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MOTHER & CHILD
GROUP OF COMPANIES



Photo: OR1 Integrated operating theatre in Ufa hospital

MD Medical Group
Investor presentation

VTB Capital Investment Forum
“Russia Calling!”

October 26-27, 2017
Moscow



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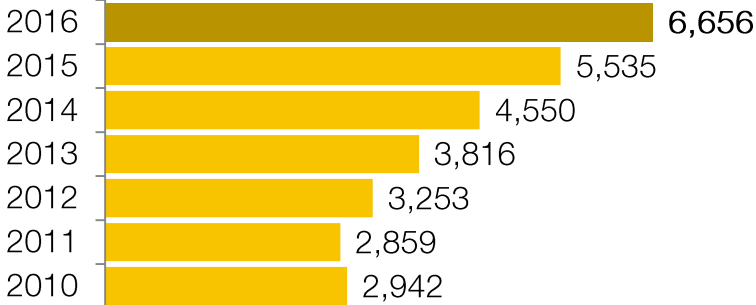
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1

OPERATIONAL RESULTS

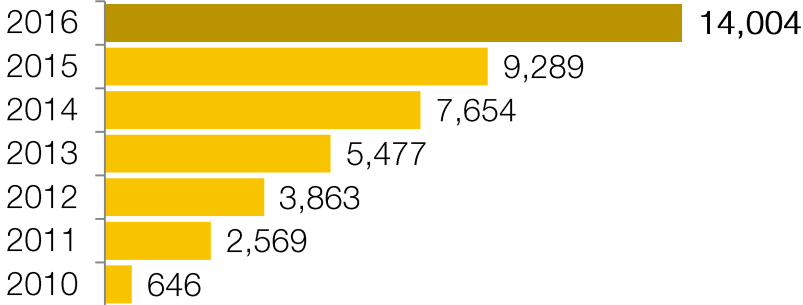
OPERATIONAL RESULTS

Deliveries



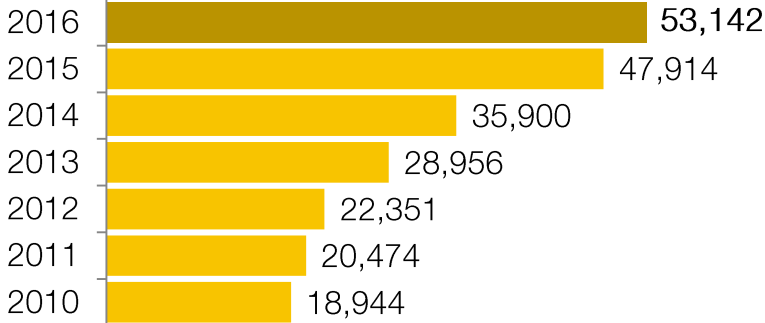
CAGR 2010-2016
+15%

IVF



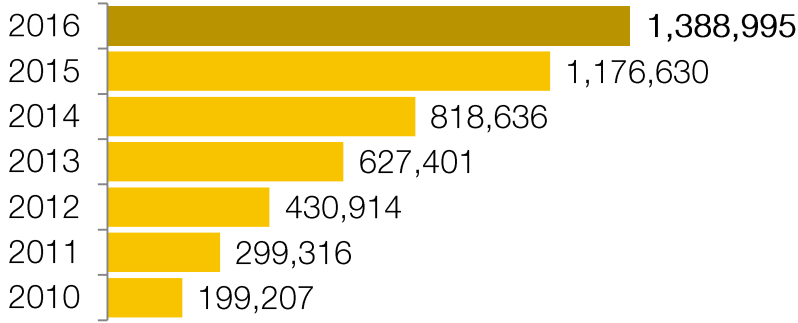
CAGR 2010-2016
+67%

In-patient treatments



CAGR 2010-2016
+19%

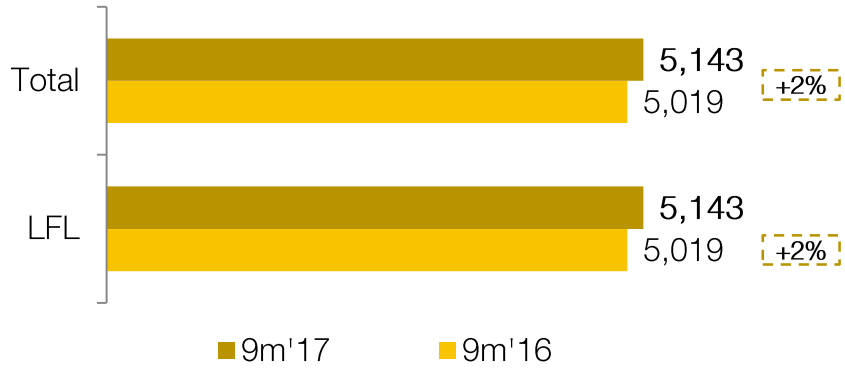
Out-patient treatments



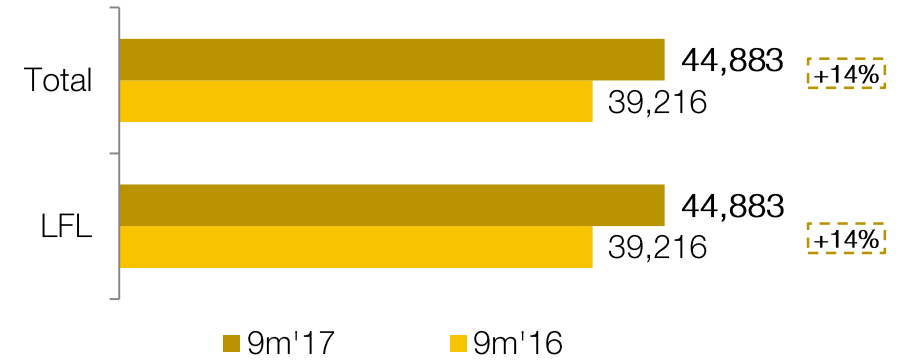
CAGR 2010-2016
+38%

OPERATIONAL RESULTS 9m'17

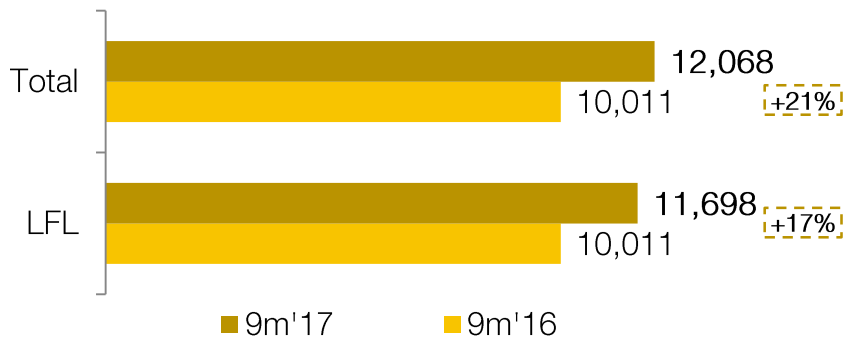
Deliveries



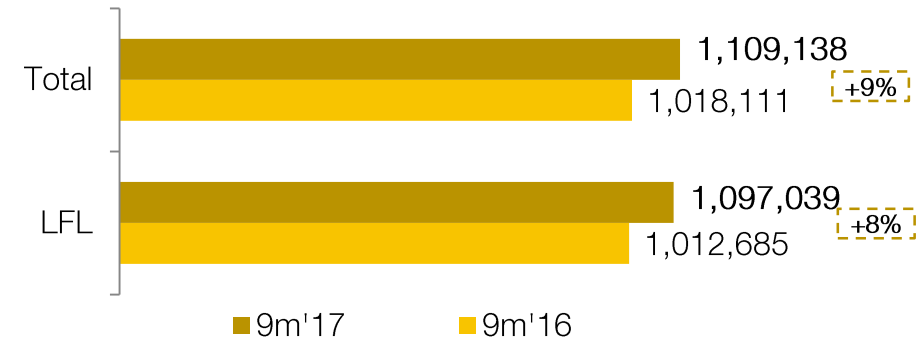
IVF



In-patient treatments

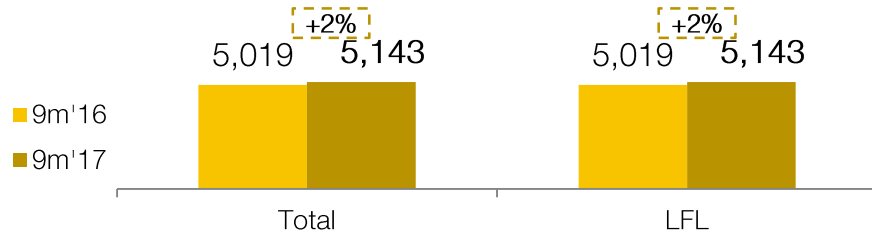


Out-patient treatments

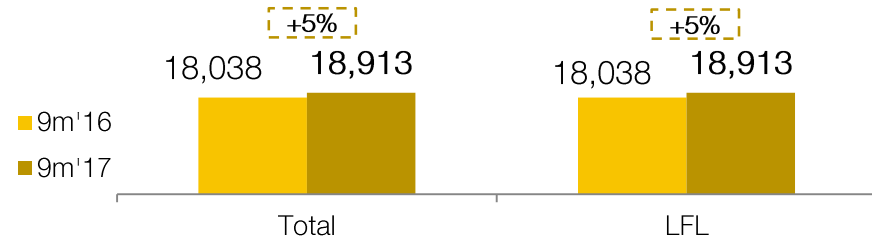


OPERATING PERFORMANCE FOR 9m'2017

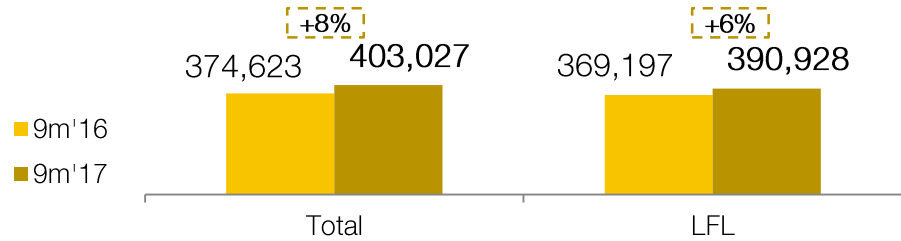
