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**MOTHER & CHILD**  
GROUP OF COMPANIES



## FY 2016 IFRS RESULTS



March 20, 2017  
Moscow



*Photo: OR1 Integrated operating theatre in Ufa hospital*

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KEY COMPANY RESULTS  
FOR FY 2016

# FINANCIAL & OPERATING RESULTS FOR FY 2016

## Financial results

**12,179** mln RUB  
(+28%)  
REVENUE

- 28% revenue increase to RUB 12,179 mln (FY 2015: RUB 9,507 mln)
- EBITDA increased 37% to RUB 3,670 mln vs RUB 2,675 mln y-o-y
- EBITDA margin was 30%: +2 b.p. vs 2015
- Net profit for the period grew up by +29% y-o-y and amounted to RUB 2,277 mln
- Net debt decreased by 11% to RUB 1,640 mln

## Operating results

**6,656** DELIVERIES +20%  
**14,004** IVF CYCLES +51%

- Total number of deliveries increased by 20% to 6,656 vs. FY2015
- Total number of IVF cycles grew by 51% y-o-y, to 14,004 cycles
- Total number of in-patient treatments increased 11% to 53,142 patient-days
- Total number of out-patient treatments increased 18% to 1,388,995

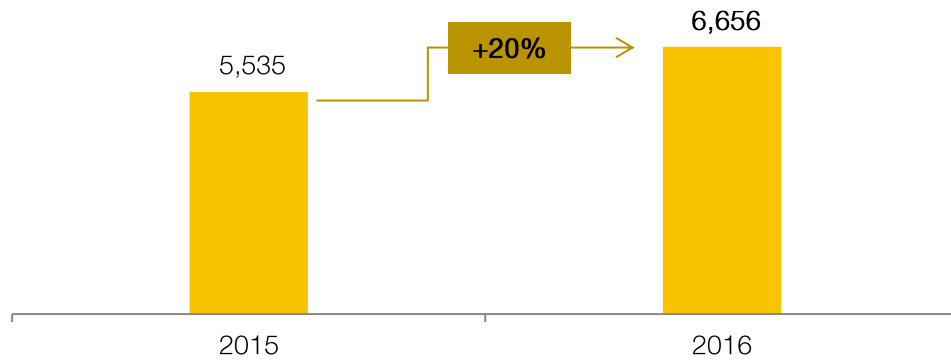
## Key events

- M&A DEAL IN CITIES OF SIBERIA: ARTMedGroup
- START OF CONSTRUCTION OF HOSPITAL IN SAMARA
- NEW CLINIC IN MOSCOW

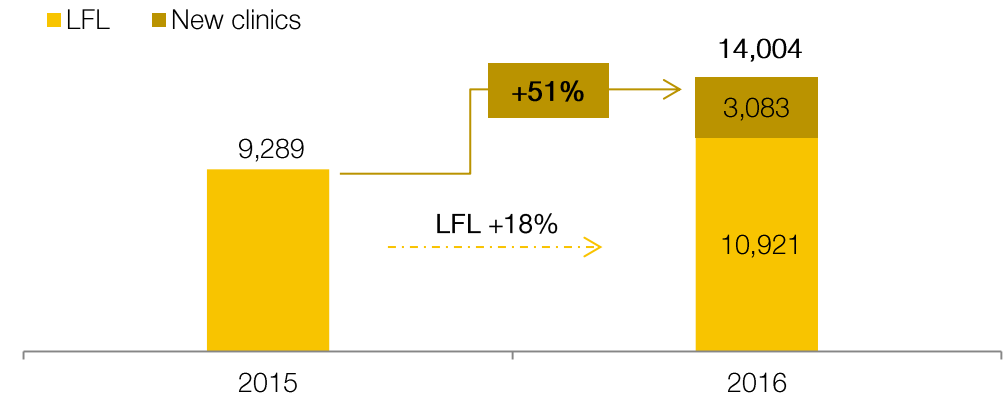
- Acquisition of AMG (clinics in Krasnoyarsk, Barnaul, Omsk, Novosibirsk) for RUB 485 mln for 100% of equity
- Start of construction of a new hospital in Samara (146 beds; 15,000 sq m)
- Opening of a new out-patient clinic with IVF department in Moscow (M&C Khodynskoye pole), new IVF department at existing clinic M&C Yugo-Zapad and clinic in Kostroma
- Group signed a Memorandum of Understanding with the Tyumen region government for construction of a 15,000 sq m hospital
- ***Events after the reporting date:*** Board of Directors made a recommendation for dividends payment of RUB 338 mln. Total amount of dividends paid out for 2016, incl. H1 2016 payment amounted to RUB 623.5 mln or 27% of net profit for the year. Payment will be in US dollars based on rate of the Central Bank of Russia as of 17 March 2017.
- Opening of a new wing of M&C hospital in Novosibirsk: extra 7,000 sq m and 48 beds

# OPERATING RESULTS: CONTINUED STRENGTH ACROSS ALL INDICATORS

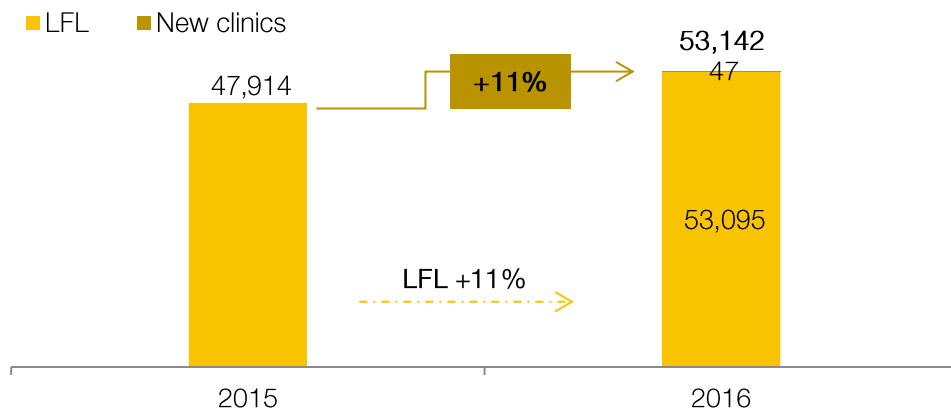
## Deliveries



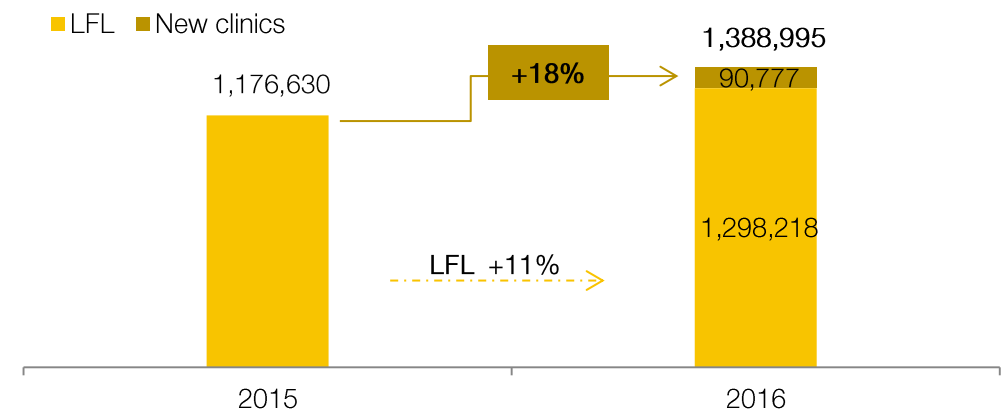
## IVF cycles



## In-patient treatments



## Out-patient treatments



Key triggers for the growth were growing number of patients at Lapino, PMC and Ufa hospitals as well as other existing clinics.

