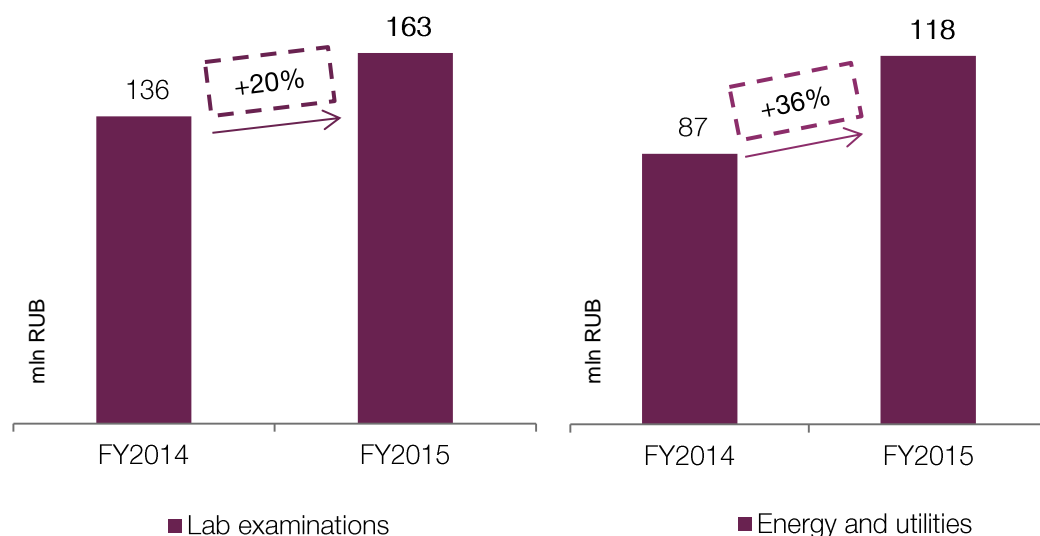
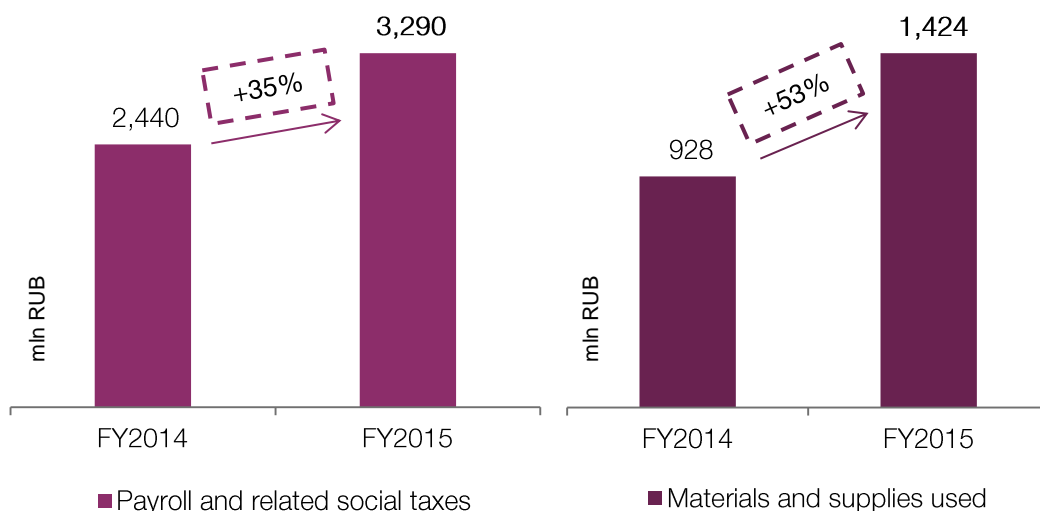


