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MOTHER & CHILD
GROUP OF COMPANIES



1H 2015 IFRS RESULTS

Sep 7, 2015

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KEY COMPANY RESULTS FOR 1H'15

FINANCIAL & OPERATING RESULTS FOR 1H 2015

Financial results

4,518 mln RUB
(+36%)
REVENUE

- 36% revenue increase to 4,518 mln RUB (1H 2014: 3,330 mln RUB)
- EBITDA increased 29% to 1,253 mln RUB versus 969 mln RUB for the corresponding period of last year
- EBITDA margin decreased by 1 p.p. to 28% versus 1H 2014
- Net profit for the period amounted to 768 mln RUB +23% as compared to 1H 2014

Operating results

4,211 IVF CYCLES +19%
2,651 DELIVERIES +25%

- Total number of **deliveries** increased by 25% to 2,651 vs. 1H 2014
- Total number of **IVF cycles** grew by 19% year-on-year, to 4,211 cycles
- Total number of **in-patient treatments** increased 53% to 25,063 patient-days
- Total number of **out-patient treatments** increased 39% to 575,770

Key events

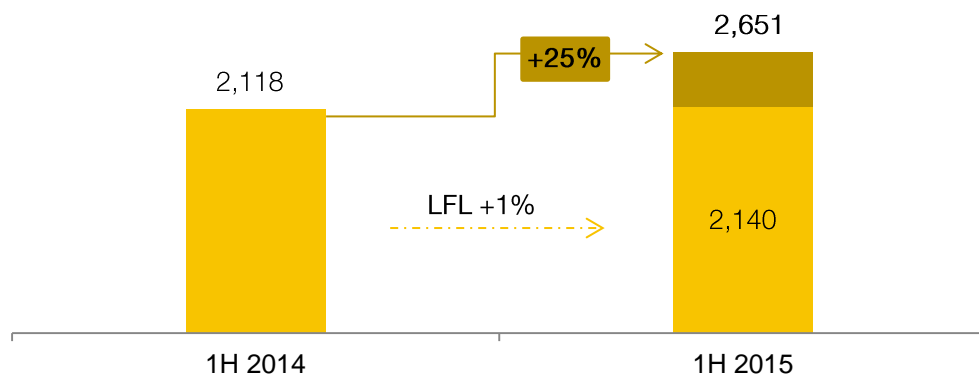
27%
UTILISATION OF DELIVERIES
DEP-T AT UFA HOSPITAL

- Continued growth of financial and operational metrics at Lapino hospital: deliveries department utilisation reached 63%
- Newly opened Ufa hospital ramps-up in line with plans. Utilisation is 27% in the deliveries dep-t; 23% at inpatient dep-t and 31% at outpatient
- Opening a new out-patient clinic in Ryazan: the first in the region to provide IVF services
- Continued integration of acquired clinics and hospital in Novosibirsk: application of uniform medical protocols and quality standards as well as integration of IT systems and incorporating new clinics to procurement system
- Events after the reporting date: Payment of 300 mln RUB as dividends out of net profit for FY 2014

OPERATING RESULTS: CONTINUED STRENGTH ACROSS ALL INDICATORS

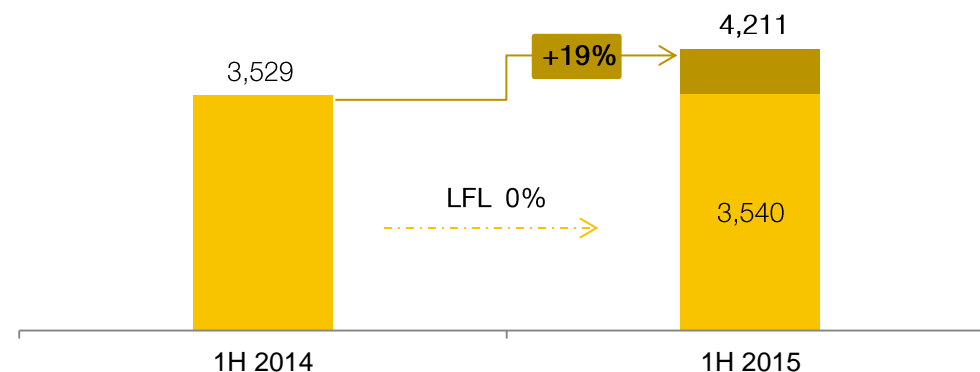
Deliveries

■ LFL results ■ New clinics



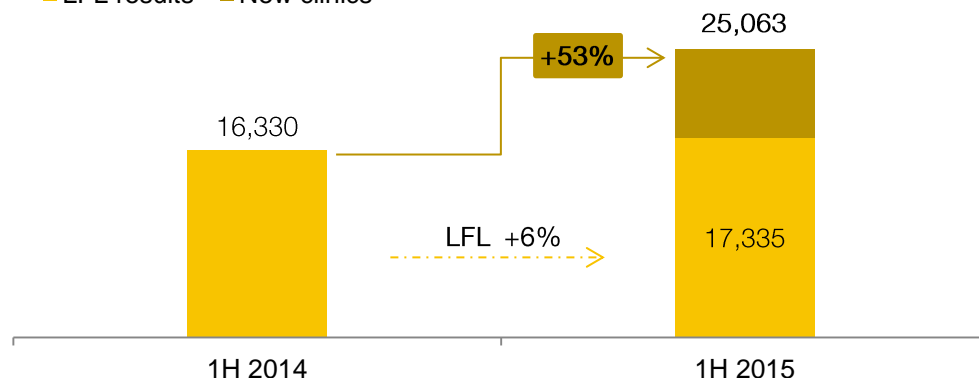
IVF cycles

■ LFL results ■ New clinics



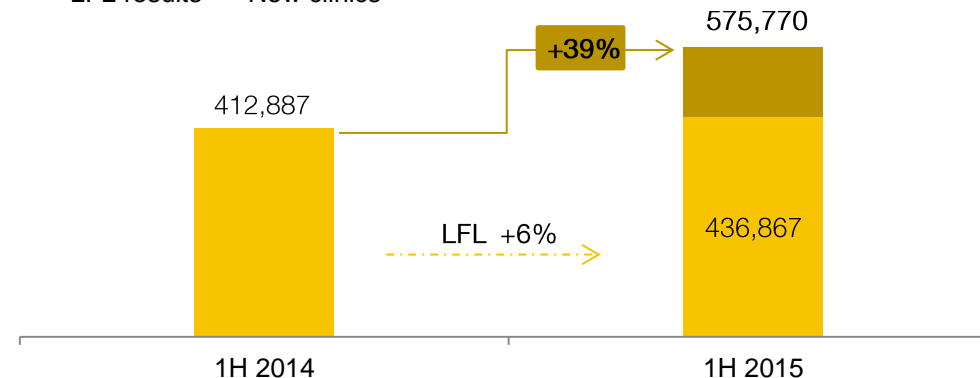
In-patient treatments

■ LFL results ■ New clinics



Out-patient treatments

■ LFL results ■ New clinics



Key triggers for growth were continued ramp-up at Lapino, M&C Novosibirsk consolidation, ramp-up of Ufa hospital and stronger results at existing facilities.

