

MD MEDICAL GROUP INCREASES EBITDA BY 15% AND MORE THAN TRIPLES NET PROFIT

11 September 2023 – MD Medical Group Investments Plc (“MD Medical Group,” “MDMG,” the “Group” or the “Company” – MOEX: MDMG), a leading Russian private healthcare provider, announces its audited consolidated financial statements for the 6 months ended 30 June 2023 under International Financial Reporting Standards (IFRS).

Key financial highlights for H1 2023:

- **Total Revenue** increased by **5.7%** year-on-year (y-o-y) to **RUB 12,853 million**.
- **EBITDA** went up by **15.2%** y-o-y to **RUB 4,099 million**. EBITDA margin rose by **2.6 p.p.** y-o-y to **31.9%**. Regional hospitals strongly contributed to the EBITDA growth, reflecting the Group's effective regional development strategy.
- **Net profit** more than tripled y-o-y, reaching **RUB 3,368 million**. Net profit margin was **26.2%**.
- **Operating cash flow** increased by **39.4%** y-o-y to **RUB 4,366 million**.
- **Capex** amounted to **RUB 1,950 million**, up **155.9%** y-o-y. Investments were mainly allocated towards the acquisition of a ready for service hospital in Moscow to be launched in H2 2023.
- As at 30 June 2023, **the Group's net cash position** stood at **RUB 6,008 million**. The **net cash position to LTM EBITDA** ratio was **0.7x**.

Key operational highlights for H1 2023¹:

- Total **out-patient treatments** increased by **8.4%** y-o-y to **991,887**.
- Total **in-patient treatments** decreased by **1.1%** y-o-y to **70,715**.
- Total **IVF cycles** went up by **13.7%** to **9,349**.
- Total **deliveries** increased by **9.6%** y-o-y to **4,502**.

Key events during H1 2023 and after the reporting period:

- **Medical centre opened in the Moscow Region.** On 13 January 2023, MD Medical Group opened a new out-patient medical centre, Mother & Child Mytishchi, with a capacity of up to 24,000 appointments per year. Total investments in the project stood at around RUB 23 million.
- **Delisting of GDRs from the London Stock Exchange.** Following the Group's applications submitted to the UK Financial Conduct Authority (the “FCA”) and the London Stock Exchange (the “LSE”), the Company's global depositary receipts were removed from the FCA's Official List and their admission to trading on the LSE has been cancelled as of 22 June 2023.
- **Completing the acquisition of a hospital in Moscow.** On 17 July 2023, MD Medical Group completed the acquisition of a ready for service hospital in Moscow. The Company plans to use the existing facilities of the asset to launch a new multidisciplinary hospital MD Group Michurinsky in the second half of 2023. The amount of investment in the project is estimated at RUB 2,840 million, including additional investment in medical equipment and building renovations. The project will be financed from the Group's own funds.
- **Change of GDR programme depositary.** On 10 April 2023, MD Medical Group launched the procedure for changing the depositary bank that administers the Company's Global Depositary Receipts (GDR) programme. RCS Issuer Services S.A.R.L. was appointed as the new depositary bank effective from 8 August 2023.
- **Redomiciliation to SAR.** On 31 August 2023, the Group's Extraordinary General Meeting of shareholders resolved to redomicile the Company to the Special Administrative Region of Oktyabrsky Island, Kaliningrad Region, Russian Federation (“SAR”).

¹ For more details on operational highlights, see [our press release dated 31 July 2023](#)



H1 2023 Financial Highlights

RUB mln	1H2023	1H2022	change
Revenue	12,853	12,159	5.7%
Hospitals in Moscow	6,190	6,355	(2.6%)
Hospitals in regions	3,538	3,087	14.6%
Out-patient clinics in Moscow and MR	1,360	1,281	6.2%
Out-patient clinics in regions	1,753	1,430	22.6%
Managing company and other	12	6	87.5%
Gross profit	4,966	4,514	10.0%
Gross profit margin,%	38.6%	37.1%	1.5p.p.
EBITDA	4,099	3,559	15.2%
EBITDA margin,%	31.9%	29.3%	2.6p.p.
EBIT	3,272	1,442	126.9%
Adj. EBIT ²	3,272	2,729	19.9%
Adj. EBIT margin,%	25.5%	22.4%	3.1p.p.
Net finance income / (expenses)	100	(332)	n/a
Profit before tax	3,372	1,110	203.8%
Taxes	(3)	(3)	(1.1%)
Net profit	3,368	1,106	204.4%
Net profit margin,%	26.2%	9.1%	17.1p.p.
Adj. Net Profit ²	3,368	2,393	40.8%