DELIVERIES



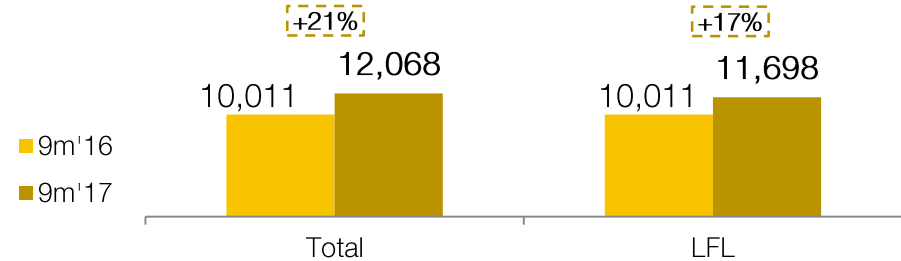
OBGYN in-patient (patient-days)



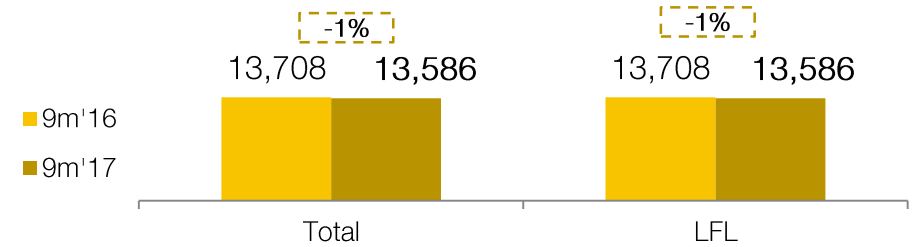
OBGYN out-patient (visits)



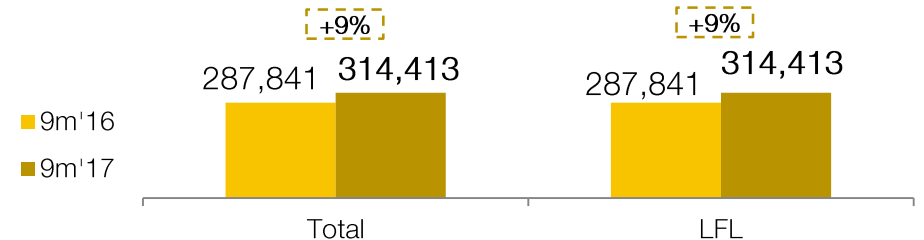
IVF (cycles)



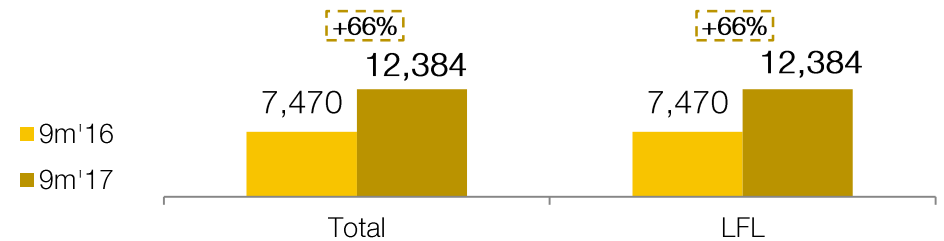
PAEDIATRICS in-patient (patient-days)



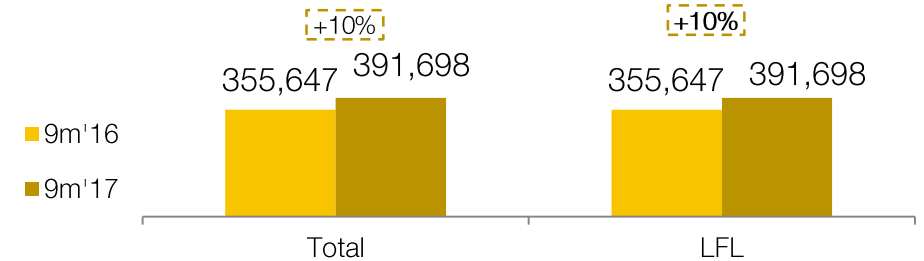
PAEDIATRICS out-patient (visits)



OTHER SERVICES in-patient (patient-days)



OTHER SERVICES out-patient (visits)



2

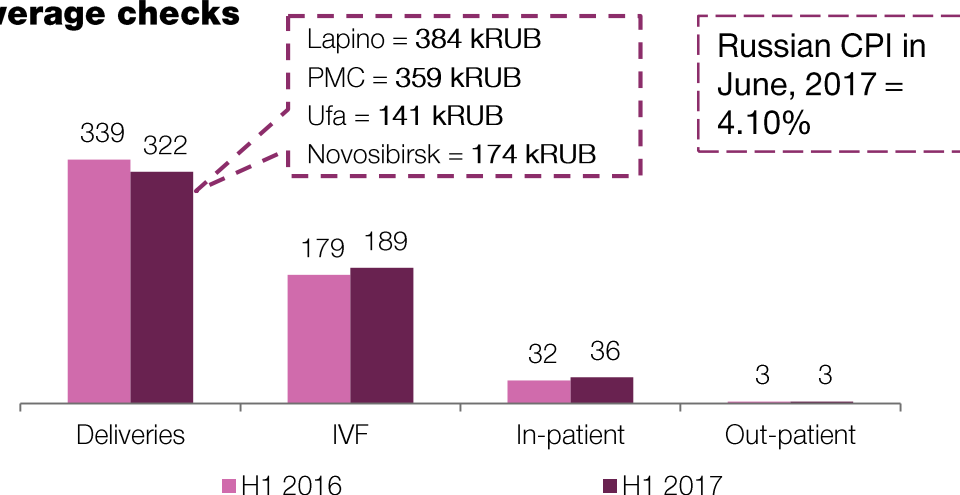
H1 2017

FINANCIAL RESULTS ANALYSIS

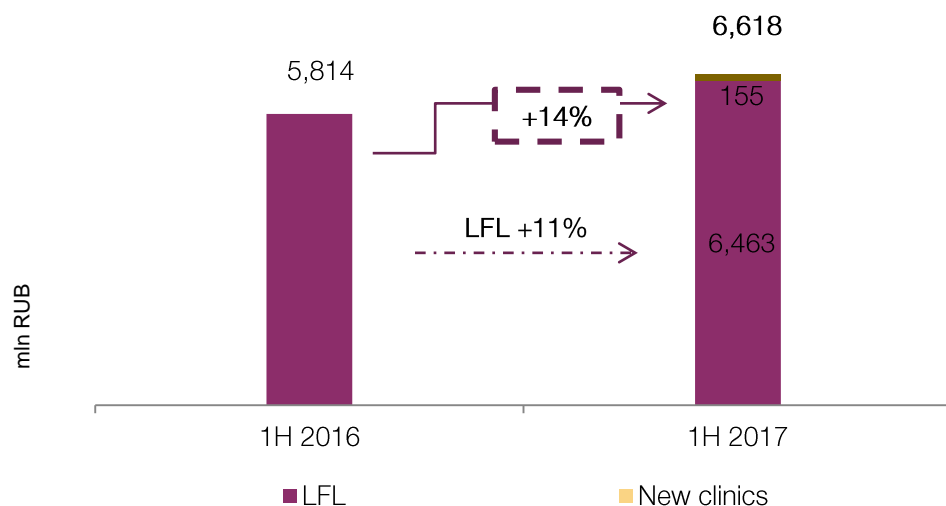
KEY FINANCIAL INDICATORS FOR H1'17

- The Company increased its revenue and EBITDA in H1'17 by 14% both vs. H1'16
- EBITDA margin was at sustainable level of 29%
- LFL revenue and EBITDA grew by 11% and 12% correspondingly
- Average tickets change year-on-year:
 - +5% - IVF
 - -5% - deliveries. Decrease of average ticket is related to growing share of regional business, no price increase in H1'17 and slight decrease of average tickets in Moscow hospitals due to different mix of doctors group contracts.
 - +13% - in-patient treatments
 - +1% - out-patient treatments