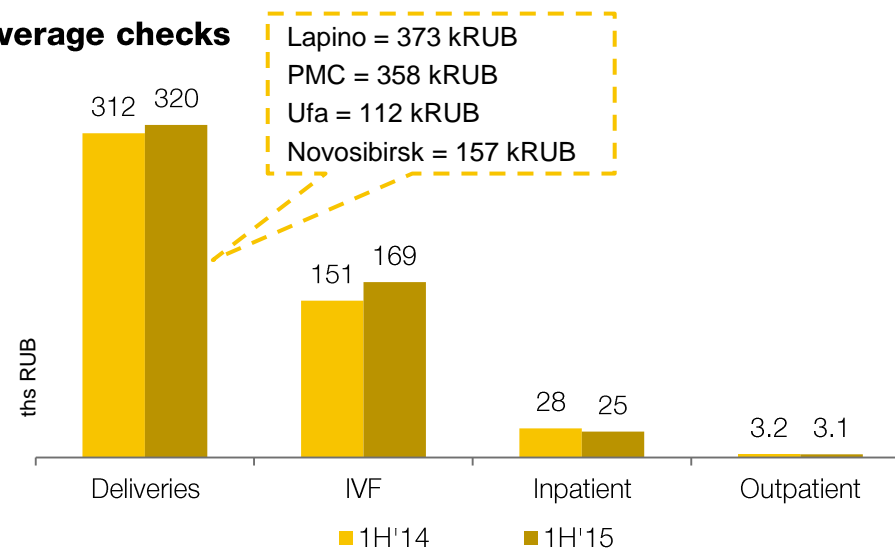
Lapino is on track to achieve optimal utilization rates across key services:

- Deliveries - 63%, IVF - 42%
- OBGYN out-patient - 66%, in-patient - 61%
- Paediatrics out-patient - 75%, in-patient - 65%

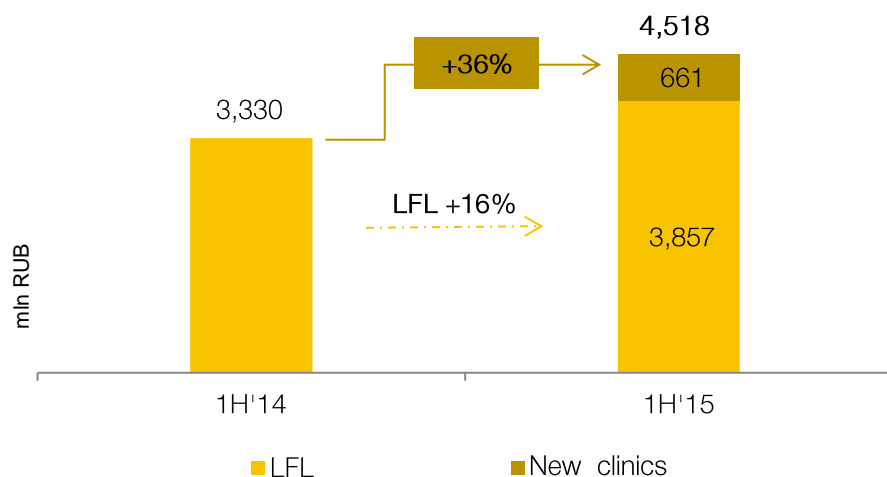
KEY FINANCIAL INDICATORS FOR 1H 2015

- The Company increased its revenue and EBITDA in 1H 2015 by 36% and 29% respectively vs. 1H 2014
- In January 2015, the Group increased prices by 10-15% which affected average tickets in 1H'15
- Average ticket for deliveries has also went up due to an increased share of high-price delivery contracts at Lapino and PMC. Average checks at PMC and Lapino increased 14% and 18% correspondingly.
- IVF average tickets grew up by 12% on the back of rising prices for services and medicines since RUB significantly depreciated
- Average check for in- and out-patient services was slightly diluted by regional clinics integrated to the Group due to discounted prices in the regions

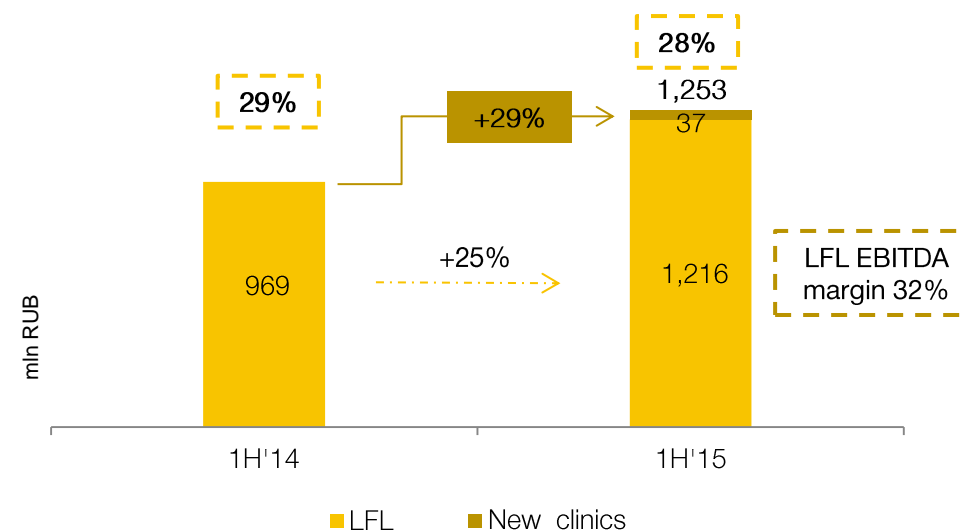
Average checks



Revenue



EBITDA & EBITDA margin



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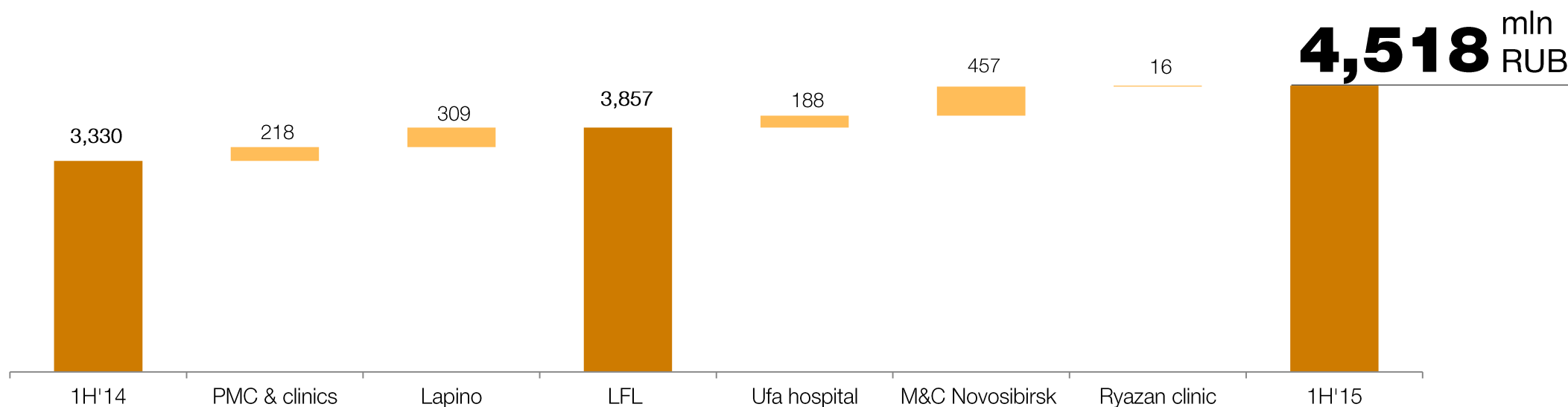
1H'15 FINANCIAL RESULTS ANALYSIS

REVENUE BRIDGE ANALYSIS

Revenue increased 36% y-o-y to 4,518 mln RUB

- LFL revenue increased by 16% or by 527 mln RUB:
 - For the third year in a row, Lapino became the largest contributor to this revenue increase as a result of continued growth in patient flow, adding 309 mln RUB or 9% to Group revenue
 - Other Group's clinics contributed an additional 7% or 218 mln RUB
- “Mother & child Novosibirsk” (former “Avicenna”) acquired in 4Q 2014 in Novosibirsk, made substantial contribution of 457 mln RUB (+14%) to Group revenue - confirming its important part in Group results
- Ufa hospital added 188 mln RUB to the top-line, demonstrating successful launch and fast growth
- An out-patient clinic in Ryazan opened in February 2015, contributing RUB 16 mln over 5 months of operations