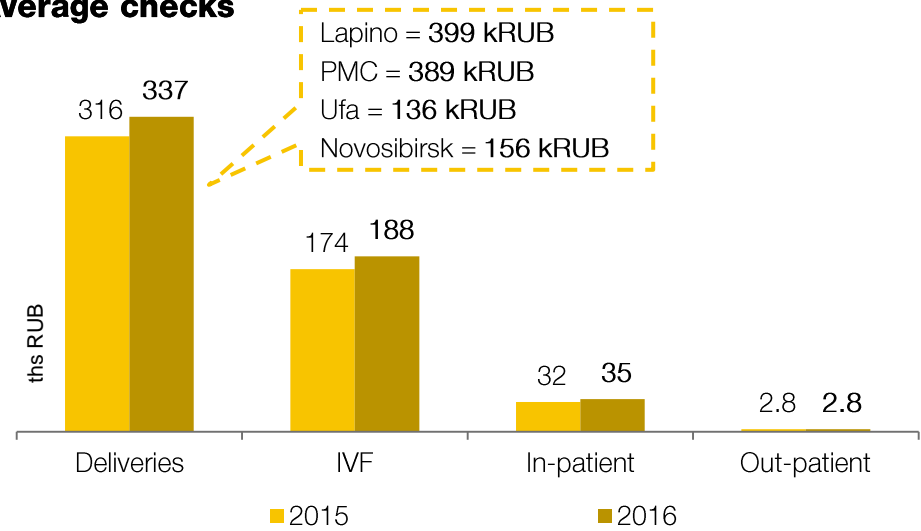
Lapino continues to attract new patients and increase its utilisation:

- Deliveries - 82%, IVF - 81%
- OBGYN out-patient - 62%, in-patient - 69%
- Paediatrics out-patient - 83%, in-patient - 78%

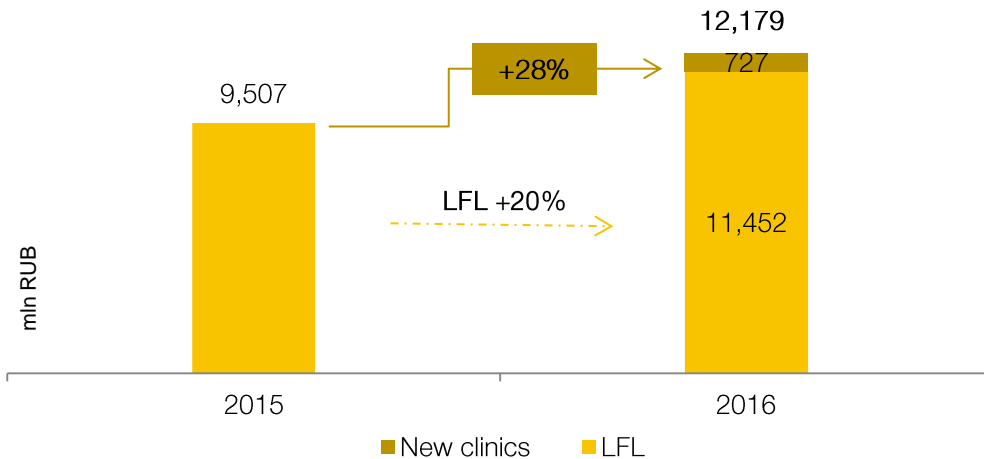
# KEY FINANCIAL INDICATORS FOR FY 2016

- The Company increased its revenue and EBITDA in FY 2016 by 28% and 37% respectively vs. FY 2015
- EBITDA margin was 30%
- LFL revenue and EBITDA grew by 20% and 32% correspondingly
- Average tickets grew up year-on-year:
  - +7% - deliveries
  - +8% - IVF
  - +10% - in-patient treatments
  - Remained flat for out-patient visits