Revenue

In H1 2023, MD Medical Group's total revenue increased by 5.7% y-o-y to RUB 12,853 million. The growth was mainly driven by gradually normalising patient flows in Moscow hospitals, higher demand for delivery services in regional hospitals (39.3% y-o-y revenue growth) and IVF services in clinics and hospitals (23.7% y-o-y revenue growth) combined with the strong performance of new projects – the MD Group Lakhta hospital, medical cluster in Tyumen, and out-patient clinic in Yekaterinburg. At the same time, H1 2023 saw a steady increase in the volume of services provided in multidisciplinary areas as part of commercial programmes.

1H 2023 Key Operating Expenses

RUB mln	1H2023	1H2022	change
Payroll and Social contributions	5,338	5,110	4.5%
as % of total Revenue	41.5%	42.0%	(0.5p.p.)
Material expenses	2,354	2,496	(5.7%)
as % of total Revenue	18.3%	20.5%	(2.2p.p.)
Medical services expenses	152	152	0.3%
as % of total Revenue	1.2%	1.2%	0.0p.p.
Functional expenses ³	217	168	29.1%
as % of total Revenue	1.7%	1.4%	0.3p.p.

Gross profit

Gross profit in H1 2023 increased by 10.0% y-o-y to RUB 4,966 million. Gross profit margin went up by 1.5 p.p. y-o-y to 38.6% on the back of business growth and optimisation of key expenses.

Impact of key expenses

In H1 2023, the Company's key expenses remained tightly controlled and decreased by 2.5 p.p. y-o-y as a percentage of revenue (to 62.7%) amid the decline in personnel costs and optimisation of expenses on consumables.

The share of personnel costs decreased by 0.5 p.p. y-o-y as a percentage of revenue (to 41.5%) mainly

² For adjustments, see the Appendix to this press release

³ Functional expenses include marketing, IT, client service costs, staff training and communication services

due to the operating leverage effect and the impact of the remuneration structure that features a fixed component.

The share of expenses on consumables decreased by 2.2 p.p. y-o-y as a percentage of revenue (to 18.3%) on the back of a reduction in consumable-intensive services (such as COVID-19 therapy) in the Company's portfolio.

The share of medical services expenses remained flat as a percentage of revenue (at 1.2%).

The share of functional expenses saw a marginal increase of 0.3 p.p. y-o-y as a percentage of revenue (to 1.7%).

EBITDA

EBITDA increased by 15.2% y-o-y and amounted to RUB 4,099 million in H1 2023. EBITDA margin went up by 2.6 p.p. y-o-y to 31.9% due to the improvement in gross margin.

Adjusted operating profit

Depreciation and amortisation expenses as a percentage of revenue slightly decreased by 0.4% y-o-y to 6.4%.

In H1 2023, adjusted operating profit increased by 19.9% y-o-y to RUB 3,272 million, with an operating profit margin of 25.5%.

Adjusted net profit

In H1 2023, net finance income stood at RUB 100 million compared to expenses of RUB 332 million in the same period of 2022 due to the absence of interest on loans, which were fully repaid in H2 2022.

As a result, the Company's adjusted net profit increased by 40.8% y-o-y to RUB 3,368 million in H1 2023. Adjusted net profit margin went up by 6.5 p.p. y-o-y to 26.2%.

Key cash flow statement figures

RUB mln	1H2023	1H2022	change
Operating cash flow before working capital changes	4,113	3,552	15.8%
Changes in working capital	262	(415)	n/a
Taxes	(9)	(5)	72.5%
Cash from operating activities	4,366	3,132	39.4%
Cash used in investing activities	(1,767)	(565)	212.5%
Cash used in financing activities	(427)	(1,249)	(65.8%)
Effect of movements in exchange rates on cash held	14	(203)	n/a
Cash and cash equivalents increase	2,187	1,114	96.3%

In H1 2023, operating cash flow before changes in working capital increased by 15.8% y-o-y to RUB 4,113 million as a result of the EBITDA growth.

Working capital⁴

RUB mln	June 30, 2023	December 31, 2022
Inventories	924	1,212
Accounts receivable	1,296	1,147
Accounts payable	(2,462)	(2,447)
Contract liabilities	(2,086)	(1,972)
Working capital	(2,327)	(2,060)

The Company has historically maintained negative working capital as a source of additional financing. In H1 2023, working capital remained negative at RUB (2,327) million and amounted to 18.1% of revenue. As a result, operating cash flow increased by 39.4% y-o-y to RUB 4,366 million.