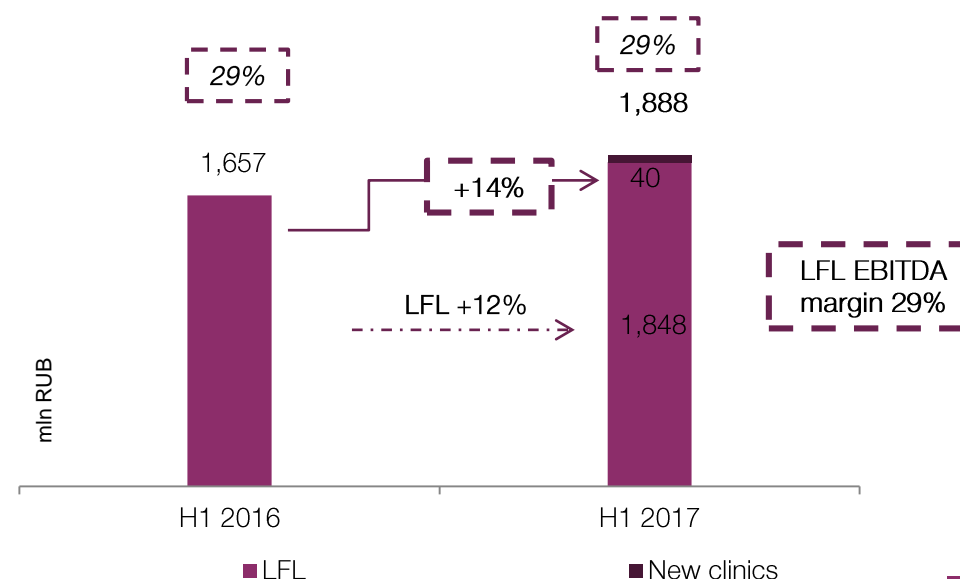
Average checks

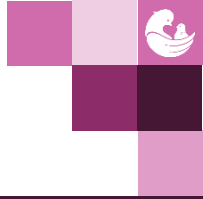


Revenue



EBITDA & EBITDA margin



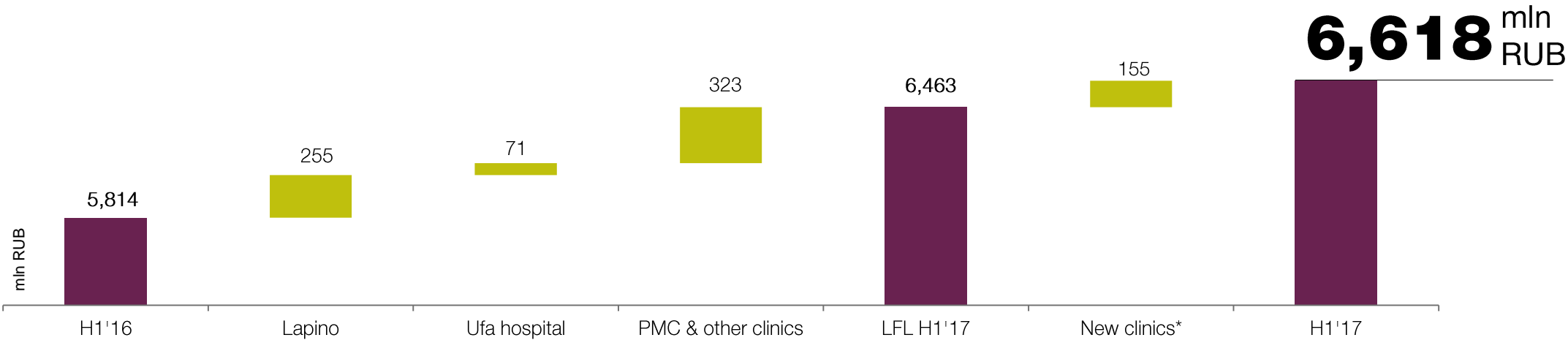


REVENUE BRIDGE ANALYSIS

Revenue increased 14% y-o-y to RUB 6,618 mln

- LFL revenue increased 11% or by RUB 649 mln since:
 - For the 5th year in a row Lapino continues to be the largest solitary contributor to LFL revenue increase, adding RUB 255 mln or 4% to Group revenue
 - Other Group's clinics contributed an additional 5% or RUB 323 mln. Approximately one third of which is new hospital in Novosibirsk. AMG clinics in Siberia (M&A in 2016) made a significant improvement in its results as well.
 - Ufa hospital continued to improve its performance and generated extra RUB 71 mln
- New clinics added RUB 155 mln which is mostly generated by M&C Khodynskoye pole (Moscow)

Revenue bridge H1 2017 vs H1 2016



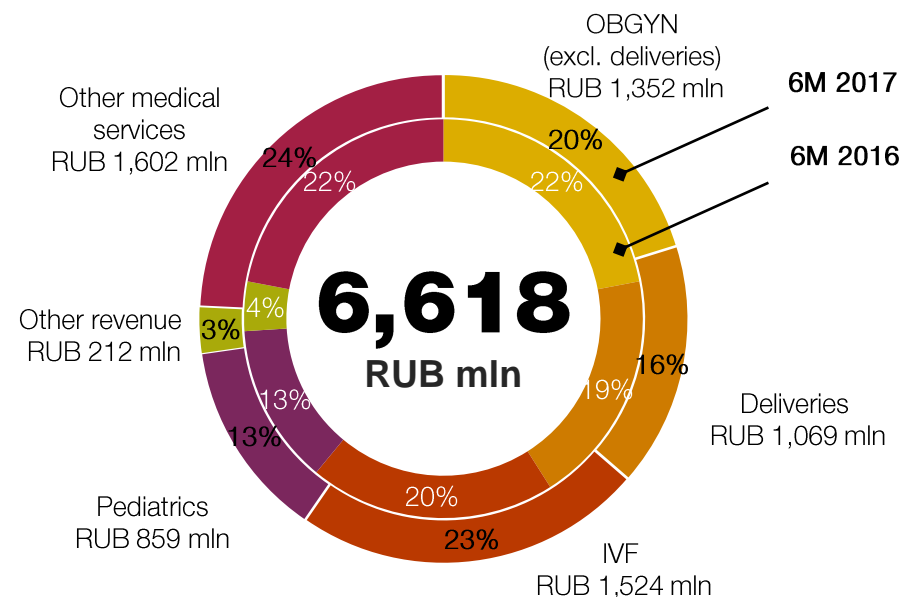
Source: H1 2017 audited financial statements under IFRS

* - M&C Odyntsovo, Vladimir, Tyumen, Khodynskoe pole

REVENUE STRUCTURE

- Most of the top-line growth was ensured by:
 - IVF which grew by RUB 349 mln, 30% y-o-y
 - Other Medical Services' revenue grew by RUB 336 mln, 27% y-o-y
 - Paediatrics increased by RUB 96 mln, 13% y-o-y
- Key services of the Group amount to 73% of the revenue
- Share of the regional business remained at 34% of total revenue of the Group

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, RUB mln

H1 2016	H1 2017	Change, %	Type of revenue	LFL H1 2016	LFL H1 2017	Change, %
1,175	1,524	30% ↑	IVF	1,175	1,432	22% ↑
1,301	1,352	4% ↑	OBGYN (excl. deliveries)	1,301	1,302	0%
1,086	1,069	-2% ↓	Deliveries	1,086	1,069	-2% ↓
763	859	13% ↑	Paediatrics	763	859	13% ↑
1,265	1,602	27% ↑	Other medical services	1,265	1,592	26% ↑
225	212	-6% ↓	Other revenue	225	209	-7% ↓
5,814	6,618	14%		5,814	6,463	11%

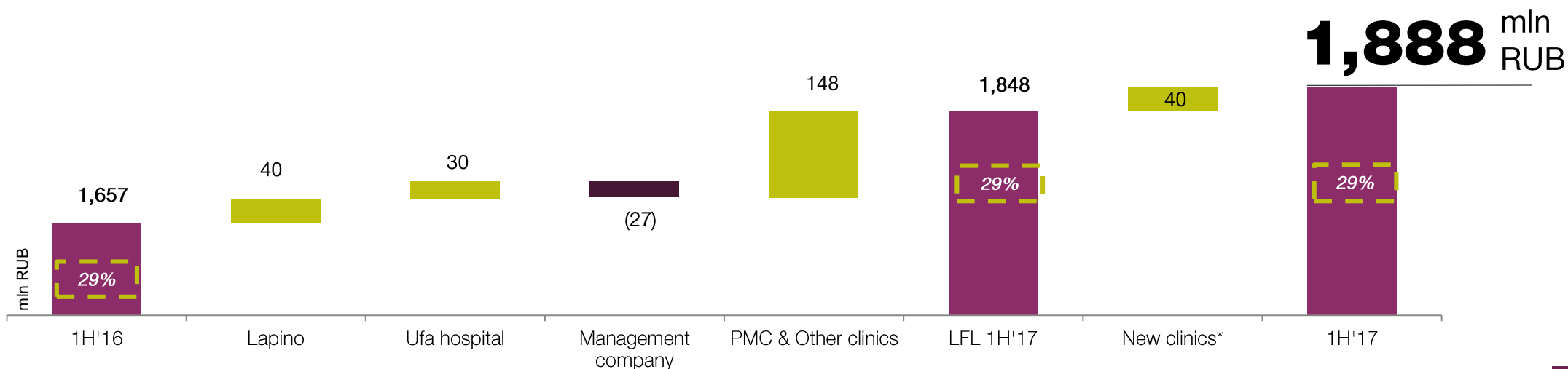
EBITDA BRIDGE ANALYSIS



EBITDA increased 14% y-o-y to RUB 1,888 mln with a sustainable strong margin of 29%