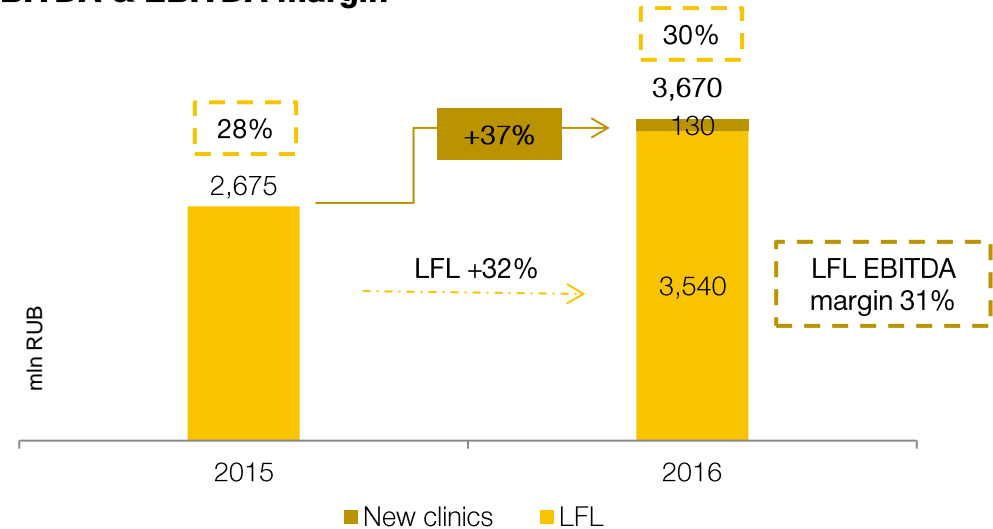
## Average checks



## Revenue



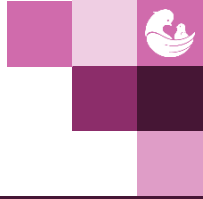
## EBITDA & EBITDA margin



# 2

FY 2016

FINANCIAL RESULTS ANALYSIS

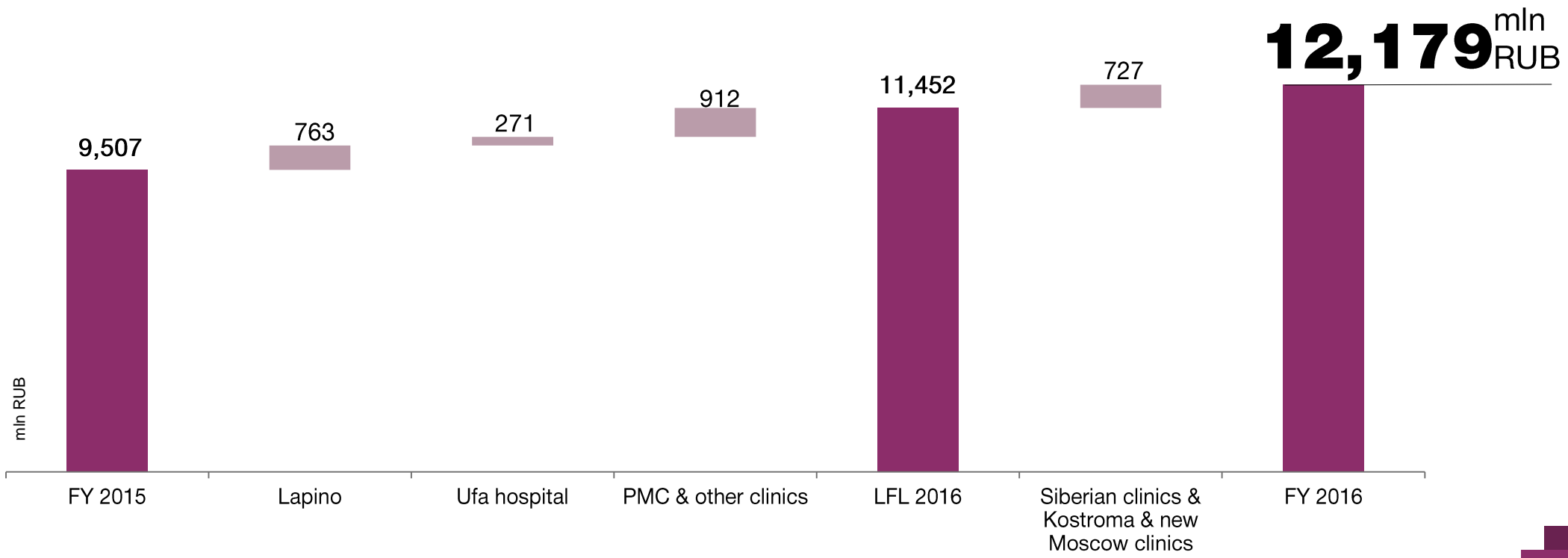


# REVENUE BRIDGE ANALYSIS

## Revenue increased 28% y-o-y to RUB 12,179 mln

- LFL revenue increased 20% or by RUB 2,999 mln since:
  - For the 4<sup>th</sup> year in a row Lapino continues to be the largest single contributor to LFL revenue increase, adding RUB 763 mln or 8% to Group revenue
  - Ufa hospital earned additional RUB 271mln during 2016
  - Other Group's clinics contributed an additional 10% or RUB 912 mln
- Newly acquired clinics in Siberia (former Medica and ARTMedGroup), new Kostroma clinic and M&C Khodynskoye pole (Moscow) in total contributed RUB 727 mln

## Revenue bridge 2016 vs 2015



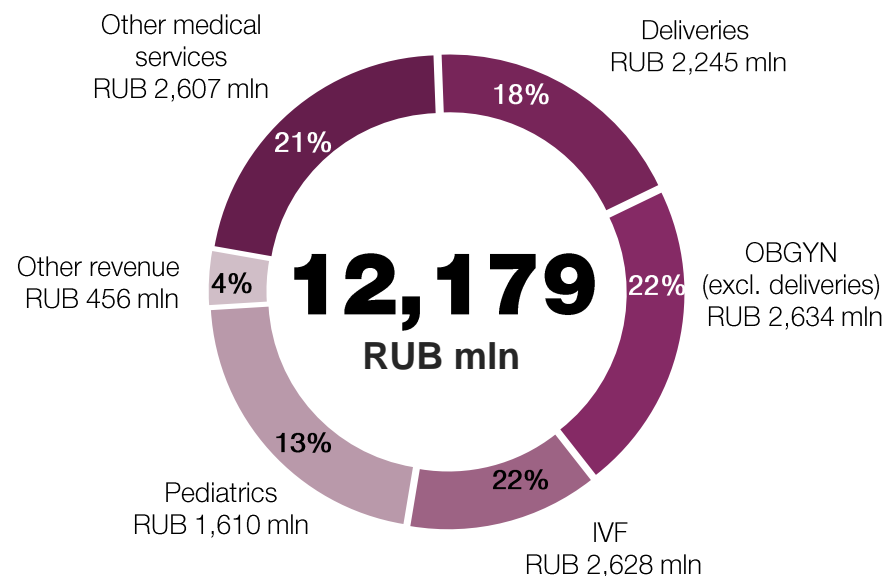
Source: FY 2016 audited financial statements under IFRS



# REVENUE STRUCTURE

- Some of the revenue segments changed their share y-o-y:
  - +5 p.p. increase in IVF' revenue share (22% vs. 17% in FY 2015)
  - - 2 p.p. decrease in OBGYN ex. deliveries revenue share (22% vs. 24% in FY 2015)
  - -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 1,012 mln, 63% y-o-y
  - Deliveries increased by RUB 495 mln, 28% y-o-y
  - Other Medical Services' revenue grew by RUB 487 mln, 23% y-o-y

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, RUB mln

FY 2015	FY 2016	Change, %	Type of revenue	LFL FY 2015	LFL FY 2016	Change, %
2,326	2,634	13% ↑	OBGYN (excl. deliveries)	2,326	2,546	9% ↑
1,750	2,245	28% ↑	Deliveries	1,750	2,245	28% ↑
1,615	2,628	63% ↑	IVF	1,615	2,116	31% ↑
1,288	1,610	25% ↑	Paediatrics	1,288	1,609	25% ↑
2,120	2,607	23% ↑	Other medical services	2,120	2,482	17% ↑
407	456	12% ↑	Other revenue	407	454	11% ↑
<b>9,507</b>	<b>12,179</b>	<b>28%</b>		<b>9,507</b>	<b>11,452</b>	<b>20%</b>