OPEX (excl. D&A) bridge analysis



COST OF SALES, EXCL. D&A

CoS comparison



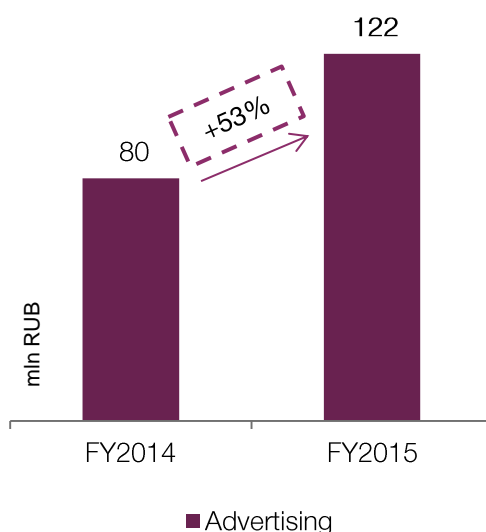
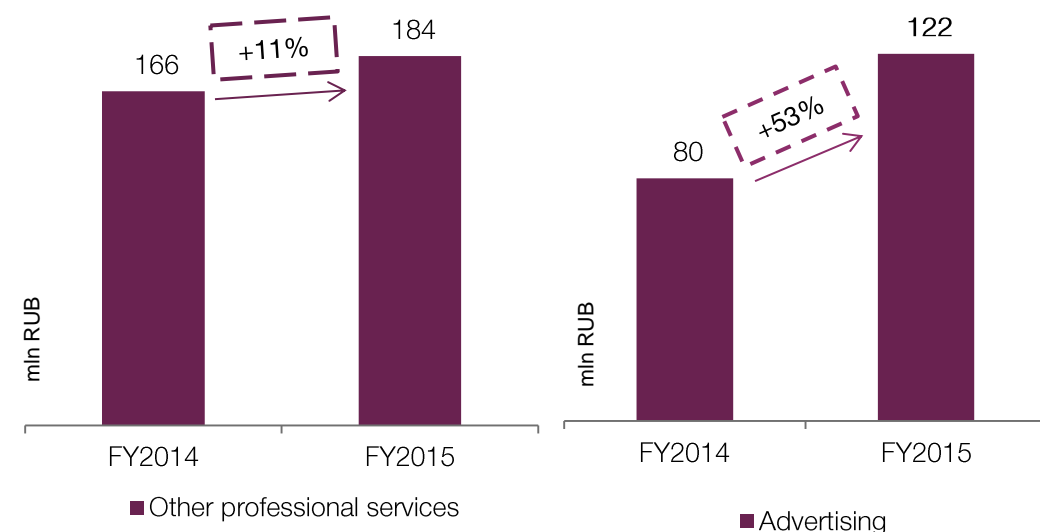
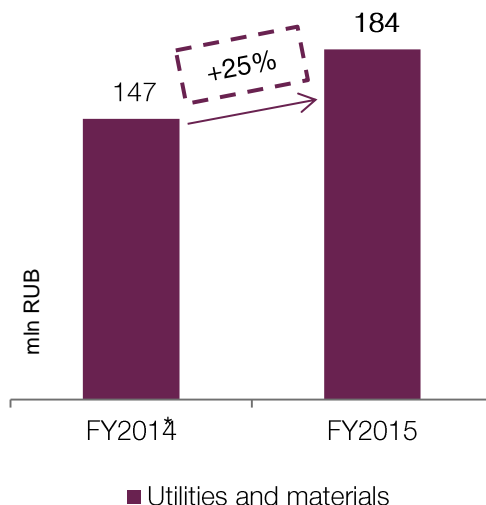
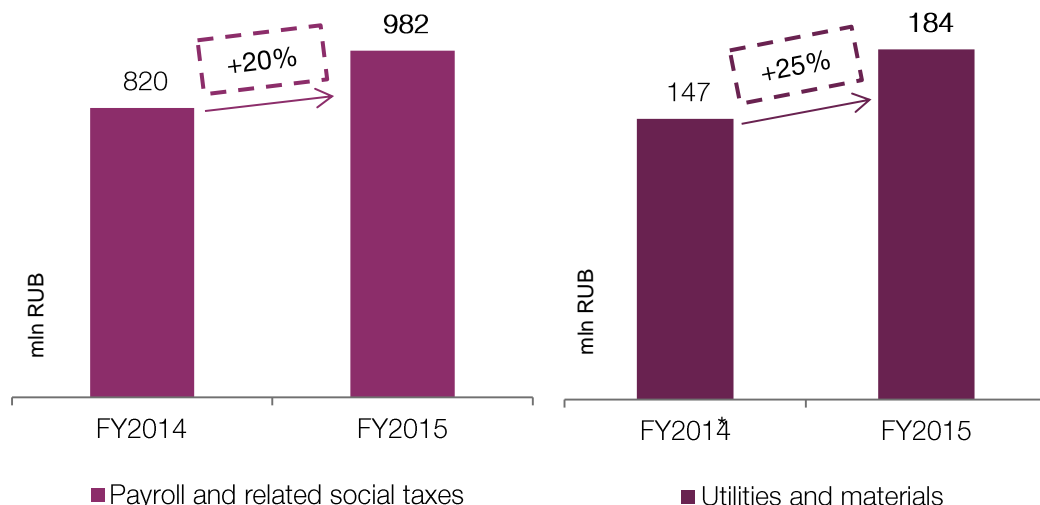
- CoS (ex. D&A) amounted to RUB 5,235 mln (+38% y-o-y)
- LFL CoS growth was 18% and it outstripped revenue growth by 1 p.p. LFL CoS amounted to RUB 4,454 mln
- The following costs rose mainly due to the full year of operations Ufa hospital M&C Novosibirsk:
 - Payroll costs amounted to RUB 3,290 mln, growing by 35% vs. FY 2014. Payroll was also affected by increase of prices via variable part of doctors' salaries and marginal inflation of other medical staff salaries
 - Materials and supplies demonstrated the fastest growth rate (53% y-o-y) and reached RUB 1,424 mln which is explained by: 1) inflation of prices for supplies due to RUB weakening; 2) growing share of IVF's revenue which is material intensive service; 3) new pharmacies in Group's hospitals and clinics were opened
 - Energy & utilities grew by 36% y-o-y up to RUB 118 mln
- Laboratory test expenses increased 26% y-o-y due to an increase in number of tests performed. Corresponding revenue for the period went up by 40%