- LFL EBITDA grew up by 12% or by RUB 234 mln and amounted to RUB 1,848 mln. LFL EBITDA margin was 29%.
- Key drivers of like-for-like figures growth:
 - Lapino added RUB 40 mln
 - Ufa hospital gained RUB 30 mln
 - PMC and other existing clinics added RUB 148 mln
- Management company expenses increased by RUB 27 mln y-o-y

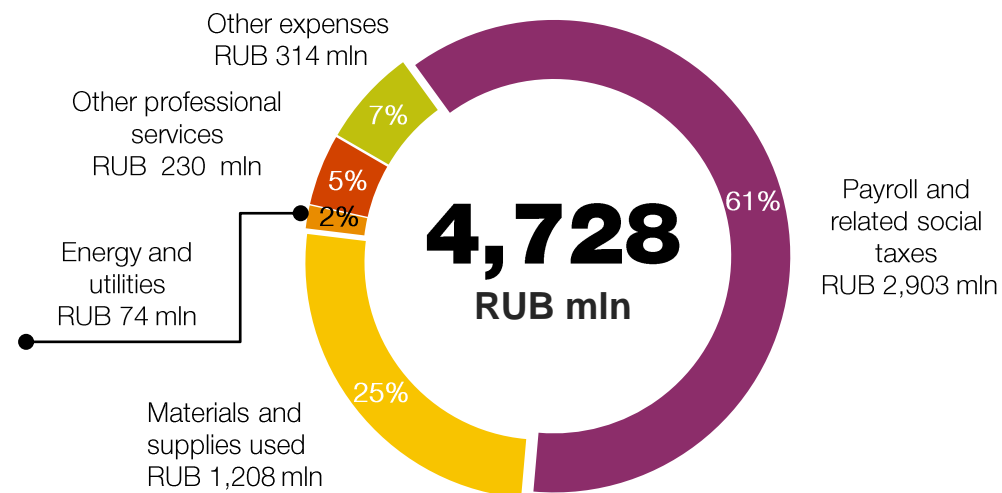
EBITDA bridge H1 2017 vs H1 2016



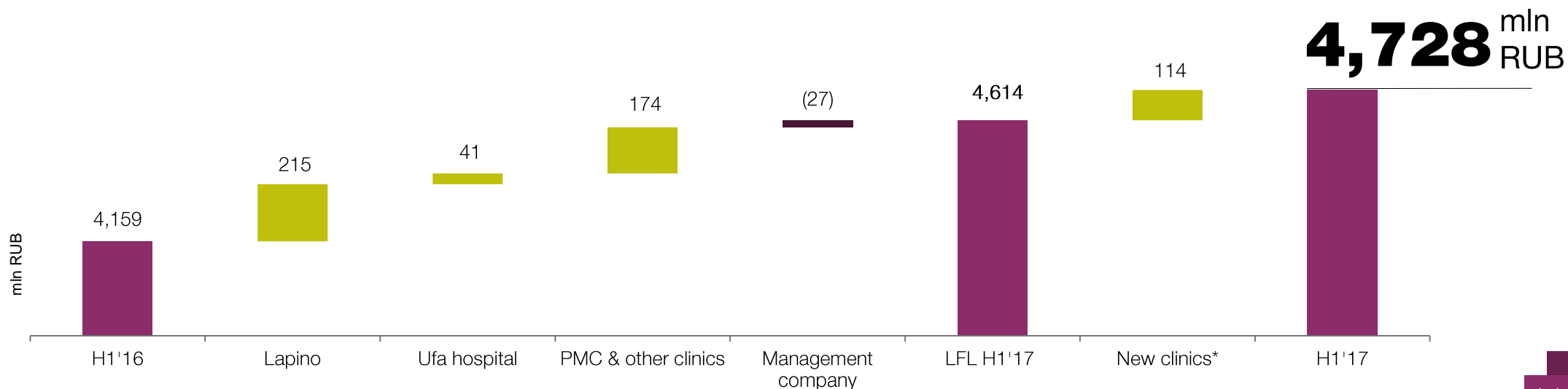
OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) for H1'17 grew up by 14% vs. corresponding period of last year and amounted to RUB 4,728 mln
- LFL OPEX (excl. D&A) increased 11% y-o-y and amounted to RUB 4,614 mln
- The largest contributors to OPEX growth were Lapino, Ufa and Novosibirsk hospitals where the number of patients grew up
- Management company added extra RUB 27 mln mostly due to one-off consulting services

OPEX structure

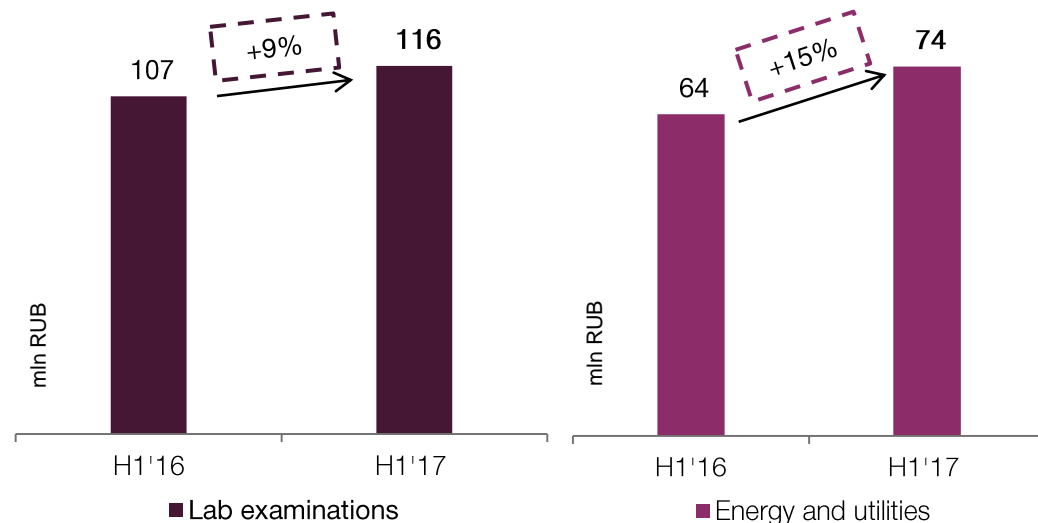
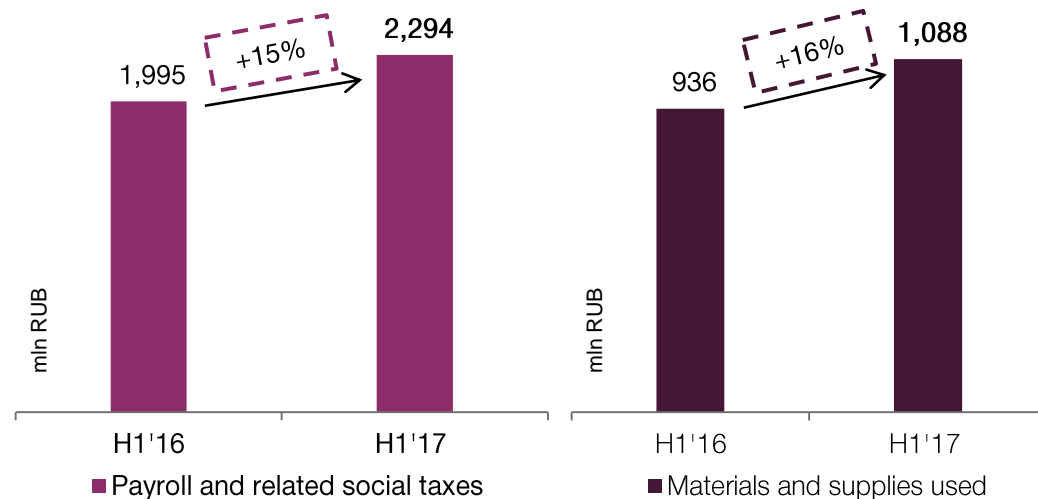