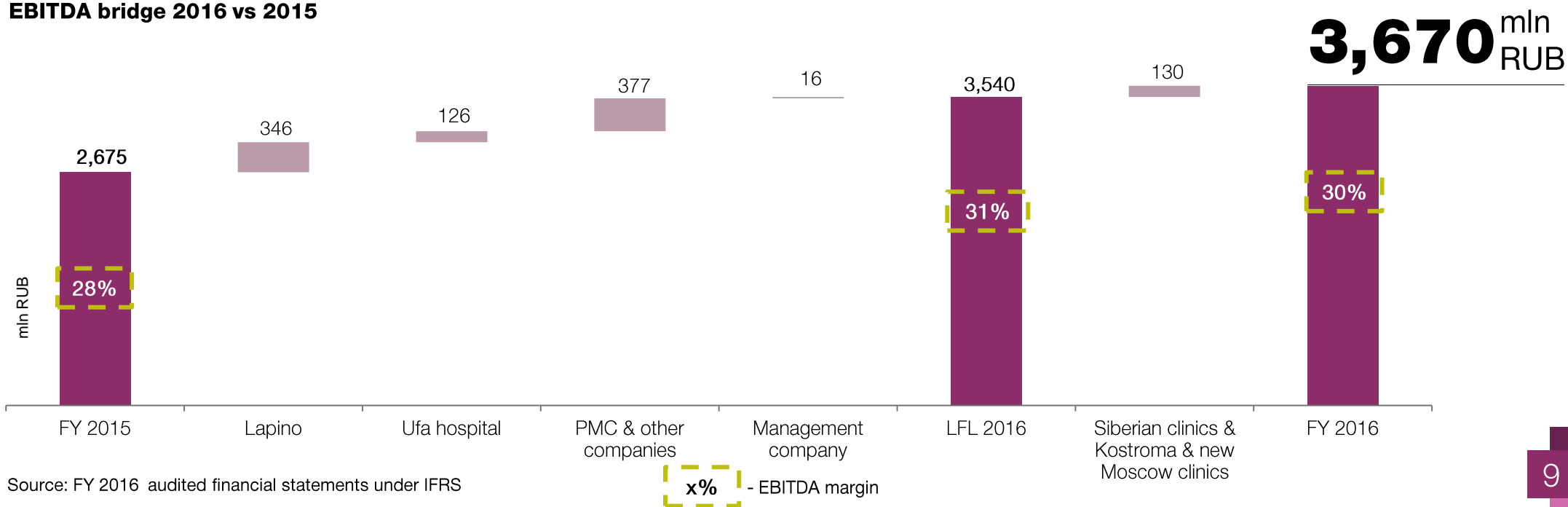
# EBITDA BRIDGE ANALYSIS



EBITDA had an outstanding growth of 37% y-o-y to RUB 3,657 mln with superior margin of 30%

- LFL EBITDA grew up by 32% or by RUB 865 mln and amounted to RUB 3,540 mln
- LFL EBITDA margin was 31% that demonstrates +2 p.p. improve vs H1'16. Key drivers of like-for-like growth were:
  - Lapino made the most significant solitary contribution adding RUB 346 mln
  - Ufa hospital generated extra RUB 126 mln
  - LFL clinics ex. Lapino and Ufa added RUB 377 mln
- Management company expenses were reduced by RUB 16 mln y-o-y

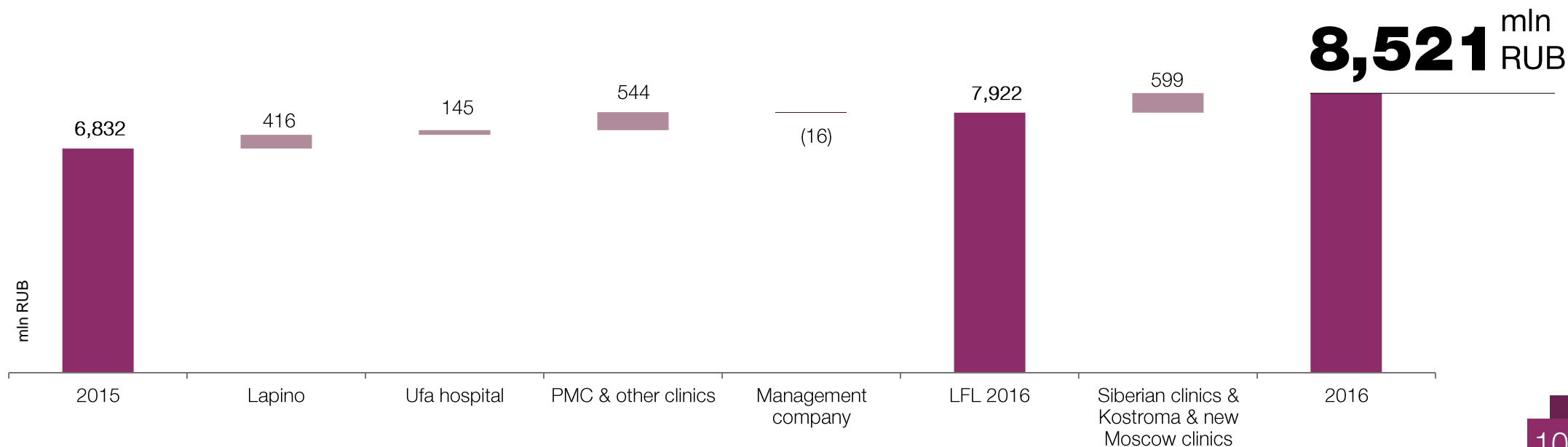
## EBITDA bridge 2016 vs 2015



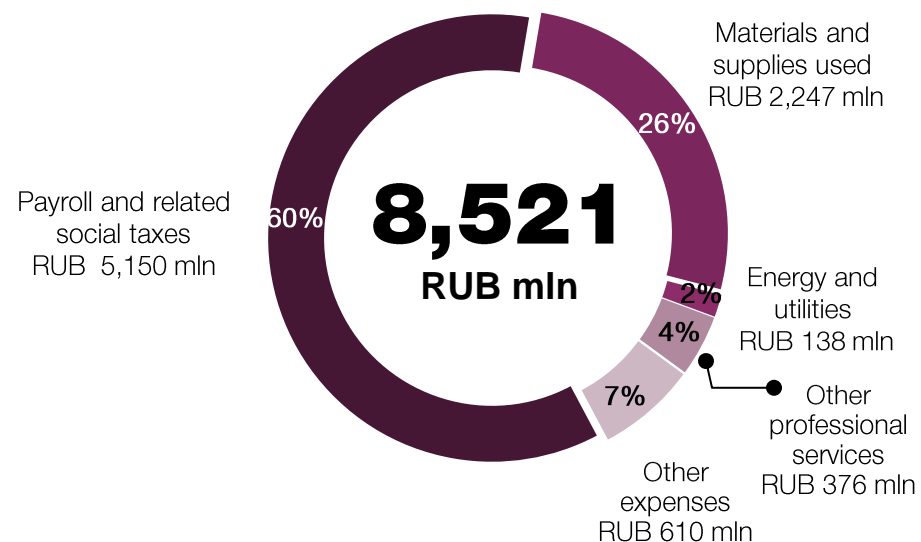
# OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) for FY2016 grew up slower than corresponding revenue (25% vs 28%) and amounted to RUB 8,521 mln
- LFL OPEX (excl. D&A) increased 16% y-o-y and amounted to RUB 7,922 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 controlled growth of its expenses and since no new M&A deals were launched in 2016, overall costs went down by RUB 16 mln.