Revenue and CoS, RUB mln

Indicator	FY 2015	FY 2014	Change y-o-y, %
LFL Revenue	8,453	7,201	+17%
LFL CoS (ex.D&A)	4,454	3,789	+18%
Revenue	9,507	7,201	+32%
CoS (ex. D&A)	5,235	3,789	+38%

G&A, EXCL. D&A

G&A comparison



- G&A (excl. D&A) expenses grew up by 20% y-o-y to RUB 1,595 mln while revenue increased by 32% y-o-y
- LFL G&A (excl. D&A) increased 5% or by RUB 72 mln vs. LFL revenue growth of 17%
- The following expenses increased y-o-y due to ramp-up and full year of operations of hospital in Ufa and facilities in Novosibirsk:
 - Payroll expenses (including social tax expenses) increased by 20% and amounted to RUB 982 mln
 - Utilities and materials grew up by RUB 37 mln y-o-y or 25%
- Other professional services grew by 11% y-o-y or RUB 18 mln owing to M&A deals prepared during 2015
- Advertising expenses in 2015 grew by 53% y-o-y up to RUB 122 mln mostly due to increased expenses on marketing for PMC and Lapino, extensive marketing campaigns for the Ufa hospital

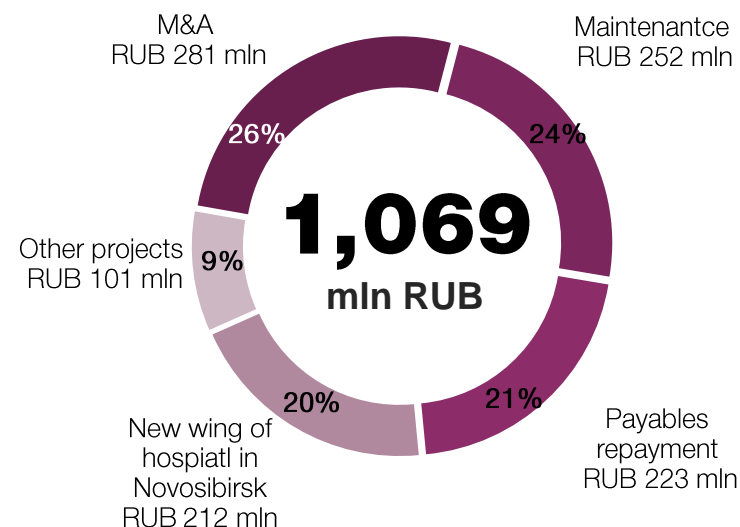
Revenue and G&A, mln RUB

Indicator	FY 2015	FY 2014	Change y-o-y, %
LFL Revenue	8,453	7,201	+17%
LFL G&A(ex.D&A)	1,400	1,328	+5%
Revenue	9,507	7,201	+32%
G&A (ex. D&A)	1,595	1,328	+20%