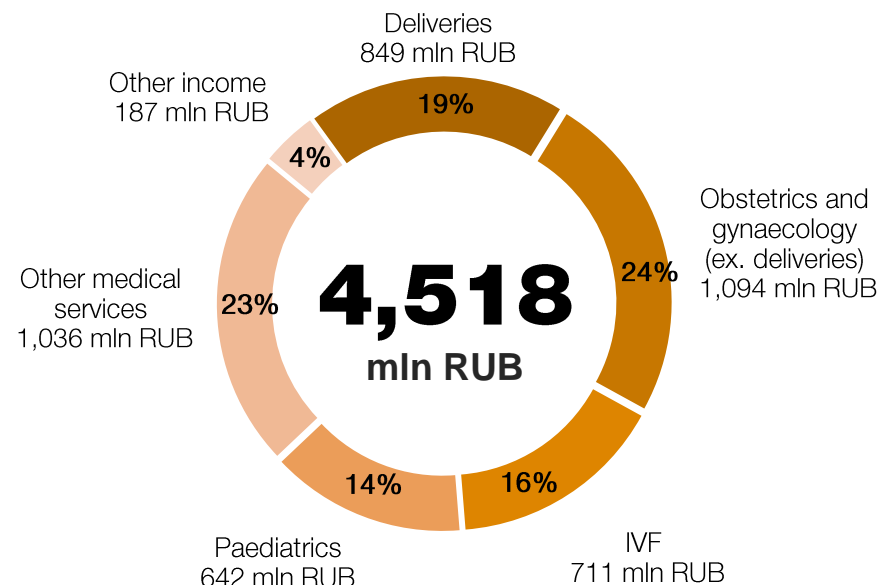
Revenue bridge 1H 2015 vs 1H 2014



REVENUE STRUCTURE

- The Group's revenue structure saw some changes y-o-y:
 - +7 p.p. increase in other medical services' revenue share (23% vs. 16% as of 1H'14)
 - 5 p.p. decrease in OBGYN ex. deliveries revenue share (24% vs. 29% as of 1H'14)
 - 1 p.p. was lost by both deliveries and paediatrics
- Top-line growth was mostly provided by 3 revenue lines:
 - Deliveries increased by 188 mln RUB, 29% y-o-y
 - IVF grew by 177 mln RUB, 33% y-o-y
 - Other Medical Services' revenue increased by 505 mln RUB, 95% 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, mln RUB

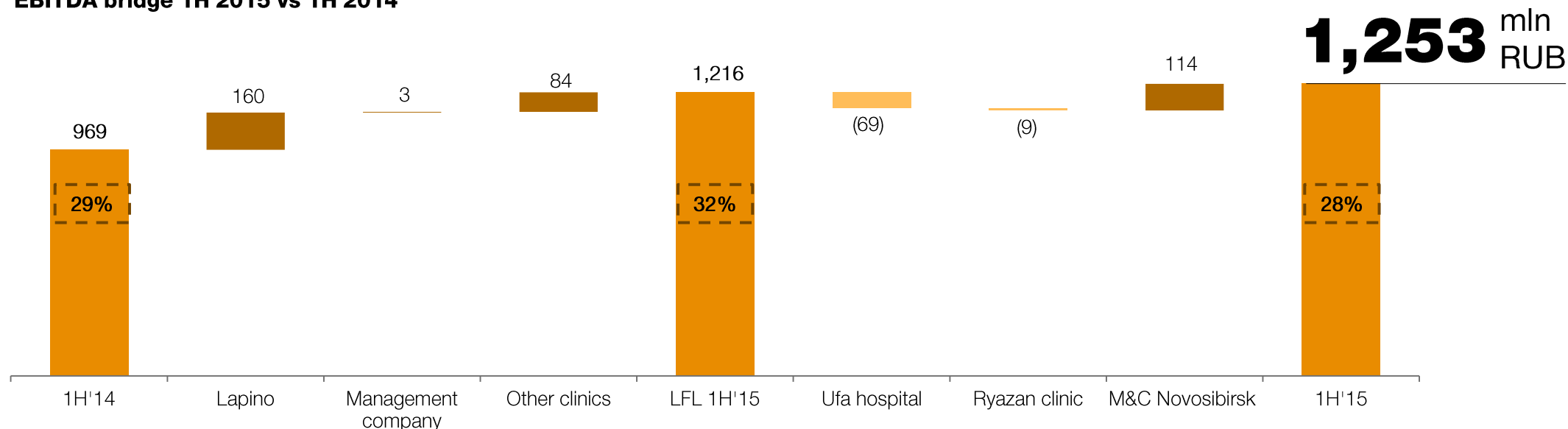
1H 2014	1H 2015	Change, %	Type of revenue	LFL 1H 2014	LFL 1H 2015	Change, %
951	1,094	15% ↑	OBGYN (excl. deliveries)	951	1,013	7% ↑
661	849	29% ↑	Deliveries	661	783	19% ↑
534	711	33% ↑	IVF	534	606	14% ↑
504	642	27% ↑	Paediatrics	504	601	19% ↑
531	1,036	95% ↑	Other medical services	531	670	26% ↑
150	187	24% ↑	Other revenue	150	183	22% ↑
3,330	4,518	36%		3,330	3,857	16%

EBITDA BRIDGE ANALYSIS

EBITDA increased 29% y-o-y to 1,253 mln RUB with a strong margin of 28%

- LFL EBITDA grew up by 25% or by 243 mln RUB. LFL EBITDA margin reached 32%. Key drivers were:
 - Lapino made the most significant contribution to the Group's EBITDA in 1H 2015, adding 160 mln RUB
 - LFL clinics ex. Lapino added 84 mln RUB
 - Management company expenses were reduced by 3 mln RUB compared to 1H'14
- Newly opened facilities in Ufa and Ryazan were negative in their first reporting periods with 69 mln RUB and 9 mln RUB correspondingly due to ramp-up process
- Mother & child Novosibirsk consisting of 3 clinics and a hospital generated 114 mln RUB of EBITDA with a robust margin of 25%

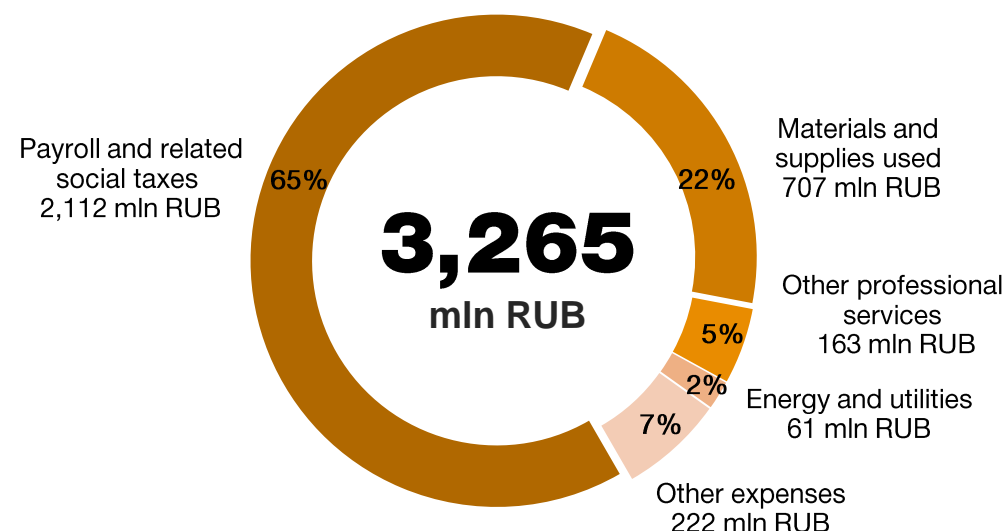
EBITDA bridge 1H 2015 vs 1H 2014



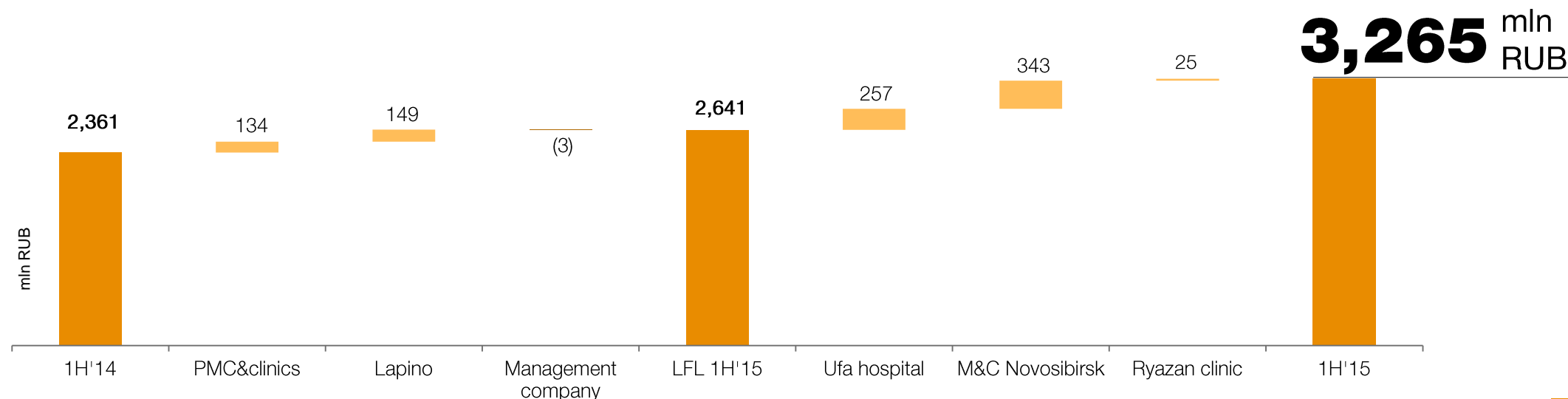
OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) for 1H 2015 amounted to 3,265 mln RUB, up 38% y-o-y
- LFL OPEX (excl. D&A) increased 12% y-o-y or just 278 mln RUB while LFL revenue rose by 16%
- The largest contributors to OPEX growth were clinics in Novosibirsk and Ufa hospital as well as Lapino where the number of patients continues to grow
- The Company's management saved 3 mln RUB on its costs compared to the corresponding period last year, remaining conservative regarding budget and new expenses