## OPEX (excl. D&A) bridge analysis

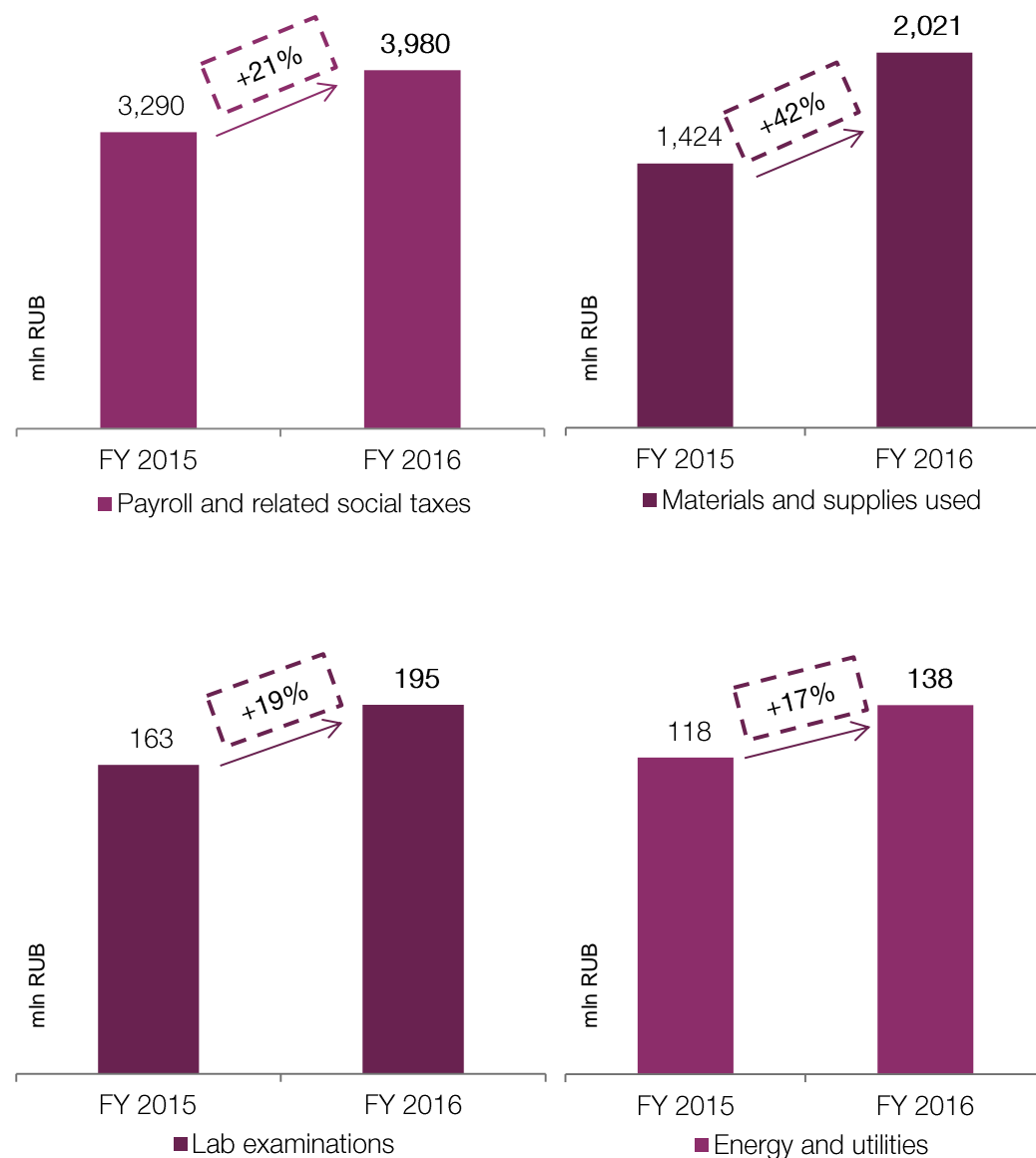


## OPEX structure



# COST OF SALES, EXCL. D&A

## CoS comparison



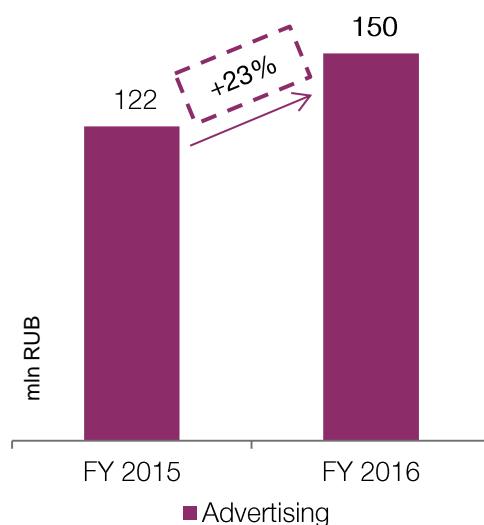
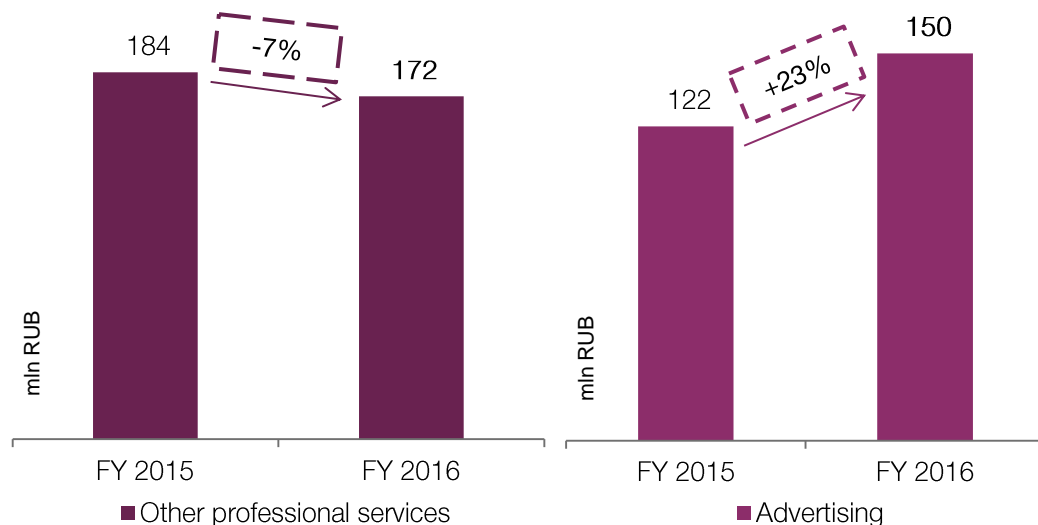
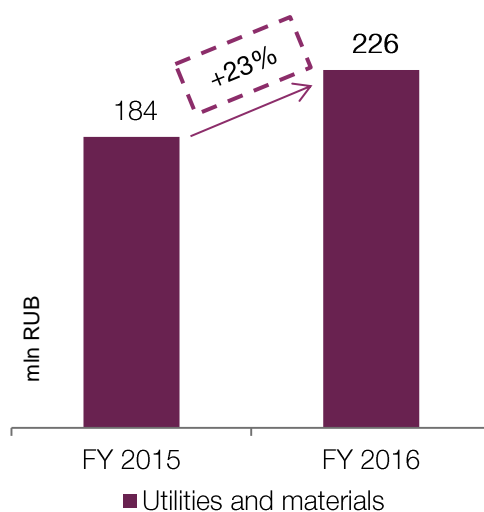
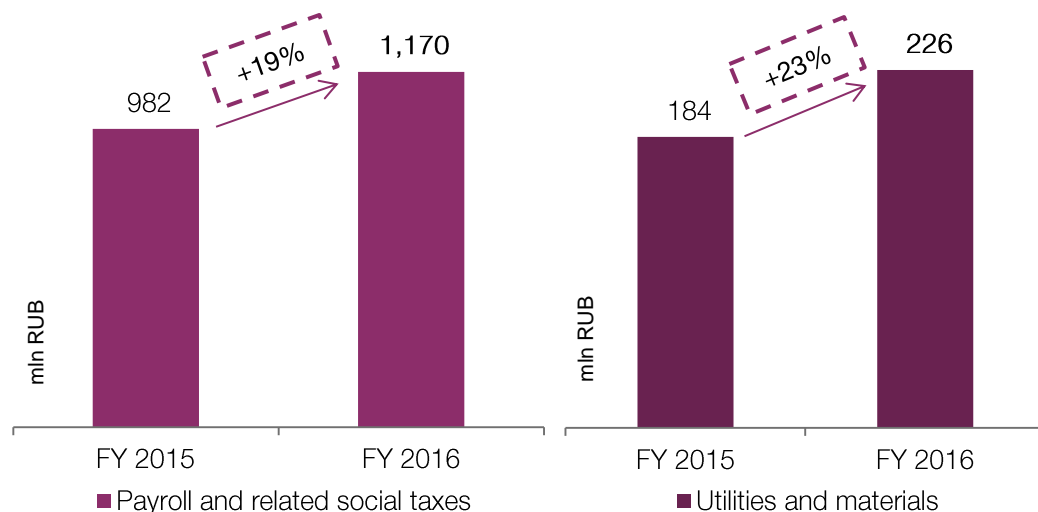
- CoS (ex. D&A) amounted to RUB 6,671mln (+27% y-o-y)
- LFL CoS growth was 19% and amounted to RUB 6,221 mln
- The following costs rose mainly due increased utilisation of Lapino and Ufa hospitals, as well as consolidation of new clinics in Siberia:
  - Payroll costs amounted to RUB 3,980 mln, growing by 21% y-o-y. 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 again showed the fastest growth rate 42% y-o-y and reached RUB 2,021 mln which is explained by: 1) continued step-by-step inflation of prices for supplies due to RUB weakening; 2) growing share of IVF's revenue which is material intensive service
  - Energy & utilities grew by 17% y-o-y up to RUB 138 mln
- Laboratory test expenses increased 19% y-o-y due to an increase in number of tests performed and inflation of consumables used