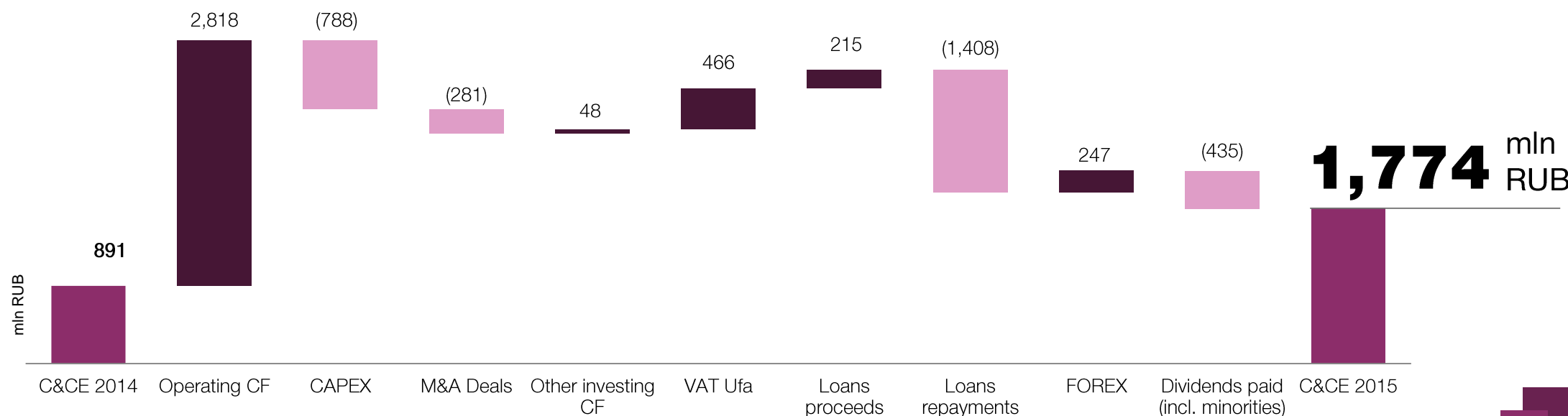
CAPEX & CASH FLOW

- Group had solid liquidity position with RUB 1,774 mln in cash & cash equivalents as of Dec 31, 2015
- OCF amounted to RUB 2,818 mln and increased 34% vs. FY2014
- CAPEX cash outflow amounted to RUB 788 mln and was mostly related to repayment of payables related to investment projects
- On M&A Group spent RUB 281 mln in 2015
- Investment cash inflow of RUB 48 mln was related to interest received
- Group managed to return VAT (RUB 466 mln) from local authorities paid for Ufa hospital construction. This amount should be annually redeemed in equal parts till 2025
- Redemption of bank loans and related finance expenses amounted to RUB 1,408 mln