OPEX structure

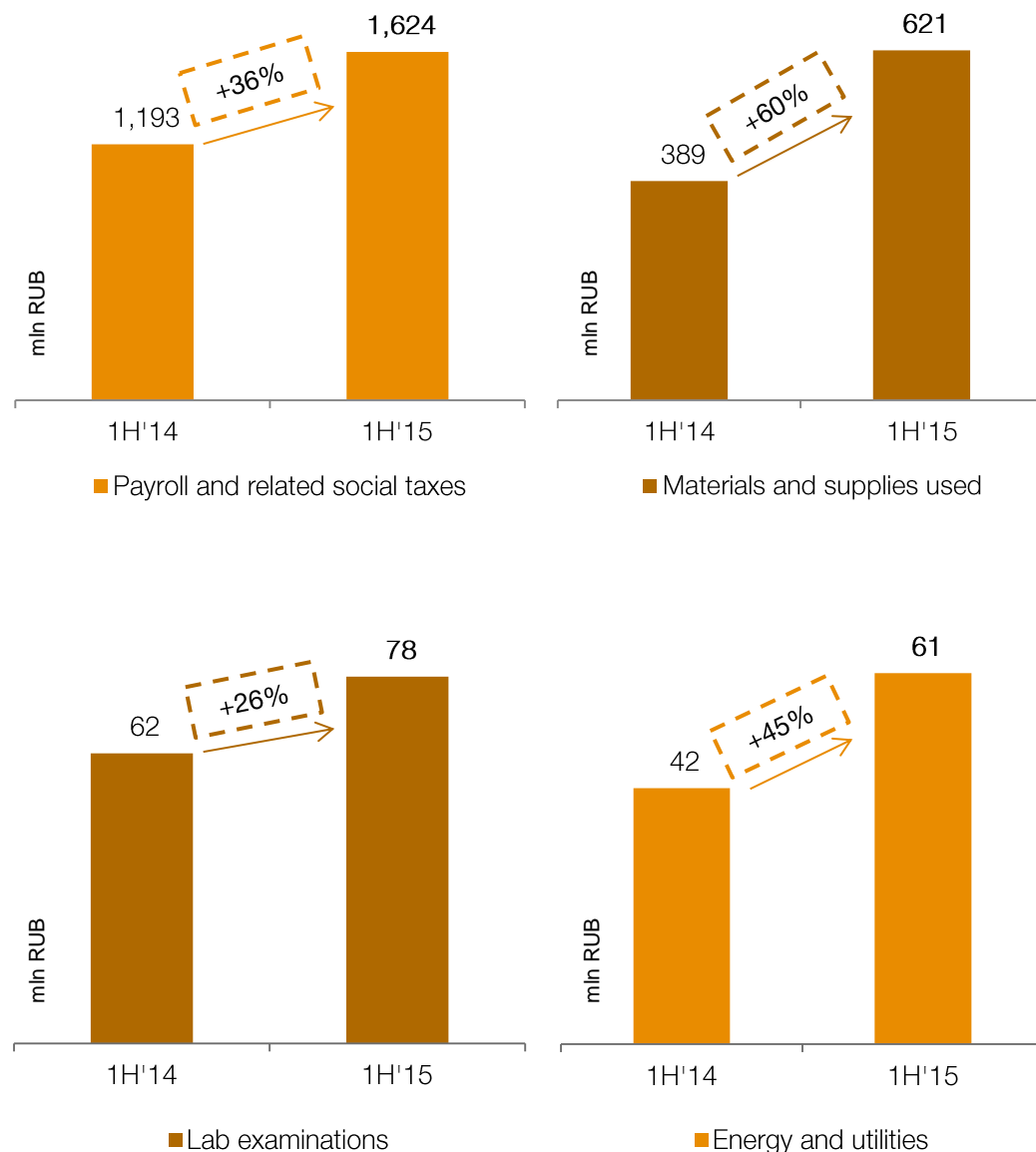


OPEX (excl. D&A) bridge analysis



COST OF SALES, EXCL. D&A

CoS comparison



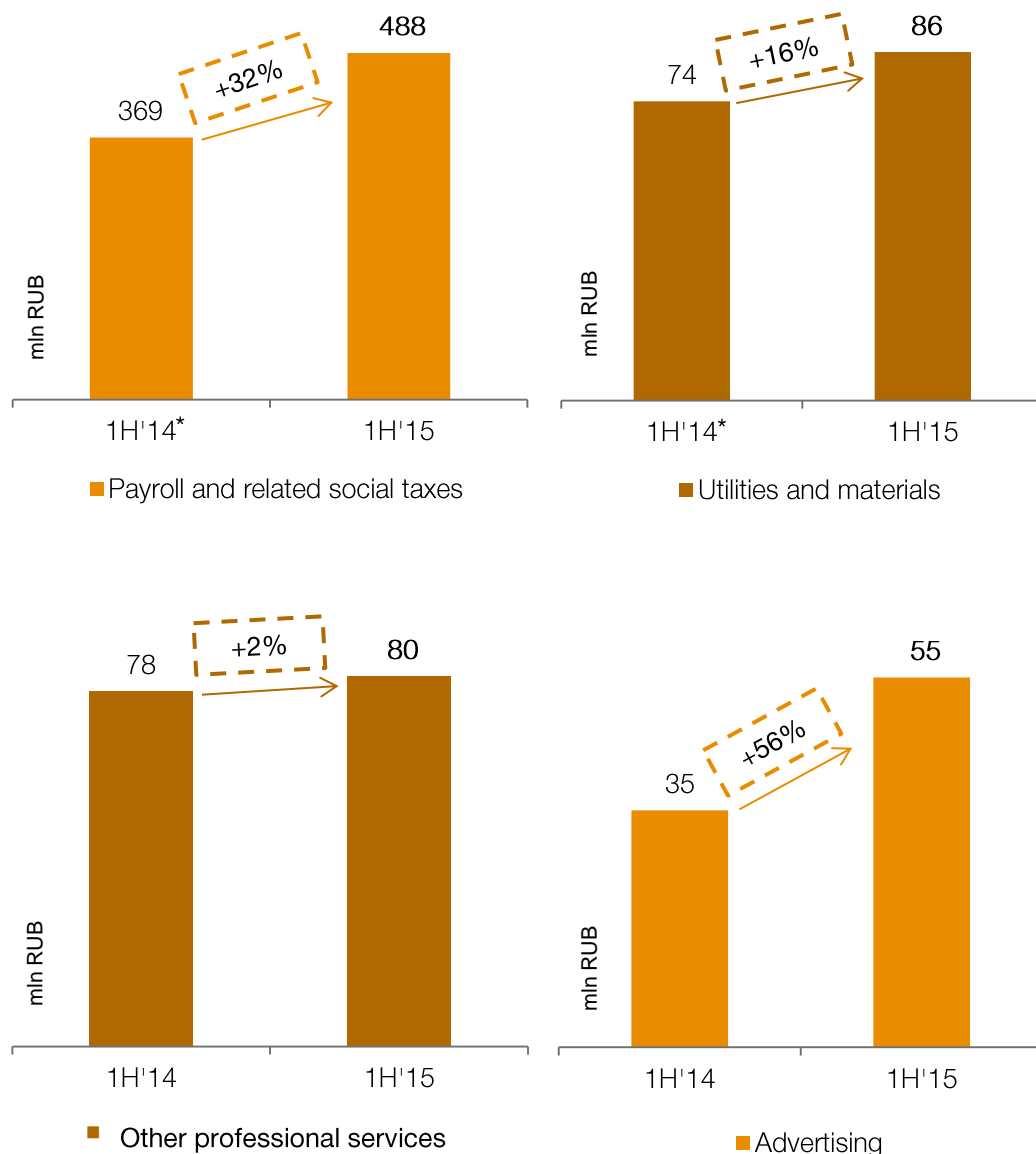
- CoS (ex. D&A) amounted to 2,497 mln RUB (+41% y-o-y)
- LFL revenue growth of 16% outperformed LFL CoS growth rate of 14%. LFL CoS amounted to 2,024 mln RUB
- The following costs rose mainly due to the opening of Ufa hospital and consolidation of Avicenna:
 - Payroll costs amounted to 1,624 mln RUB, growing by 36% vs. 1H 2014
 - Materials and supplies demonstrated the fastest growth rate (60% y-o-y) and reached 621 mln RUB which is also explained by RUB depreciation
 - Energy & utilities grew by 45% y-o-y (or 19 mln RUB) up to 61 mln RUB
- 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 57%