OPEX (excl. D&A) bridge analysis



COST OF SALES, EXCL. D&A

CoS comparison



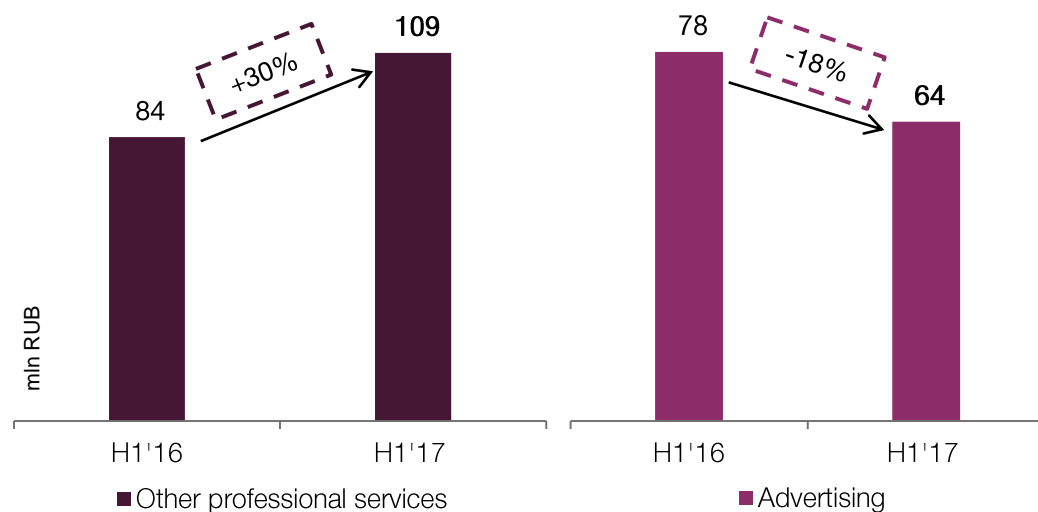
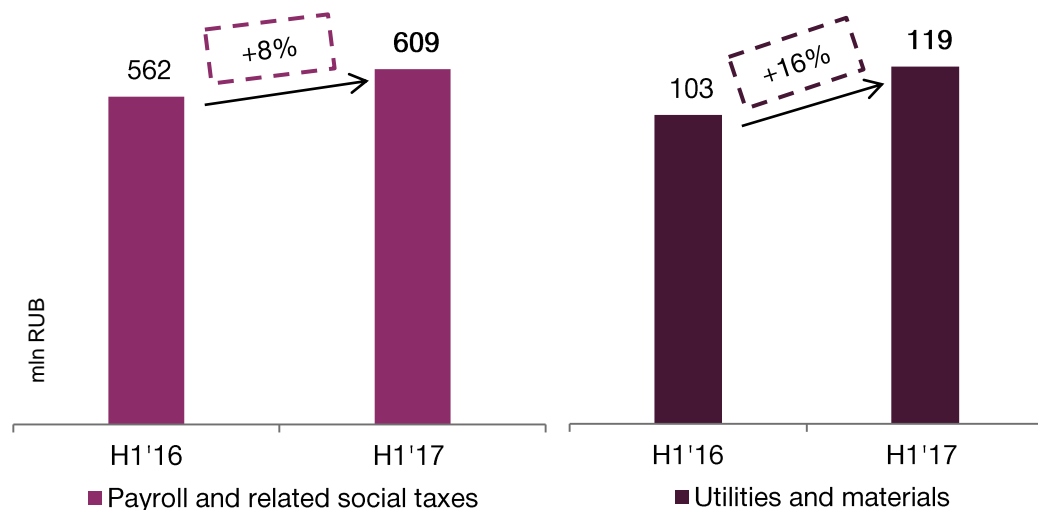
- CoS (ex. D&A) amounted to RUB 3,752 mln (+16% y-o-y)
- LFL CoS growth was 13% and amounted to RUB 3,048 mln
- The following costs rose mainly due increased utilisation of Lapino and Ufa hospitals, as well as opening of new hospital in Novosibirsk:
 - Payroll costs amounted to RUB 2,294 mln, growing by 16% vs. H1'16.
 - Materials and supplies grew up 16% and reached RUB 1,088 mln on the back of growing share of IVF's volumes and revenue which is material intensive service
 - Energy & utilities grew by 15% y-o-y up to RUB 74 mln
- Laboratory test expenses increased 9% y-o-y

Revenue and CoS, RUB mln

Indicator	H1'17	H1'16	Change y-o-y, %
LFL Revenue	6,463	5,814	+12%
LFL CoS (ex.D&A)	3,663	3,240	+13%
Revenue	6,618	5,814	+14%
CoS (ex. D&A)	3,752	3,240	+16%

G&A, EXCL. D&A

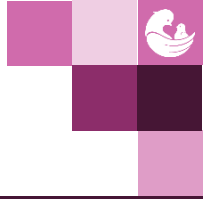
G&A comparison



- G&A (excl. D&A) expenses grew up by 7% y-o-y to RUB 977 mln while revenue increased by 14% y-o-y
- LFL G&A (excl. D&A) increased 3% up to RUB 939 mln vs. LFL revenue growth of 11%
- The following expenses increased y-o-y mostly due to different specific reasons different for every line:
 - Payroll expenses (including social tax expenses) increased by 8% and amounted to RUB 609 mln
 - Utilities and materials grew up by RUB 16 mln y-o-y or 16%
- Other professional services grew by 30% y-o-y or by RUB 25 mln
- Advertising expenses went down by 18% y-o-y up to RUB 64 mln mostly due to optimisation of marketing expenses

Revenue and G&A, RUB mln

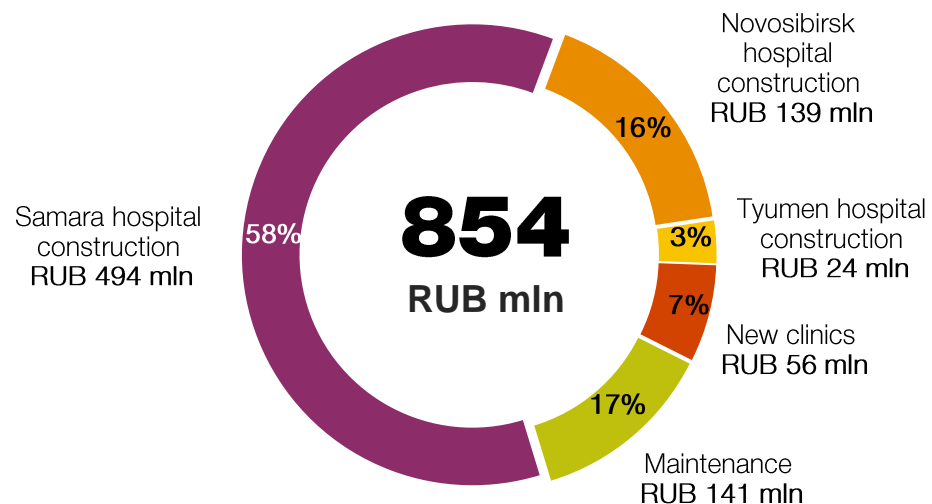
Indicator	H1'17	H1'16	Change y-o-y, %
LFL Revenue	6,463	5,814	+12%
LFL G&A(ex.D&A)	939	913	+3%
Revenue	6,618	5,814	+14%
G&A (ex. D&A)	977	913	+7%



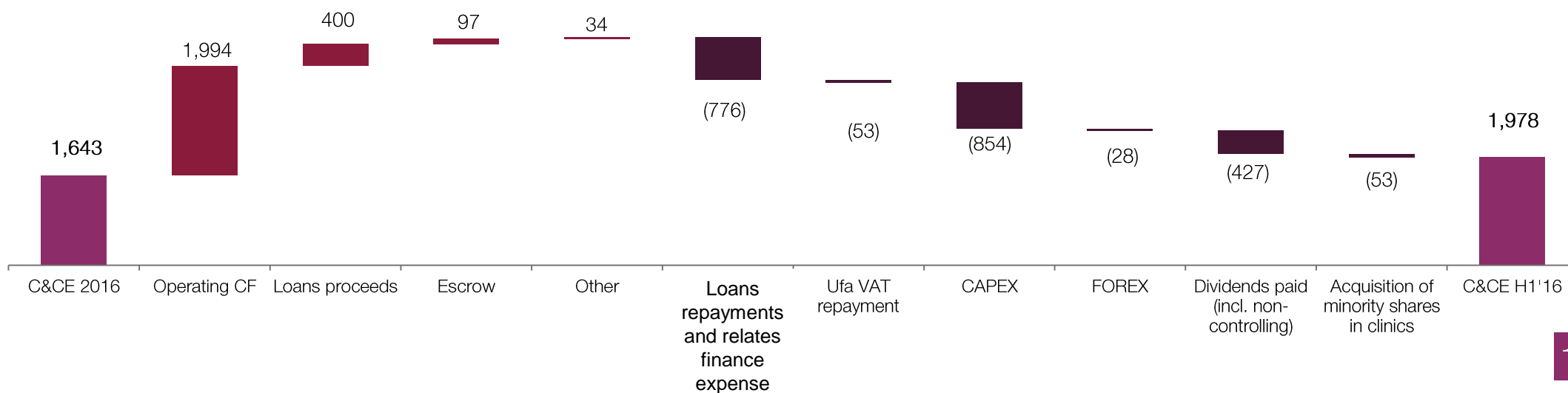
CAPEX & CASH FLOW

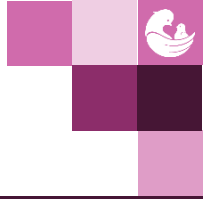
- Group had solid liquidity position with RUB 1,978mln in cash & cash equivalents as of June 30, 2017
- OCF amounted to RUB 1,994 mln and increased 12% vs. H1'16
- CAPEX cash outflow amounted to RUB 854 mln and was mostly related to construction of a new hospital in Samara and maintenance. Part of CAPEX spending related to Tyumen and Samara hospitals construction are postponed to 2018
- Proceeds from escrow agent in amount of RUB 97 mln are related to M&A deal
- Redemption of bank loans and related finance expenses amounted to RUB 776 mln and RUB 53 mln were spent on Ufa VAT repayment