CAPEX Structure



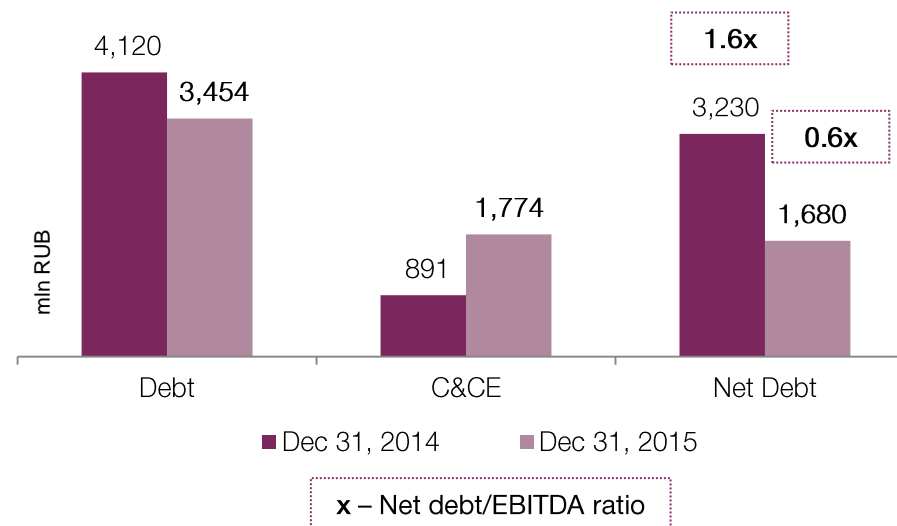
Cash Flow waterfall



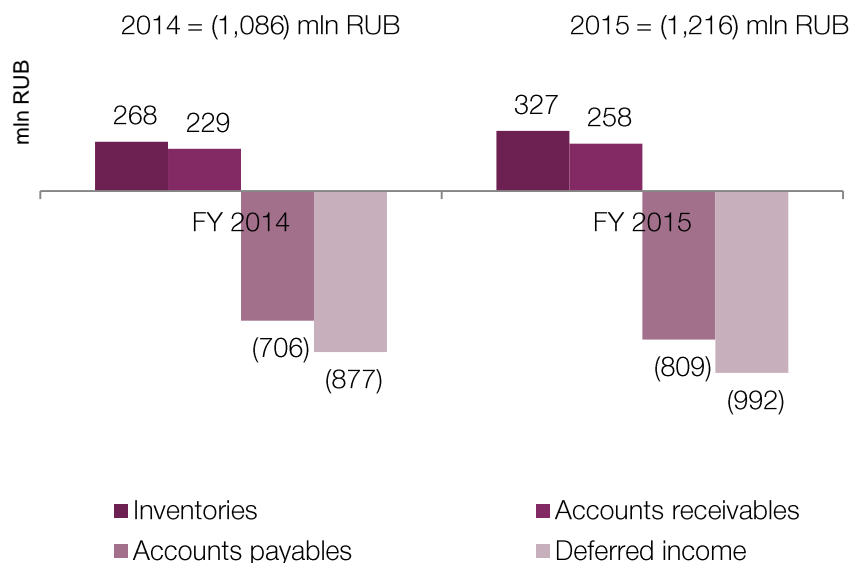
WORKING CAPITAL AND NET DEBT

- The Group's debt decreased by 16% y-o-y to RUB 3,454 mln
- The Company's cash & cash equivalents amounted to RUB 1,774 mln, representing 99% growth y-o-y. The significant increase was supported by strong OCF and VAT refund for Ufa hospital.
- The net debt position as of Dec 31, 2015 was RUB 1,680 mln with net debt to EBITDA ratio of 0.6x
- The company works with negative working capital as a source of additional financing. Working capital decreased 12% to RUB (1,216) mln from the beginning of the year

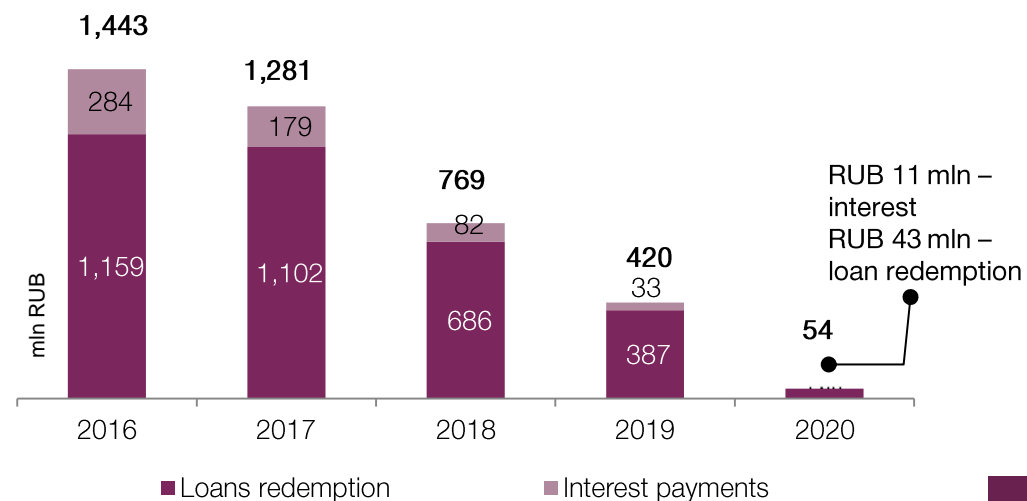
Debt



Net working capital



Debt repayment schedule



4

OUR STRATEGY

MDMG'S FAST GROWTH RESULTS IN NEW MANAGEMENT APPROACH

CEO

Mark Kurtser

Mother and child Centre

Deputy CEO - Regional Director Vadim Sigutin



- Perinatal Medical Centre
- Medical hospital Lapino
- 5 clinics Mother & Child in Moscow
- Mother & Child Yaroslavl
- Mother and Child Kostroma
- Mother and Child Ryazan
- Mother and Child Saint-Petersburg

Mother and child Siberia

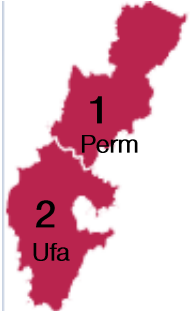
Regional Director Alexander Rayt



- Mother and Child Novosibirsk
- Mother and Child Irkutsk
- ARTMedGroup (5 clinics)
- Medica