Revenue and CoS, mln RUB

Indicator	1H 2015	1H 2014	Change y-o-y, %
LFL Revenue	3,853	3,330	+16%
LFL CoS (ex.D&A)	2,024	1,768	+14%
Revenue	4,518	3,330	+36%
CoS (ex. D&A)	2,497	1,768	+41%

G&A, EXCL. D&A

G&A comparison



- Revenue growth rate in 1H 2015 outstripped the G&A growth rate by 6 p.p.
- LFL G&A (excl. D&A) increased 4% or by 22 mln RUB vs. LFL revenue growth of 16%
- The following expenses increased y-o-y due to the opening of a hospital in Ufa and consolidation of facilities in Novosibirsk:
 - Payroll expenses (including social tax expenses) increased by 32% and amounted to 488 mln RUB
 - Utilities and materials grew up by 12 mln RUB y-o-y or 16%
- Other professional services remained almost flat y-o-y at 80 mln RUB (+2% y-o-y)
- Advertising expenses in 1H 2015 grew by 56% due to extensive marketing campaigns for the Ufa hospital and newly opened out-patient clinic in Ryazan

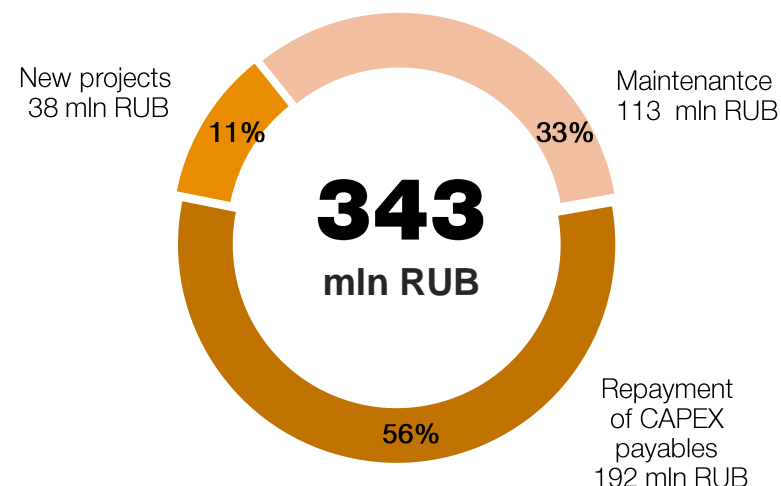
Revenue and G&A, mln RUB

Indicator	1H 2015	1H 2014	Change y-o-y, %
LFL Revenue	3,853	3,330	+16%
LFL G&A(ex.D&A)	615	593	+4%
Revenue	4,518	3,330	+36%
G&A (ex. D&A)	768	593	+30%

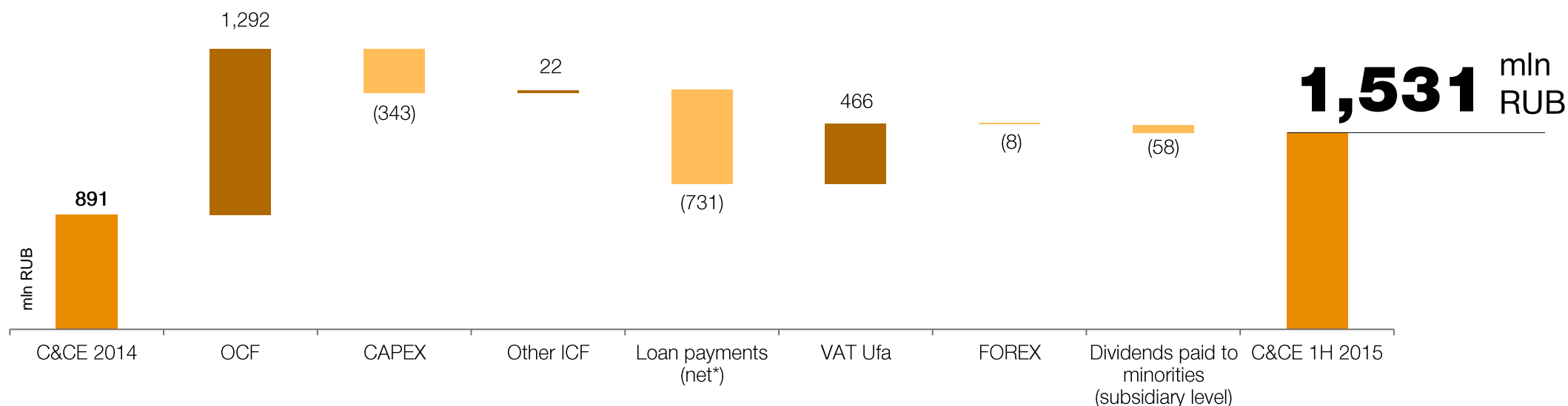
CAPEX & CASH FLOW

- Group had solid liquidity position with 1,531 mln RUB in cash & cash equivalents as of 30 June 2015
- OCF amounted to 1,292 mln RUB and increased 31% vs. 1H 2014
- CAPEX cash outflow amounted to 343 mln RUB and was mostly represented as repayment of payables related to investment projects
- Investment cash inflow of 22 mln RUB was related to interest received
- Redemption of bank loans and related finance expenses amounted to 731 mln RUB
- Group managed to return VAT (466 mln RUB) from local authorities paid for Ufa hospital construction. This amount should be annually redeemed in equal parts till 2025

CAPEX Structure



Cash Flow waterfall

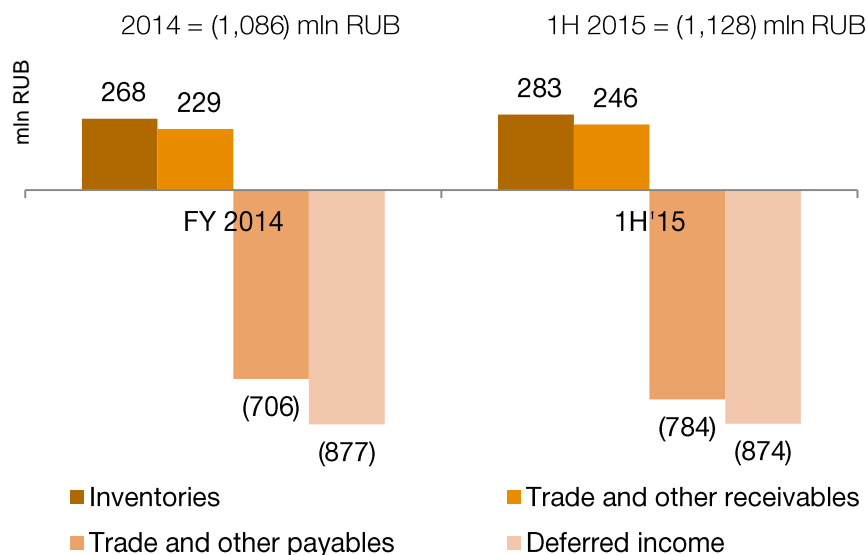


* - including proceeds and repayment of borrowings and interest paid
Source: 1H 2015 audited financial statements under IFRS