## Revenue and CoS, RUB mln

Indicator	FY 2016	FY 2015	Change y-o-y, %
LFL Revenue	11,452	9,507	+20%
LFL CoS (ex.D&A)	6,221	5,235	+19%
Revenue	12,179	9,507	+28%
CoS (ex. D&A)	6,671	5,235	+27%

# G&A, EXCL. D&A

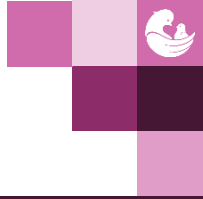
## G&A comparison



- G&A (excl. D&A) expenses grew up by 16% y-o-y to RUB 1,850 mln which is significantly below corresponding revenue growth by 28% y-o-y
- LFL G&A (excl. D&A) increased 7% up to RUB 1,701 mln vs. LFL revenue growth of 20%
- The following expenses increased y-o-y mostly due to consolidation of new clinics in Siberia and several specific reasons different for every line:
  - Payroll expenses (including social tax expenses) increased by 19% and amounted to RUB 1,170 mln
  - Utilities and materials grew up by RUB 42 mln y-o-y or 23%. Apart from new clinics growth was supported by maintenance works in several Moscow clinics
  - Advertising expenses increased 23% y-o-y up to RUB 150 mln mostly due to active marketing of Lapino and PMC, newly opened clinic and IVF department in Moscow
- Other professional services decreased by 7% y-o-y and amounted to RUB 172 mln

## Revenue and G&A, mln RUB

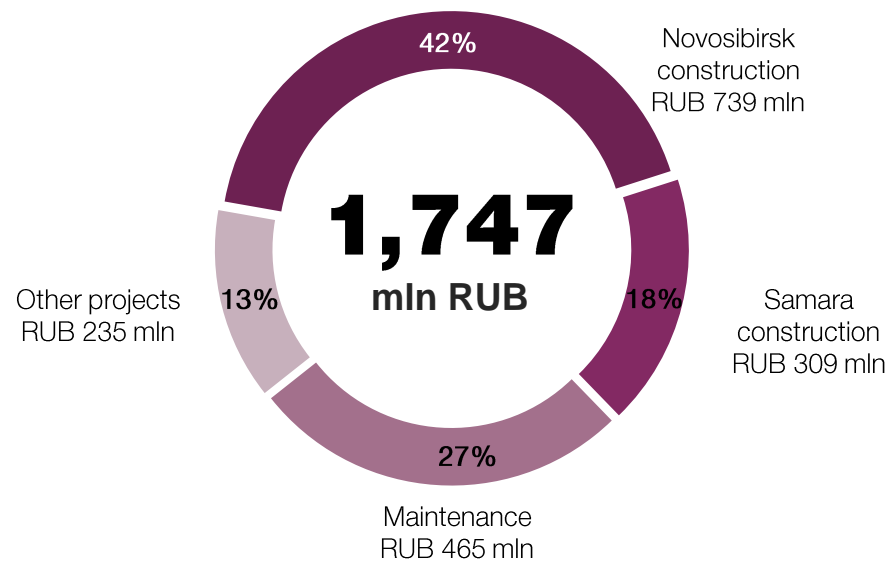
Indicator	FY 2016	FY 2015	Change y-o-y, %
LFL Revenue	11,452	9,507	+20%
LFL G&A(ex.D&A)	1,701	1,595	+7%
Revenue	12,179	9,507	+28%
G&A (ex. D&A)	1,850	1,595	+16%



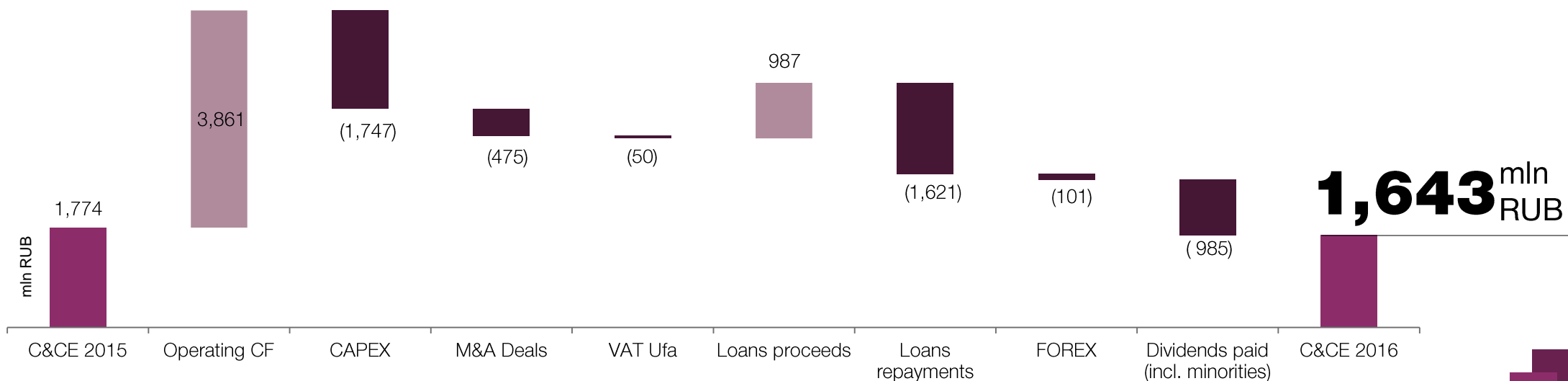
# CAPEX & CASH FLOW

- Group had solid liquidity position with RUB 1,643 mln in cash & cash equivalents as of Dec 31, 2016
- OCF amounted to RUB 3,861 mln and increased 37% y-o-y
- CAPEX cash outflow amounted to RUB 1,747 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 1,621 mln