Mother and child Urals

Regional Director Alsou Nazyrova



- Mother and Child Ufa clinic
- Mother and Child Ufa hospital
- Mother and Child Perm

Mother and child Volga

Regional Director Vladislav Sherstoboev



- Mother and Child Samara (5 clinics)
- New hospital M&C Samara which is under construction

STRATEGIC VIEW ON COMPANY'S DEVELOPMENT

Factors affecting decision making process

- Exchange rate volatility
- Deterioration of disposable income and less opportunities to travel abroad
- Growing demand for highly-qualified medical care
- Reform of healthcare system in Russia

Strategic view & approach

- Expansion *in* and *to* the regions where people have high disposable income or to the regions where are no IVF services and within Moscow city
- Diversification of hi-tech and high-margin list of services provided

Plans

Moscow :

- Open the cardiology department at Lapino since then doctors will be able to perform cardiovascular surgery
- Open new out-patient clinic in Odintsovo (Moscow region) to attract patients to Lapino hospital

Russian regions:

- Continued ramp-up of Ufa hospital
- Continued construction of new wing of hospital in Novosibirsk that will adjoin the existing building. Expected to be brought into operation in early 2017. Estimated budget – RUB 1.3 bn. Capacity* - 48 beds, 20 offices, 3 – operation theatres
- Construction of hospital in Samara: 15,000 sq m; 137 beds; estimated budget RUB 3.5 bn; expected put into operations – Q1 2018
- Potential M&As in several Russian regions

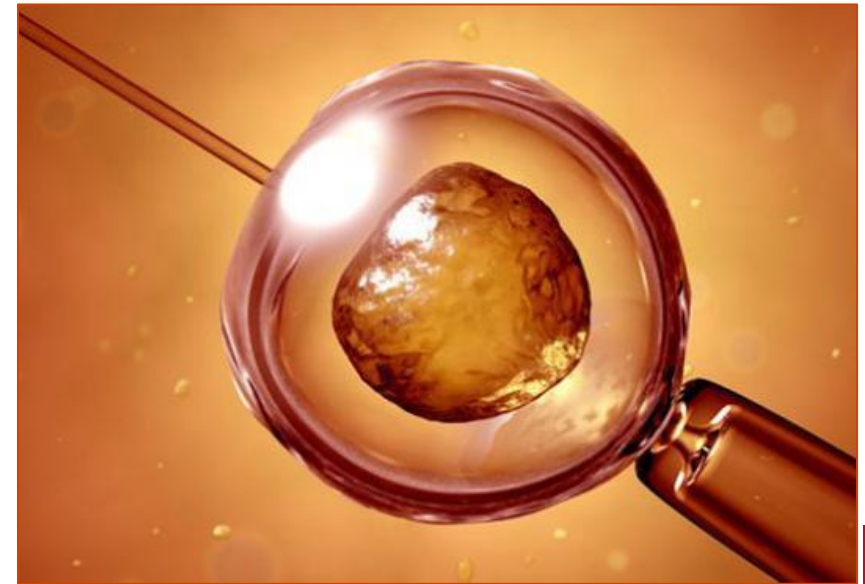
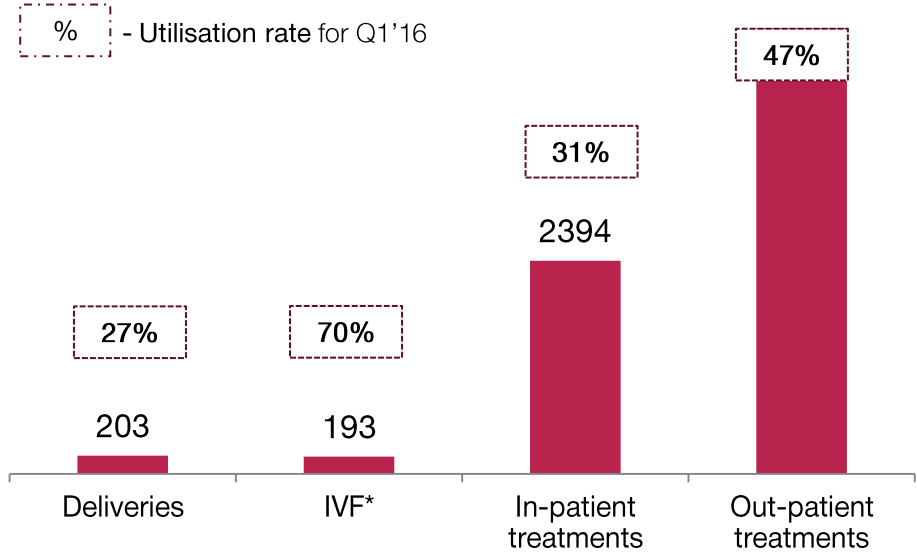
STRATEGY IN ACTION: UFA, BASHKORTOSTAN