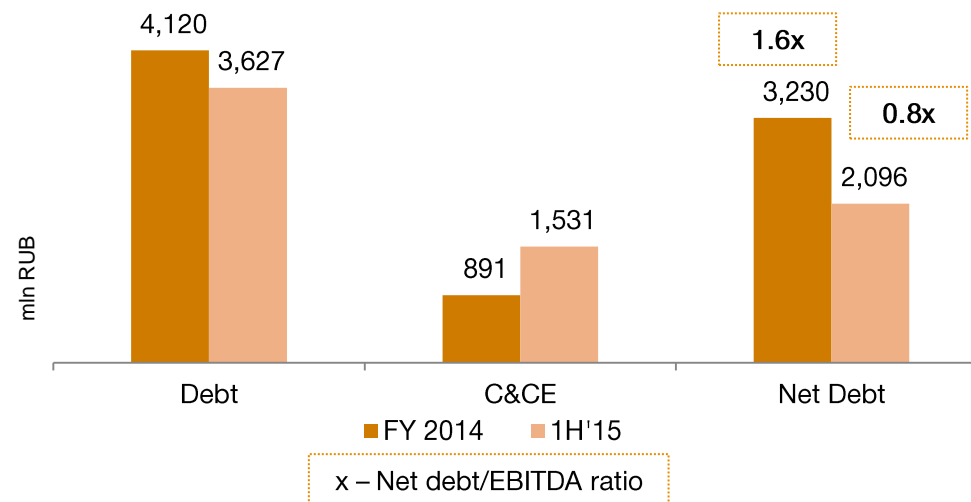
WORKING CAPITAL AND NET DEBT

- The Group's debt decreased by 12% to 3,627 mln RUB for 1H 2015
- The Company's cash & cash equivalents amounted to 1,531 mln RUB, representing 72% of growth vs. the corresponding period of the previous year. The significant increase was supported by strong OCF and VAT refund for Ufa hospital.
- Portion of C&CE is being held in foreign currency (mostly USD) in order to minimise effect from volatility of currencies
- The net debt position as of 30 June 2015 was 2,096 mln RUB with net debt to EBITDA* ratio of 0.8x
- The company works with negative working capital as a source of additional financing. Working capital decreased 4% to (1,128) mln RUB from the beginning of the year