⁴ Working capital is recognised in line with operating cash flow

Cash used for investing activities, mainly consisting of capital expenditures and proceeds from interest on deposits, amounted to RUB 1,767 million.

Total Capex increased by 155.9% y-o-y to RUB 1,950 million in H1 2023. In July 2023, MD Medical Group completed the acquisition of a ready for service hospital in Moscow. The amount of investment in the project is estimated at RUB 2,840 million, including additional investment in medical equipment and building renovations, of which RUB 1,608 million was paid in the reporting period.

In H1 2023, cash outflows related to financing activities amounted to RUB 427 million vs RUB 1,249 million in H1 2022. The high base of 2022 was due to the repayment of RUB 858 million towards the outstanding debt principal.

As at the end of H1 2023, net cash totalled RUB 2,173 million.

Debt portfolio

RUB mln	June 30, 2023	December 31, 2022
Total debt	641	597
Short-term debt	125	106
Long-term debt	516	489
Cash and cash equivalents	6,650	4,463
Net Cash position	(6,008)	(3,866)
Net debt/(Net cash position) / EBITDA	(0.7x)	(0.5x)

As at 30 June 2023, the Group's debt represented entirely by lease liabilities increased from the 31 December 2022 level by RUB 44 million to RUB 641 million. Cash balance grew by 49.0% y-o-y to RUB 6,650 million as at 30 June 2023 vs RUB 4,463 million as at 31 December 2022.

As at 30 June 2023, the Company's net cash position amounted to RUB 6,008 million. The net cash position to LTM EBITDA ratio as at the end of H1 2023 was 0.7x.

Notes:

1. This announcement contains inside information
2. Minor deviations in the calculation of totals, subtotals and/or percent changes are due to rounding
3. The Group's consolidated financial statements are available on the Group's website:
www.mcclinics.com/investors/financial-reports/

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About MD Medical Group

MD Medical Group is a leading provider in the highly attractive Russian private healthcare service market. Today, the Company manages 49 state-of-the-art healthcare facilities, including 10 multidisciplinary hospitals and 39 out-patient clinics in 26 regions of the Russian Federation. In 2022, MD Medical Group's revenue amounted to RUB 25.2 bln while EBITDA amounted to RUB 7.9 bln. The Company's GDRs are traded on Moscow Exchange (MOEX: MDMG).



Forward-Looking Statements

This press release contains forward-looking statements, which are based on the Company's current expectations and assumptions and may involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The forward-looking statements contained in this press release are based on past trends or activities and should not be taken that such trends or activities will continue in the future. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially, including, but not limited to: conditions in the market, market position of the Company, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and economic conditions; the Company's ability to obtain capital/additional finance; a reduction in demand by customers; an increase in competition; an unexpected decline in revenue or profitability; legislative, fiscal and regulatory developments, including, but not limited to, changes in environmental and health and safety regulations; exchange rate fluctuations; retention of senior management; the maintenance of labour relations; fluctuations in the cost of input costs; and operating and financial restrictions as a result of financing arrangements. No statement in this press release is intended to constitute a profit forecast, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company. Each forward-looking statement relates only as of the date of the particular statement.

Appendix. Use of non-IFRS indicators

As part of disclosing the Group's financial results under IFRS, we use the following non-IFRS indicators:

Adjusted Operating profit and Adjusted Net profit.

We believe Adjusted Operating profit and Adjusted Net profit to be instrumental for investors and analysts in assessing the core operating performance of the Company and analysing comparable results for different periods, excluding one-off gains or losses.

Adjusted Operating profit means net profit under IFRS plus (1) impairment loss on goodwill; (2) impairment loss on fixed assets; (3) impairment loss on work in progress.

Adjusted Net profit means net profit under IFRS plus (1) impairment loss on goodwill; (2) impairment loss on fixed assets; (3) impairment loss on work in progress.

Impairment loss on goodwill and fixed assets

As macro environment became more challenging in FY2022, the Group recognised a one-off RUB 201 mln impairment loss on goodwill of the Novokuznetsk out-patient clinic and a one-off RUB 1,000 mln impairment loss on fixed assets of the Ufa clinical hospital (the excess of the fair value of the goodwill / fixed assets over their book value).

Impairment loss on work in progress

Adjusted net profit for FY2022 does not include a RUB 85 mln impairment loss on work in progress related to construction documents and the change in the Group's plans to build a clinic in St Petersburg.