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 & average ticket for Q1'16

RUB 128 ths - average check for deliveries in Q1 2016



* - opened in April'15

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 – 48, 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	22	60

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

Official ground breaking ceremony on June 23, 2016





APPENDIX



REVENUE ANALYSIS



	2015	2014
Obstetrics and Gynaecology	2,326	1,960
<u>In-patient treatments</u>		
RUB mln	810	685
patient days	23,626	20,331
kRUB per day	34.3	33.7
% of total*	35%	35%
<u>Out-patient treatments</u>		
RUB mln	1,516	1,276
Admissions	451,986	382,430
kRUB per admission	3.4	3.3
% of total*	65%	65%
Deliveries	1,750	1,444
RUB mln	1,750	1,444
Deliveries	5,535	4,550
kRUB per delivery	316.2	317.3
IVF	1,615	1,187
RUB mln	1,615	1,187
Cycles	9,289	7,654
kRUB per cycles	173.9	155.1
Paediatrics	1,288	1,058
<u>In-patient treatments</u>		
RUB mln	271	205
Patient-days	15,387	11,454
kRUB per patient day	17.6	17.9
% of total*	21%	19%
<u>Out-patient treatments</u>		
RUB mln	1,017	853
Admissions	347,003	272,693
kRUB per admissions	2.9	3.1
% of total*	79%	81%

	2015	2014
Other medical services	2,120	1,249
<u>In-patient treatments</u>		
RUB mln	436	163
Patient days	12,001	4,115
kRUB per patient day	36.6	39.6
% of total*	21%	13%
<u>Out-patient treatments</u>		
RUB mln	807	446
Admissions	377,641	224,812
kRUB per admissions	2.1	2.0
% of total*	38%	36%
<u>Other medical services</u>		
RUB mln	877	641
% of total*	41%	51%

EXTRACT FROM MDMG'S PROFIT AND LOSS STATEMENT



(RUB mln)	2015	2014	2013
Revenue	9,507	7,201	5,673
Cost of sales	(5,918)	(4,230)	(3,389)
Gross Profit	3,589	2,971	2,283
% of revenue	38%	41%	40%
Other income	18	9	4
Administrative expenses	(1,793)	(1,433)	(1,125)
Other expenses	(38)	(11)	(5)
EBITDA	2,675	2,083	1,586
% of revenue	28%	29%	28%
Operating profit	1,775	1,536	1,158
Net finance expenses	30	(141)	(323)
Profit before tax	1,805	1,395	835
Tax	(34)	(75)	(72)
Profit for the period	1,770	1,320	764
% of revenue	19%	18%	13%
Minority interest	167	124	127
Profit for the year attributable to: shareholders	1,604	1,196	636

EXTRACT FROM MDMG'S BALANCE SHEET



(RUB mln)	2015	2014	2013
Cash and cash equivalents	1,774	891	3,273
Investments	2	3	4
Current trade, other receivables and deferred expenses	258	229	152
Inventories	327	268	111
Current tax asset	7	8	8
Assets held for sale	46	46	-
Property, plant and equipment	12,364	12,540	9,210
Intangible assets	2,145	1,981	452
Non-current trade and other receivables and deferred expenses	184	105	438
Other non-current assets	2,514	1,985	451
TOTAL ASSETS	17,208	16,074	13,648
Current trade and other payables	873	899	748
Short term loans and borrowings	1,161	869	618
Other current liabilities	907	788	611
Long term loans and borrowings	2,293	3,251	2,379
Other non-current liabilities	464	131	84
Equity	11,509	10,137	9,209
TOTAL EQUITY AND LIABILITIES	17,208	16,074	13,649
Net Debt	1,680	3,230	(273)