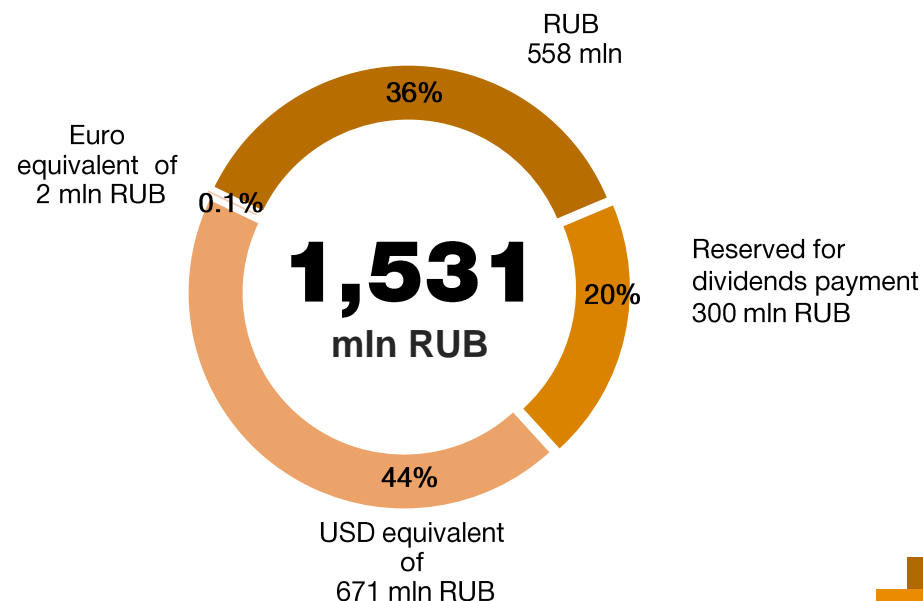
Net working capital



Debt



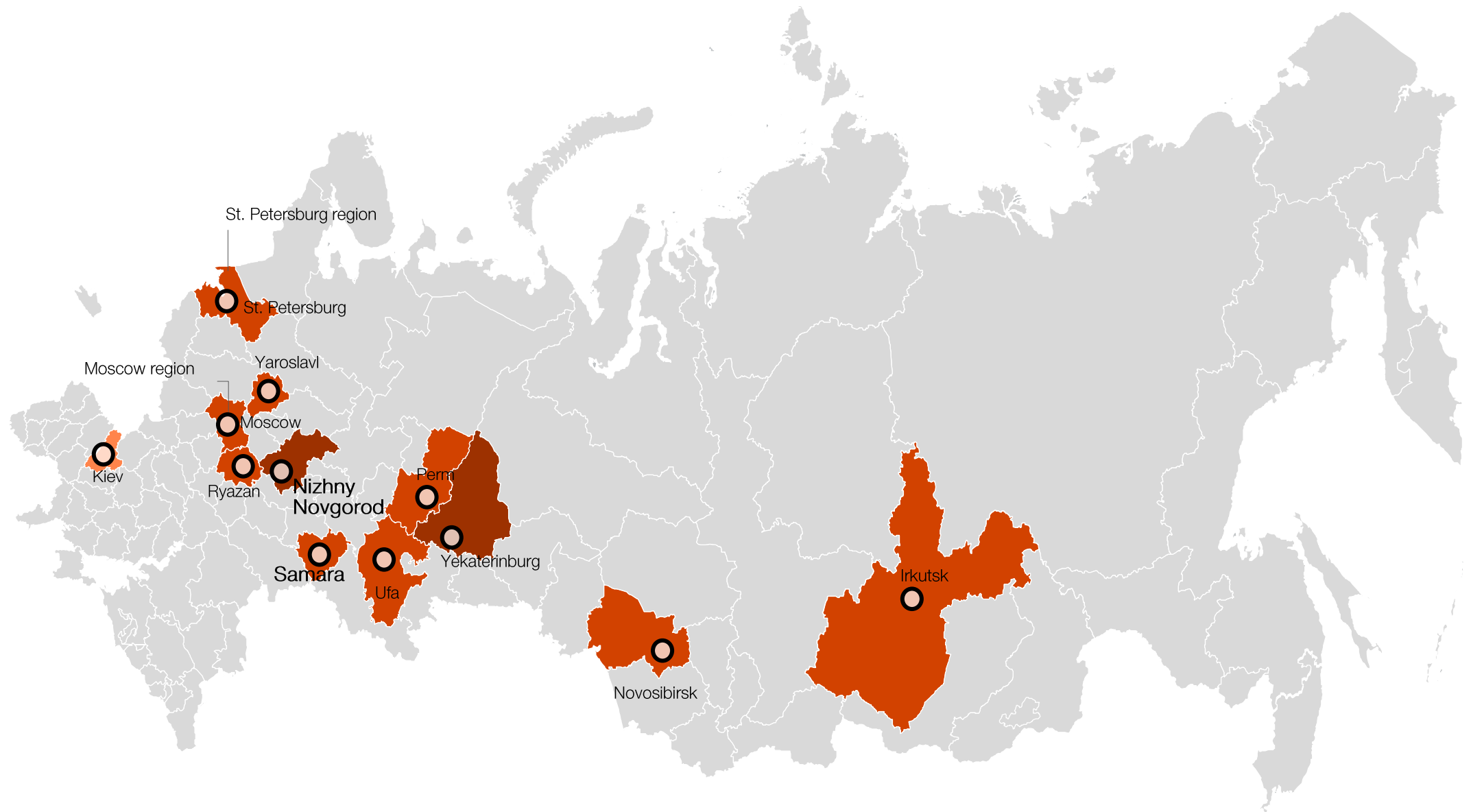
Structure of C&CE by currency



3

OUR STRATEGY

OUR STRATEGY IN ACTION: RECENT DEVELOPMENTS



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

STRATEGY IN ACTION: UFA, BASHKORTOSTAN

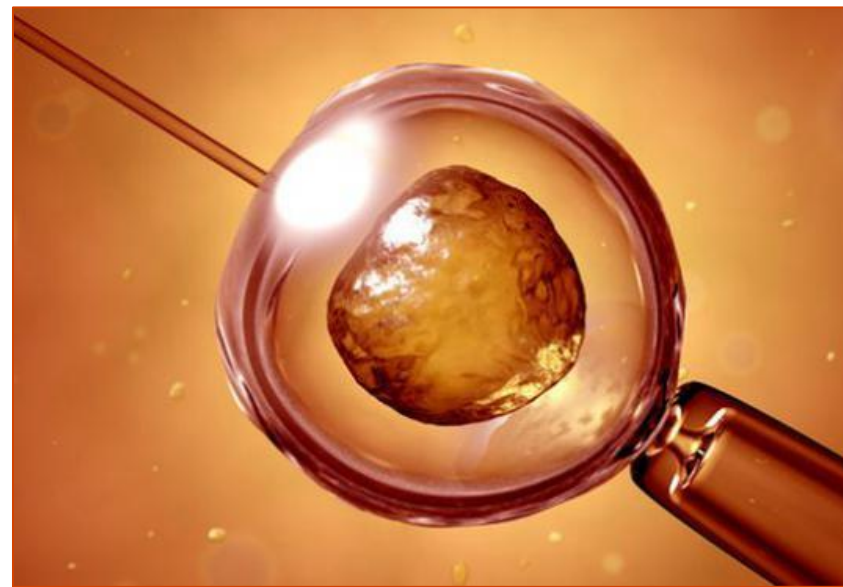
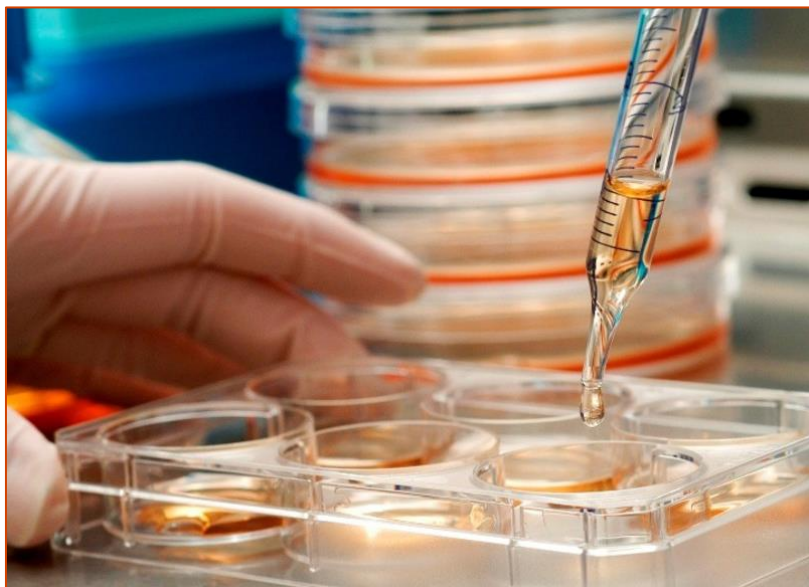
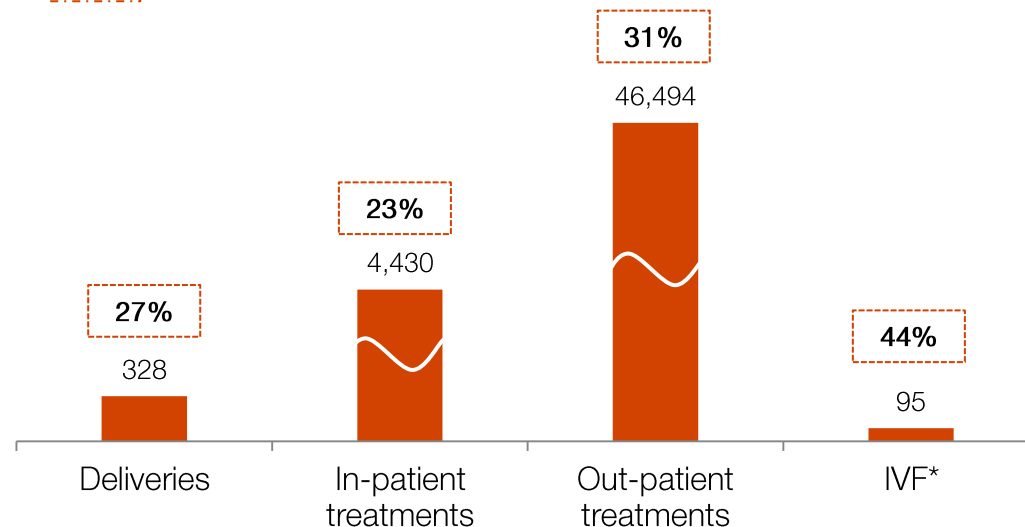
Key facts about Ufa hospital

- 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 1H 2015

Average check for deliveries = 112 kRUB

x% - Utilisation rate as of June'15



* - opened in April'15

STRATEGIC VIEW ON COMPANY'S DEVELOPMENT

Factors affecting decision making process

- Exchange rate volatility
- Deterioration of disposable income
- Growing demand for highly-qualified medical care

Strategic view & approach

- Expansion *in* and *to* the regions where people have high disposable income and within Moscow city
- Diversification of hi-tech and high-margin list of services provided

Plans

Moscow :

- Open the new clinic in Moscow M&C Khodynka an IVF department (capacity – 600 cycles annually)
- Open an IVF department in the existing clinic M&C Yugo-Zapad with annual capacity of 1,000 cycles instead of M&C Sokol
- Open a pathohistological laboratory at Lapino with opportunity for extension to immunohistochemistry
- Open a molecular genetics laboratory at PMC

Russian regions:

- Continued ramp-up of Ufa hospital
- Finalising the new design project, construction project documentation and specifications for hospitals in Nizhny Novgorod and Samara. Decision was made to reduce area of new hospitals down to 15,000 – 18,000 sq m in order to make projects less capital intensive.
- 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 – 1.3 bn RUB. Capacity* - 60 beds, 20 offices, 4 – operation theatres
- Potential M&As in several Russian regions



Q&A session



Appendix



Revenue analysis

	1H2015	1H2014	y-o-y, %
Obstetrics and Gynaecology	1,094	951	+15%
<u>In-patient treatments</u>			
RUB mln	383	335	14%
patient days	11,710	9,848	19%
kRUB per day	32.7	34.0	-4%
% of total*	35%	35%	0 p.p.
<u>Out-patient treatments</u>			
RUB mln	710	616	15%
Admissions	220,297	184,485	19%
kRUB per admission	3.2	3.3	-3%
% of total*	65%	65%	0 p.p.
Deliveries	849	661	28%
RUB mln	849	661	28%
Deliveries	2,651	2,118	25%
kRUB per delivery	320	312	3%
IVF	711	534	33%
RUB mln	711	534	33%
Cycles	4,211	3,529	19%
kRUB per cycles	169	151	12%
Paediatrics	642	504	27%
<u>In-patient treatments</u>			
RUB mln	143	88	63%
Patient-days	8,259	5,526	49%
kRUB per patient day	17.3	15.9	9%
% of total*	22%	17%	+5 p.p.
<u>Out-patient treatments</u>			
RUB mln	499	416	20%
Admissions	168,143	131,395	28%
kRUB per admissions	3.0	3.2	-6%
% of total*	78%	83%	-5 p.p.
Other medical services	1,036	531	95%
<u>In-patient treatments</u>			
RUB mln	213	32	566%
Patient days	5,094	956	433%
kRUB per patient day	41.8	33.5	25%
% of total*	21%	6%	+15p.p.
<u>Out-patient treatments</u>			
RUB mln	391	207	89%
Admissions	187,330	97,007	93%
kRUB per admissions	2.1	2.1	0%
% of total*	38%	39%	-1p.p.
<u>Other medical services</u>			
RUB mln	432	292	48%
% of total*	42%	55%	-13p.p.