## CAPEX structure, excl. M&A



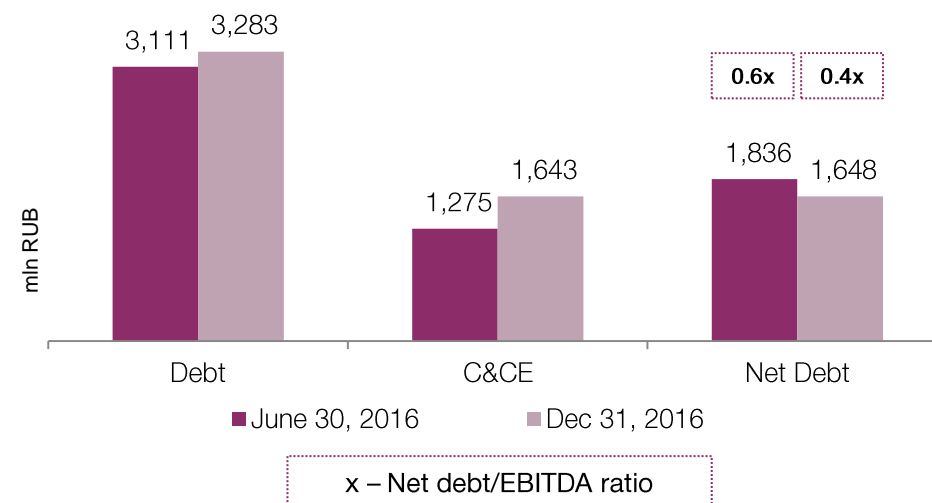
## Cash Flow waterfall



# WORKING CAPITAL AND NET DEBT

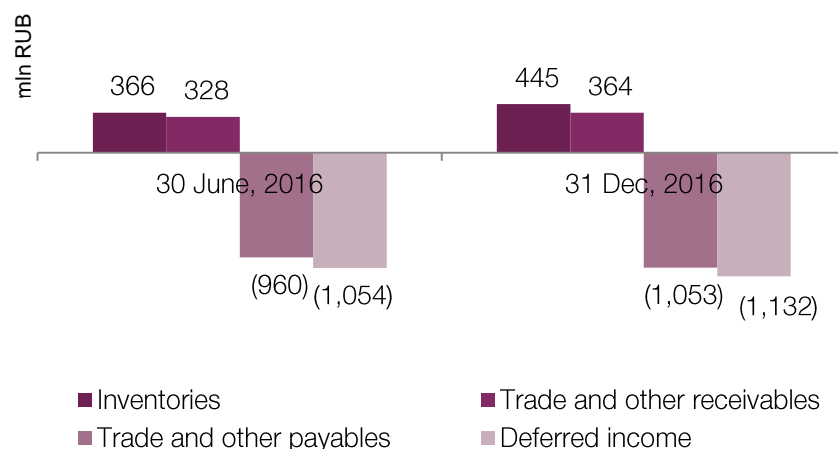
- The Group's debt increased by 6% year-to-date to RUB 3,283 mln
- The Company's cash & cash equivalents grew up by 29% and amounted to RUB 1,643 mln
- The net debt position as of Dec 31, 2016 was RUB 1,648 mln down by 10% p-o-p with net debt / EBITDA ratio of 0.4x went down from 0.6x
- The company works with negative working capital as a source of additional financing. Working capital decreased 4% to RUB (1,376) mln from the June 30, 2016

## Debt

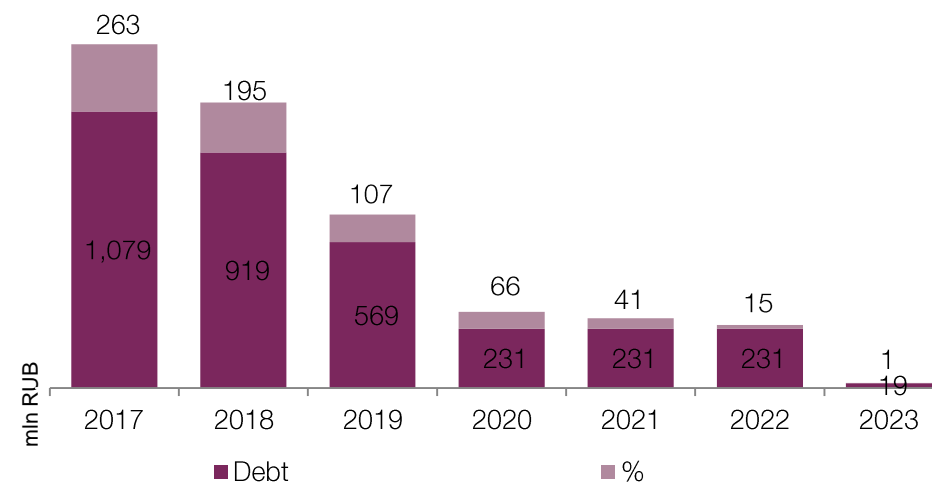



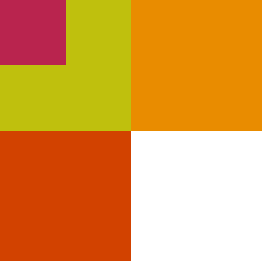
## Net working capital

June 30, 2016 = (1,320) mln RUB      Dec 31, 2016 = (1,376) mln RUB




## Debt repayment schedule





# APPENDIX





# REVENUE ANALYSIS



	2016	2015
<b>Obstetrics and Gynaecology</b>	<b>2,634</b>	<b>2,326</b>
<u>In-patient treatments</u>		
RUB mln	929	810
patient days	23,796	23,626
kRUB per day	39.0	34.3
% of total*	35%	35%
<u>Out-patient treatments</u>		
RUB mln	1,705	1,516
Admissions	506,756	451,986
kRUB per admission	3.4	3.4
% of total*	65%	65%
<b>Deliveries</b>	<b>2,245</b>	<b>1,750</b>
RUB mln	2,245	1,750
Deliveries	6,656	5,535
kRUB per delivery	337.3	316.2
<b>IVF</b>	<b>2,628</b>	<b>1,615</b>
RUB mln	2,628	1,615
Cycles	14,004	9,289
kRUB per cycles	187.7	173.9
<b>Paediatrics</b>	<b>1,610</b>	<b>1,288</b>
<u>In-patient treatments</u>		
RUB mln	404	271
Patient-days	18,946	15,387
kRUB per patient day	21.3	17.6
% of total*	25%	21%
<u>Out-patient treatments</u>		
RUB mln	1,205	1,017
Admissions	396,608	347,003
kRUB per admissions	3.0	2.9
% of total*	75%	79%

	2016	2015
<b>Other medical services</b>	<b>2,607</b>	<b>2,120</b>
<u>In-patient treatments</u>		
RUB mln	519	436
Patient days	10,400	8,901
kRUB per patient day	49.9	49.0
% of total*	20%	21%
<u>Out-patient treatments</u>		
RUB mln	1,020	807
Admissions	485,631	377,641
kRUB per admission	2.1	2.1
% of total*	39%	38%
<u>Other medical services</u>		
RUB mln	1,067	877
% of total*	51%	41%