EXTRACT FROM MDMG'S CASH FLOW STATEMENT



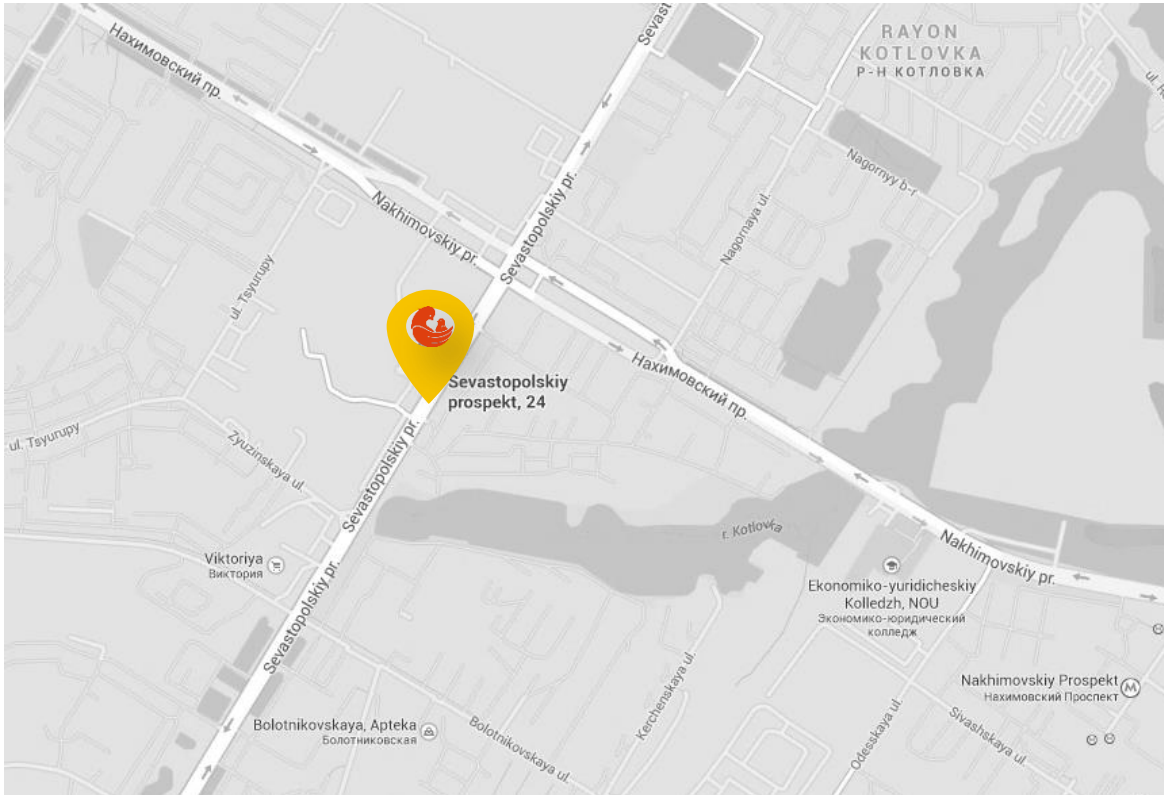
(RUB mln)	2015	2014	2013
Cash flow from operating activities			
Profit for the period	1,770	1,320	764
Adjustments for:			
D&A	881	547	428
Taxation	34	75	72
Other adjustments	18	140	323
Cash flow from operations before working capital changes	2,703	2,082	1,587
(Increase) / decrease in inventories	(57)	(119)	(47)
Increase in trade and other receivables	(12)	(49)	(44)
Increase in trade and other payables	79	71	71
Increase in deferred income	115	199	159
Cash flow from operations	2,828	2,184	1,726
Tax paid	(10)	(78)	(64)
Net cash flow from operating activities	2,818	2,106	1,662
Cash flow from investing activities			
Payment for acquisition of PP&E	(780)	(3,126)	(2,430)
Withdrawal / (deposit) of investments	0	0	2,538
Acquisition of subsidiaries	(281)	(1,797)	(648)
Other proceeds and payments	40	29	72
Net cash flow used in investing activities	(1,020)	(4,894)	(468)
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	-	-
GDR Contributions received from underwriters	-	-	150
Proceeds from borrowings	215	1,360	341
Repayment of borrowings	(949)	(518)	(346)
Repayments of obligations under finance leases	(1)	(3)	(3)
Finance expenses paid	(458)	(362)	(356)
Other payments	466	(72)	(10)
Dividends paid to the owners of the Company	(300)	(180)	(314)
Dividends paid to non-controlling interests	(135)	(139)	(72)
Net cash flow from financing activities	(1,162)	86	(610)
Net increase in cash and cash equivalents	636	(2,702)	584
Cash and cash equivalents at the beginning of the period	891	3,273	2,583
Effect due to exchange rate changes	248	319	106
Cash and cash equivalents at the end of the period	1,774	891	3,273

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