CAPEX structure, incl. M&A



Cash Flow waterfall

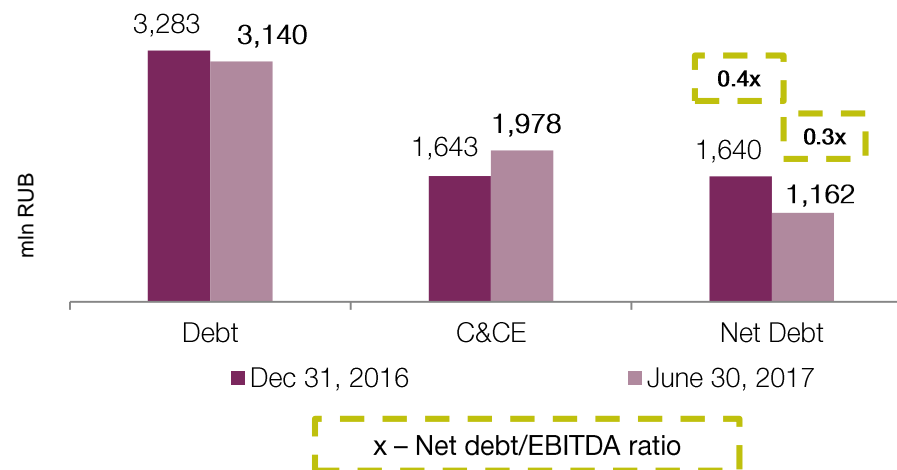




WORKING CAPITAL AND NET DEBT

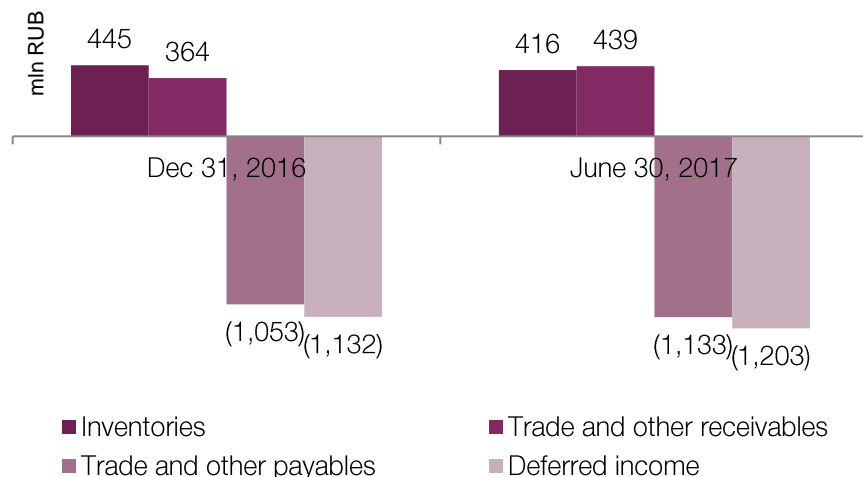
- The Group's debt decreased by 4% year-to-date to RUB 3,140 mln
- The Company's cash & cash equivalents grew up by 20% and amounted to RUB 1,978 mln
- The net debt position as of June 30, 2017 was RUB 1,162 mln with net debt to EBITDA ratio of 0.3x
- The company works with negative working capital as a source of additional financing. Working capital decreased 8% to RUB (1,481) mln from the beginning of the year

Debt

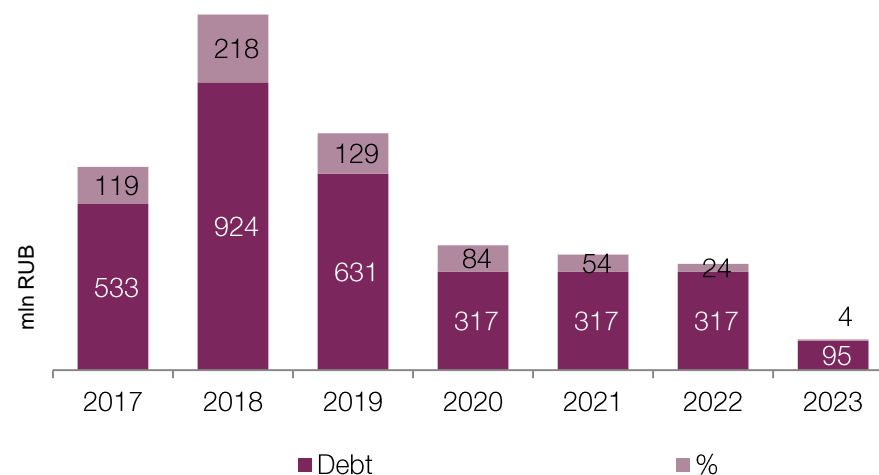


Net working capital

2016 = (1,376) mln RUB June 30, 2017 = (1,481) mln RUB



Debt repayment schedule

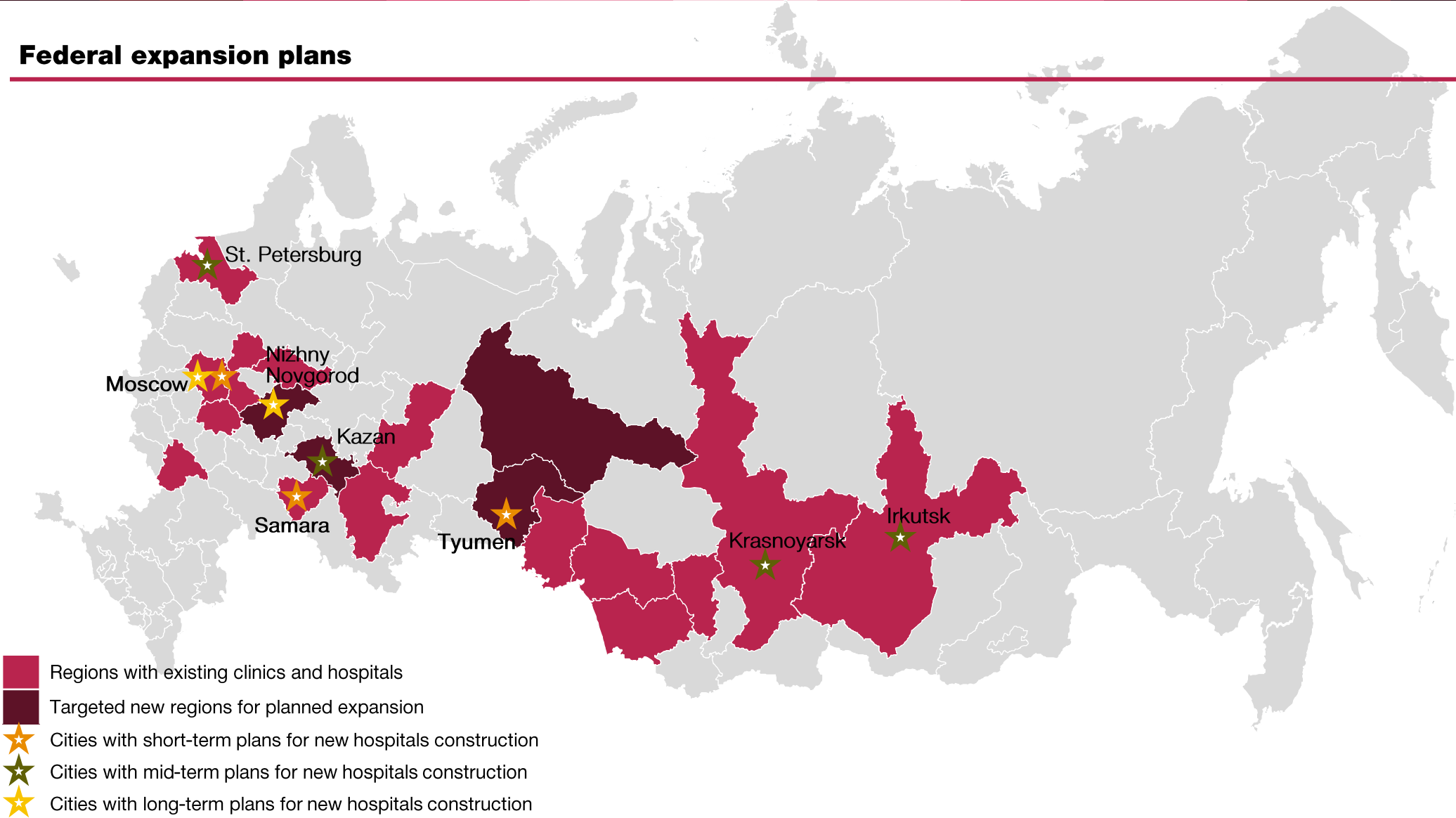


2

OUR STRATEGY

STRATEGIC EXPANSION: BACKBONE OF THE MID-TERM GROWTH STRATEGY

Federal expansion plans



The only established federal player in the Russian market with an ambitious regional expansion plan, with current strategy assuming launch of 9 new hospitals by 2021