# EXTRACT FROM MDMG'S PROFIT AND LOSS STATEMENT



(RUB mln)	2016	2015	2014
Revenue	12,179	9,507	7,201
Cost of sales	(7,400)	(5,918)	(4,230)
Gross Profit	4,779	3,589	2,971
% of revenue	39%	38%	41%
Other income	30	18	9
Administrative expenses	(2,067)	(1,793)	(1,433)
Other expenses	(18)	(38)	(11)
EBITDA	3,670	2,675	2,083
% of revenue	30%	28%	29%
Operating profit	2,724	1,775	1,536
Net finance expenses	(485)	30	(141)
Profit before tax	2,239	1,805	1,395
Tax	38	(34)	(75)
Profit for the period	2,277	1,770	1,320
% of revenue	19%	19%	18%
Minority interest	212	167	124
Profit for the year attributable to: shareholders	2,066	1,604	1,196

# EXTRACT FROM MDMG'S BALANCE SHEET



(RUB mln)	2016	2015	2014
Cash and cash equivalents	1,643	1,774	891
Investments	-	2	3
Current trade, other receivables and deferred expenses	360	258	229
Inventories	445	327	268
Current tax asset	9	7	8
Assets held for sale	46	46	46
Property, plant and equipment	13,410	12,364	12,540
Intangible assets	2,442	2,145	1,981
Non-current trade and other receivables and deferred expenses	185	184	105
Other non-current assets	176	99	4
<b>TOTAL ASSETS</b>	<b>18,716</b>	<b>17,208</b>	<b>16,074</b>
Current trade and other payables	1,152	873	899
Short term loans and borrowings	1,084	1,161	869
Other current liabilities	1,024	907	788
Long term loans and borrowings	2,200	2,293	3,251
Other non-current liabilities	487	464	131
Equity	12,770	11,509	10,137
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,716</b>	<b>17,208</b>	<b>16,074</b>
Net Debt	1,648	1,680	3,230

# EXTRACT FROM MDMG'S CASH FLOW STATEMENT



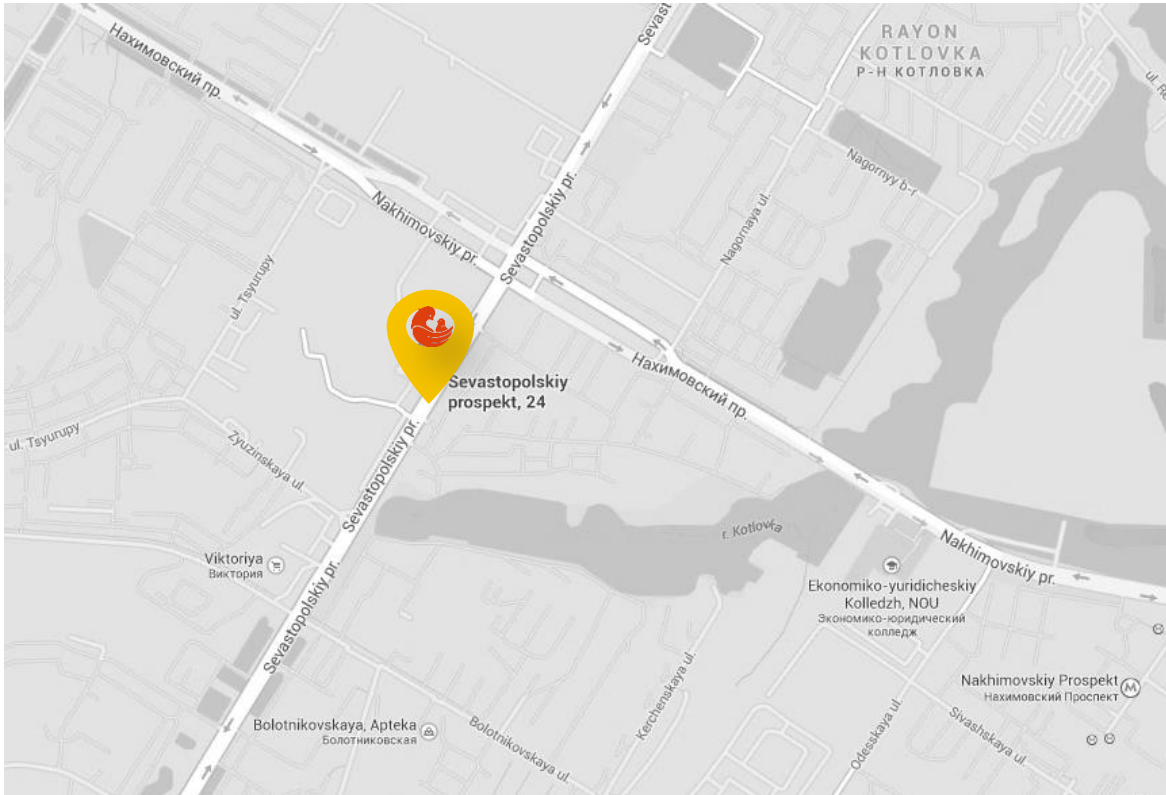
(RUB mln)	2016	2015	2014
Cash flow from operating activities			
Profit for the period	2,277	1,770	1,320
Adjustments for:			
<i>D&amp;A</i>	946	881	547
<i>Taxation</i>	(38)	34	75
<i>Other adjustments</i>	510	18	140
Cash flow from operations before working capital changes	3,696	2,703	2,082
<i>(Increase) / decrease in inventories</i>	(73)	(57)	(119)
<i>Increase in trade and other receivables</i>	(86)	(13)	(49)
<i>Increase in trade and other payables</i>	216	79	71
<i>Increase in deferred income</i>	128	115	199
Cash flow from operations	3,880	2,828	2,184
Tax paid	(20)	(10)	(78)
<b>Net cash flow from operating activities</b>	<b>3,861</b>	<b>2,818</b>	<b>2,106</b>
Cash flow from investing activities			
Payment for acquisition of PP&E	(1,716)	(780)	(3,126)
Acquisition of subsidiaries	(475)	(281)	(1,797)
Other proceeds and payments	36	40	29
<b>Net cash flow used in investing activities</b>	<b>(2,155)</b>	<b>(1,020)</b>	<b>(4,894)</b>
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	-	-
GDR Contributions received from underwriters	-	-	-
Proceeds from borrowings	987	215	1,360
Repayment of borrowings	(1,172)	(949)	(518)
Repayments of obligations under finance leases	(1.5)	(0.6)	(3)
Finance expenses paid	(449)	(458)	(362)
Other payments	(116)	466	(72)
Dividends paid to the owners of the Company	(786)	(300)	(180)
Dividends paid to non-controlling interests	(199)	(135)	(139)
<b>Net cash flow from financing activities</b>	<b>(1,737)</b>	<b>(1,162)</b>	<b>86</b>
Net increase in cash and cash equivalents	(31)	636	(2,702)
Cash and cash equivalents at the beginning of the period	1,774	891	3,273
Effect due to exchange rate changes	(101)	248	319
<b>Cash and cash equivalents at the end of the period</b>	<b>1,643</b>	<b>1,774</b>	<b>891</b>

# CONTACTS



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