- Increase of revenue from OBGYN in-patient treatments by 14% y-o-y is explained by ramp-up at Ufa and consolidation of M&C Novosibirsk. Number of in-patient treatments increased by 19% whilst average check was slightly diluted by regional prices
- Revenue from OBGYN out-patient treatments increased by 15% y-o-y and reached 710 mln RUB. Number of out-patient admissions increased 19% y-o-y since continued growth at Lapino, ramp-up at Ufa and effect from consolidation of M&C Novosibirsk. However, due to lower prices for the Company's services have a discount to Moscow prices. That had a marginal dilutive effect on the average check for OBGYN out-patient treatments
- Revenue from deliveries increased by 28% vs. the corresponding period of last year and reached 849 mln RUB on the back of growing number of deliveries in the Company's hospitals. That was achieved owing to Lapino progress, ramp-up at Ufa and effect from consolidation of M&C Novosibirsk. Average check went up owing to price increase during the period, but that was partially offset by growing number of deliveries in regional facilities.
- Revenue from IVF service line amounted to 711 mln RUB with 33% y-o-y growth. IVF cycles increased +19% y-o-y due to strong performance of existing clinics in Moscow and Russian regions, as well as consolidation of clinics in Novosibirsk. Average check increased 12% due to price indexation
- Revenue from paediatrics in-patient days grew up significantly. Number of paediatric in-patient days increased by 49% y-o-y and amounted to 8,259 on the back of Lapino hospital performance, better results at PMC and new clinics. The average check went up by 9% due to price inflation.
- Revenue from paediatrics out-patient treatments increased 20% to 499 mln RUB while number of in-patient days boosted by 28% up to 168,143 mln RUB owing to new facilities, grown number of patients at Lapino and improved performance of existing clinics. Average ticket decreased 6% due to regional factor.
- Revenue from other medical services in-patient soared up by 6.7x on the back of growing number of patients in general surgery at Lapino, consolidation of M&C Novosibirsk where is big surgery department performing various craniological, urological, oncological surgeries , as well as Ufa results of plastic surgery department. Average ticket grew up to 42 ths RUB.
- Out-patient treatments for other medical services boosted by 93% up to 187,330 mln RUB while revenue grew up to 391 mln RUB (+89%). Revenue is generated by visits to such doctors as urologist, physiotherapists, dentists, cardiologists etc.
- Other medical services revenue is generated by laboratory tests and diagnostics centres. Revenue increased by 48% up-to 432 mln RUB (+48%).

Extract from MDMG's profit and loss statement

(RUB mln)	1H2015	1H2014	1H2013
Revenue	4,518	3,330	2,578
Cost of sales	(2,834)	(1,956)	(1,605)
Gross Profit	1,684	1,374	972
% of revenue	37%	41%	38%
Other income	7	3	2
Administrative expenses	(866)	(632)	(524)
Other expenses	(7)	(3)	(1,7)
EBITDA	1,253	969	645
% of revenue	28%	29%	25%
Operating profit	818	741	448
Net finance expenses	(35)	(71)	(177)
Profit before tax	783	670	271
Tax	(15)	(45)	(21)
Profit for the period	768	625	250
% of revenue	17%	19%	10%
Minority interest	81	57	57
Profit for the year attributable to: shareholders	687	568	428

Extract from MDMG's balance sheet

(RUB mln)	1H2015	FY 2014	FY2013
Cash and cash equivalents	1,531	891	3,273
Investments	3	3	4
Current trade, other receivables and deferred expenses	246	229	152
Inventories	283	268	111
Current tax asset	7	8	8
Assets held for sale	46	46	-
Property, plant and equipment	12,363	12,540	9,210
Non-current trade and other receivables and deferred expenses	64	105	438
Other non-current assets	1,945	1,985	451
TOTAL ASSETS	16,488	16,074	13,648
Current trade and other payables	1,177	899	748
Short term loans and borrowings	1,032	869	618
Other current liabilities	785	788	611
Long term loans and borrowings	2,595	3,251	2,379
Other non-current liabilities	347	131	84
Equity	10,552	10,137	9,209
TOTAL EQUITY AND LIABILITIES	16,488	16,074	13,649
Net Debt	2,096	3,230	(273)

Extract from MDMG's cash flow statement

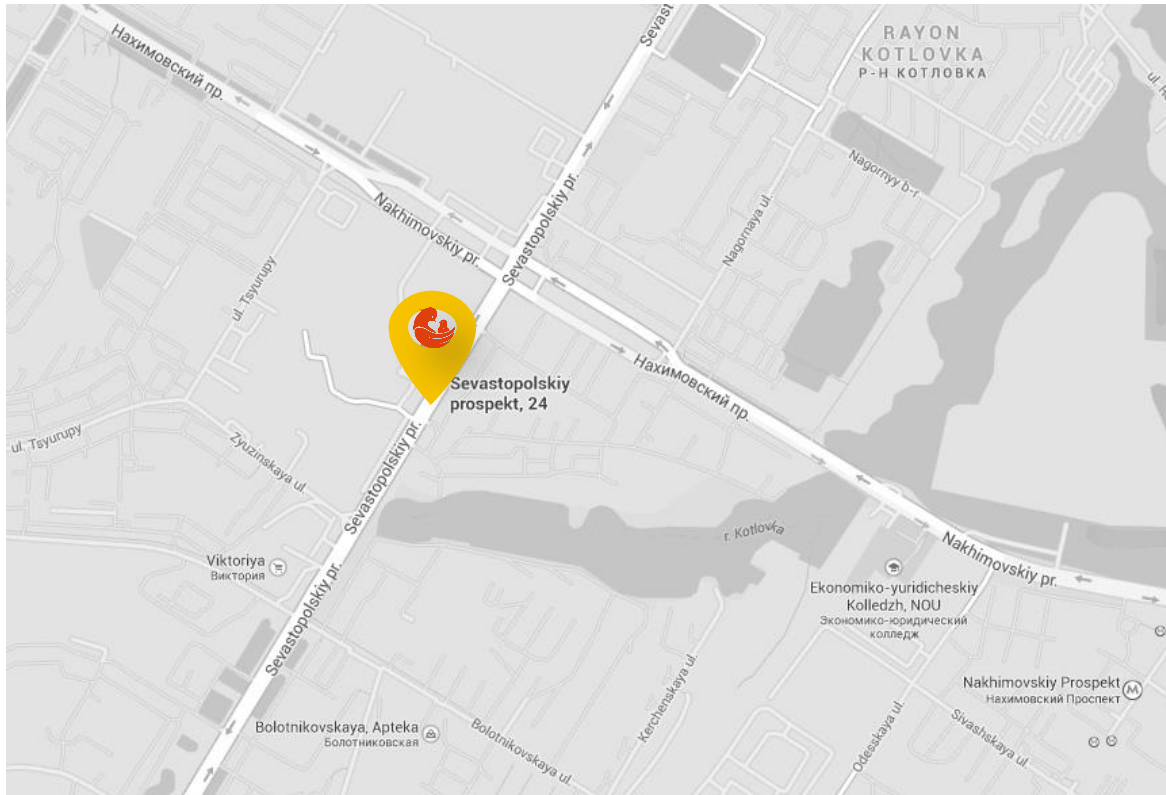
(RUB mln)	1H2015	1H2014	1H2013
Cash flow from operating activities			
Profit for the period	768	625	250
Adjustments for:			
Depreciation	388	219	192
Taxation	15	45	21
Other adjustments	82	80	186
Cash flow from operations before working capital changes	1,253	969	649
(Increase) / decrease in inventories	(16)	(5)	1,5
Increase in trade and other receivables	(3)	(29)	(17)
Increase in trade and other payables	68	44	65
Increase in deferred income	(3)	45	44
Cash flow from operations	1,299	1,024	742
Tax paid	(7)	(35)	(8)
Net cash flow from operating activities	1,292	988	734
Cash flow from investing activities			
Payment for acquisition of PP&E	(339)	(1,639)	(752)
Withdrawal / (deposit) of investments	-	-	910
Acquisition of subsidiaries	(1)	-	(648)
Other proceeds and payments	20	22	33
Net cash flow used in investing activities	(320)	(1,617)	(457)
Cash flow from financing activities			
GDR Contributions received from underwriters	-	-	150
Proceeds from borrowings	0.5	6	96
Repayment of borrowings	(491)	(271)	(39)
Repayments of obligations under finance leases	(0.1)	(2.3)	(1.6)
Proceed from reimbursed VAT	466	-	-
Finance expenses paid	(240)	(158)	(166)
Other payments	-	(3)	-
Dividends paid to the owners of the Company	-	(180)	(314)
Dividends paid to non-controlling interests	(58)	(80)	(35)
Net cash flow from financing activities	(323)	(688)	(308)
Net increase in cash and cash equivalents	649	(1,317)	(32)
Cash and cash equivalents at the beginning of the period	891	3,273	2,583
Effect due to exchange rate changes	(8)	68	120
Cash and cash equivalents at the end of the period	1,531	2,024	2,671

Source: audited financial statements of MDMG for 1H 2013, 1H 2014 and 1H 2015

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