DEVELOPMENT STRATEGY AND TIMETABLE

Expansion pipeline by facility¹

	Short-term			Medium-term				Strategic		7 new clinics
	Samara	Tyumen	Lapino-2	Irkutsk	St. Petersburg	Krasnoyarsk	Kazan	Moscow-3	Nizhny Novgorod	
Capex (RUB bn)	3.0 - 3.5	3.0 - 3.5	5.0	1.5	3.0 - 3.5	1.5	3.0 - 3.5	3.0 - 3.5	3.0 - 3.5	RUB 60 - 70 mln per clinic
Area (sq m)	15,000	15,000	17,500	7,000	15,000	7,000	15,000	15,000	15,000	500
# of beds ¹	164	164	75	45	164	45	164	164	164	# of out-patient treatments: 35,000
Start of construction	Jun'16	Jun'17	Q4'17	2018	2018	2019	2018	2018	2018	-
Launch	Q1'18	Q1'19	Q4'19	2018	2020	2021	2020	2020	2020	2017 - 2019



Note: ¹ estimated figures; ² according to the project

STANDARDIZED MODEL FOR DEVELOPMENT OF REGIONAL HOSPITALS IN SAMARA, TYUMEN, KAZAN, ST. PETERSBURG

Well designed prototype

- Target size well suited to cover local demand and effectively reach target utilization rates
- Comprehensive service offering for the entire family
- Adaptable layout and departments structure allowing multidisciplinary utilization of beds
- Ufa / Avicenna expertise to establish demand and attract required personnel

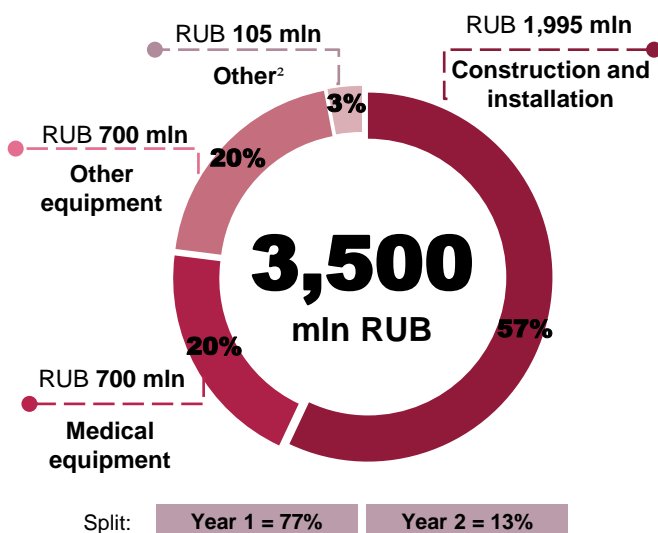
Key parameters

Roll-out regions (estimated year of construction completion)	Samara (2018) Tyumen (2019) St. Petersburg (2019) Kazan (2020)
Construction timetable	c. 18-20 months
Building area	15,000 sqm
Beds	164
Headcount	c. 450 employees

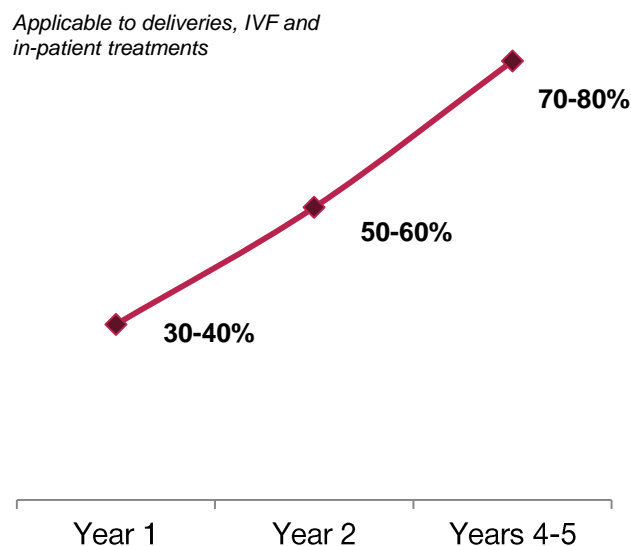
Estimated capacity¹

3,000 deliveries	1,200 IVF cycles
397k out-patient treatments	29.5k in-patient days

Estimated capex split



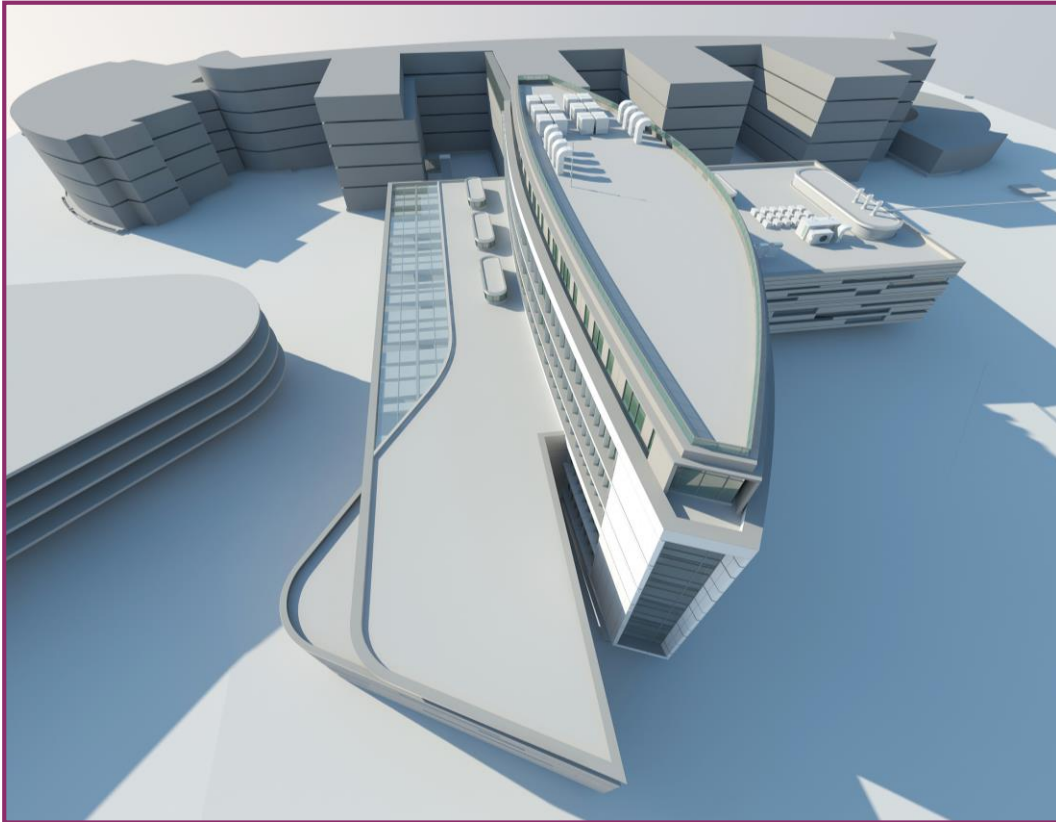
Targeted utilization ramp-up



Estimated pricing policy²

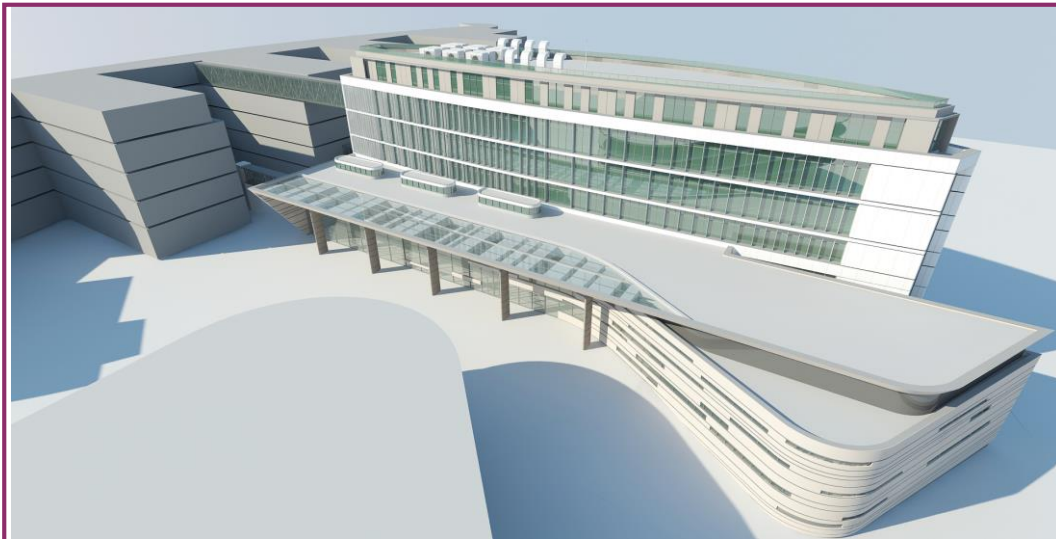
Product	Pricing benchmark
Deliveries	Novosibirsk hospital c. RUB 160-180k
IVF	Moscow hospitals c. RUB 180-210k
In-patient treatments	Novosibirsk hospital c. RUB 45-50k
Out-patient treatments	Novosibirsk hospital c. RUB 3-4k

BRIEF DISCRPTION OF LAPINO DEVELOPMENT PROJECT





Lapino-2

- **Construction of 5 level surgical building with total area of 17.5 ths sq m.**
- **Construction timeline: Q4'17 – Q4'19.**
- **Surgical building will include:**
 - Out-patient department with annual capacity of 216,000 – 288,000 visits
 - Diagnostic department with MRI and x-ray equipment
 - In-patient department with 75 beds
 - 4 scheduled operating theatres
 - 2 urgent operating theatres
 - ICU with 13 beds




Lapino-3

- Oncology centre for radiology diagnostics and treatment
- Planned to be equipped with linear accelerators and SPECT



APPENDIX



REVENUE ANALYSIS



	H1 2017	H1 2016
Obstetrics and Gynaecology	1,352	1,301
<u>In-patient treatments</u>		
RUB mln	481	464
patient days	12,749	11,970
kRUB per day	37.7	38.7
% of total*	36%	36%
<u>Out-patient treatments</u>		
RUB mln	872	837
Admissions	264,378	246,929
kRUB per admission	3.3	3.4
% of total*	64%	64%
Deliveries	1,069	1,086
RUB mln	1,069	1,086
Deliveries	3,319	3,203
kRUB per delivery	322	339
IVF	1,524	1,175
RUB mln	1,524	1,175
Cycles	8,078	6,568
kRUB per cycles	189	179
Paediatrics	859	763
<u>In-patient treatments</u>		
RUB mln	220	195
Patient-days	9,375	9,393
kRUB per patient day	23.5	20.8
% of total*	26%	26%
<u>Out-patient treatments</u>		
RUB mln	639	568
Admissions	208,318	192,556
kRUB per admissions	3.1	2.9
% of total*	74%	74%

	H1 2017	H1 2016
Other medical services	1,602	1,266
<u>In-patient treatments</u>		
RUB mln	401	250
Patient days	8,187	6,787
kRUB per patient day	49.0	36.8
% of total*	25%	20%
<u>Out-patient treatments</u>		
RUB mln	575	500
Admissions	264,575	237,572
kRUB per admission	2.2	2.1
% of total*	36%	39%
<u>Other medical services</u>		
RUB mln	626	516
% of total*	39%	41%

EXTRACT FROM MDMG'S PROFIT AND LOSS STATEMENT



(RUB mln)	H1 2017	H1 2016	H1 2015
Revenue	6,618	5,814	4,518
Cost of sales	(4,139)	(3,592)	(2,834)
Gross Profit	2,478	2,222	1,684
% of revenue	37%	38%	37%
Other income	106	3	7
Administrative expenses	(1,091)	(1,017)	(866)
Other expenses	(52)	(7)	(7)
EBITDA	1,888	1,657	1,253
% of revenue	29%	29%	28%
Operating profit	1,441	1,200	818
Net finance expenses	(228)	(268)	(35)
Profit before tax	1,214	932	783
Tax	11	55	(15)
Profit for the period	1,225	987	768
% of revenue	19%	17%	17%
Minority interest	98	90	81
Profit for the year attributable to: shareholders	1,127	897	687

EXTRACT FROM MDMG'S BALANCE SHEET



(RUB mln)	H1 2017	2016	2015
Cash and cash equivalents	1,978	1,643	1,774
Investments	-	-	2
Current trade, other receivables and deferred expenses	440	360	258
Inventories	416	445	327
Current tax asset	10	9	7
Assets held for sale	19	46	46
Property, plant and equipment	13,556	13,410	12,364
Intangible assets	2,382	2,442	2,145
Non-current trade and other receivables and deferred expenses	421	185	184
Other non-current assets	207	176	99
TOTAL ASSETS	19,426	18,716	17,208
Current trade and other payables	1,202	1,152	873
Short-term loans and borrowings	1,141	1,084	1,161
Other current liabilities	1,085	1,024	907
Long-term loans and borrowings	1,999	2,200	2,293
Other non-current liabilities	477	487	464
Equity	13,522	12,770	11,509
TOTAL EQUITY AND LIABILITIES	19,426	18,716	17,208
Net Debt	1,162	1,648	1,680

EXTRACT FROM MDMG'S CASH FLOW STATEMENT



(RUB mln)	H1 2017	H1 2016	H1 2015
Cash flow from operating activities			
Profit for the period	1,225	987	768
Adjustments for:			
<i>D&A</i>	502	457	434
<i>Taxation</i>	(11)	(55)	15
<i>Other adjustments</i>	187	281	36
Cash flow from operations before working capital changes	1,903	1,670	1,253
<i>(Increase) / decrease in inventories</i>	29	6	(16)
<i>Increase in trade and other receivables</i>	(76)	(38)	(3)
<i>Increase in trade and other payables</i>	69	106	68
<i>Increase in deferred income</i>	71	51	(3)
Cash flow from operations	1,997	1,795	1,299
Tax paid	(3)	(7)	(7)
Net cash flow from operating activities	1,994	1,788	1,292
Cash flow from investing activities			
Payment for acquisition of PP&E	(851)	(527)	(339)
Withdrawal / (deposit) of investments	-	-	-
Acquisition of subsidiaries	-	(475)	(1)
Other proceeds and payments	127	13	20
Net cash flow used in investing activities	(723)	(988)	(320)
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	-	-
GDR Contributions received from underwriters	-	-	-
Proceeds from borrowings	400	237	0.5
Repayment of borrowings	(544)	(614)	(491)
Repayments of obligations under finance leases	(0.1)	(0.7)	(0.1)
Finance expenses paid	(232)	(217)	(240)
Other payments	(106)	(60)	466
Dividends paid to the owners of the Company	(328)	(500)	-
Dividends paid to non-controlling interests	(99)	(88)	(58)
Net cash flow from financing activities	(909)	(1,244)	(323)
Net increase in cash and cash equivalents	363	(444)	649
Cash and cash equivalents at the beginning of the period	1,643	1,774	891
Effect due to exchange rate changes	(28)	(55)	(8)
Cash and cash equivalents at the end of the period	1,978	1,275	1,531

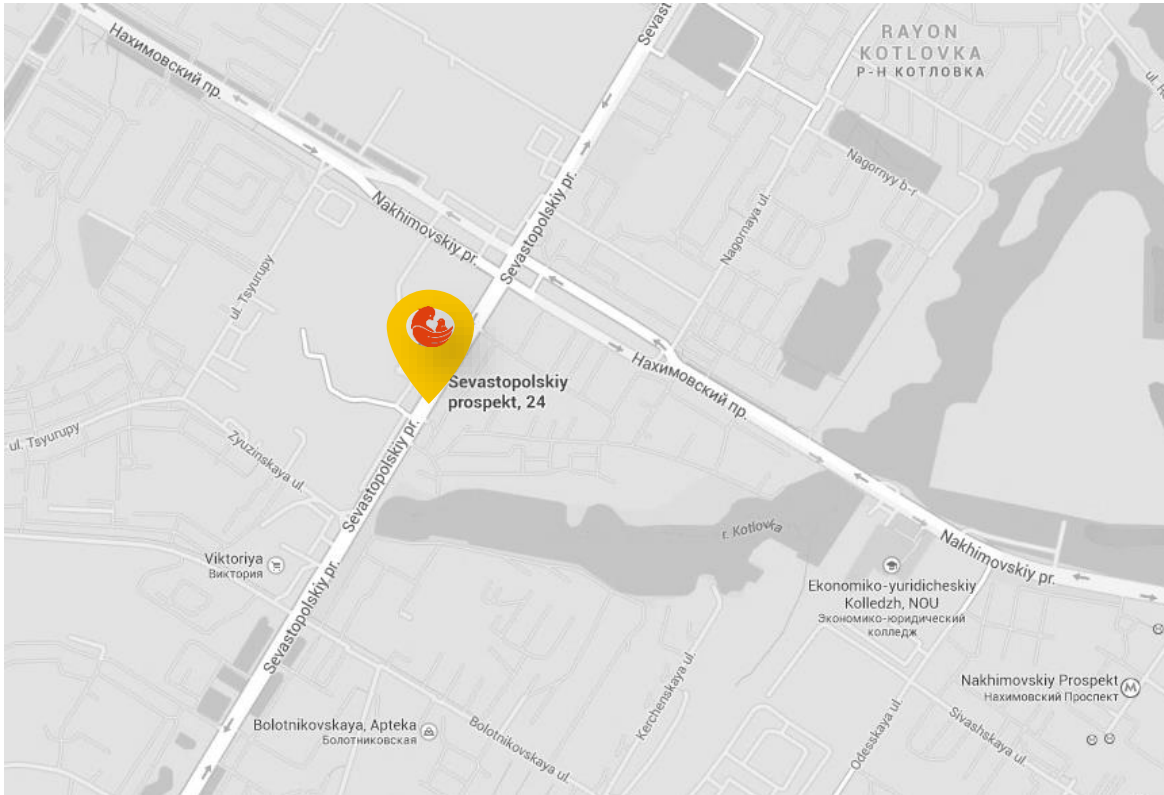
Source: audited financial statements of MDMG for H1 2015- H1 2017

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