MOTHER & CHILD
GROUP OF COMPANIES

MD MEDICAL GROUP POSTS 19% NET PROFIT GROWTH IN FY 2017

19 March 2018, Moscow – MD Medical Group Investments Plc (“MD Medical Group”, “MDMG”, the “Group” or the “Company” – LSE: MDMG), a leading Russian private healthcare provider, announces its audited consolidated financial statements for the 12 months ended 31 December 2017 under International Financial Reporting Standards (“IFRS”).

FY 2017 Key Highlights

- **Revenue** increased by 13% year-on-year (y-o-y) to RUB 13,755 mln vs. RUB 12,179 mln in FY 2016, driven mainly by the continued ramp-up at Lapino, improved performance of the existing clinics, as well as the opening of a hospital in Novosibirsk.
- **EBITDA** grew 13% y-o-y to RUB 4,165 mln.
- **EBITDA margin** was 30.3%, up 0.2 p.p. from the previous year.
- **Net profit** grew 19% y-o-y to RUB 2,704 mln.
- **Operational cash flow** grew 8% y-o-y to RUB 4,186 mln.
- **CAPEX** amounted to RUB 3,463 mln. Key investments included the construction of new hospitals in Samara (RUB 2,162 mln) and Tyumen (RUB 425 mln), as well as the launch of preparatory works for the construction and purchase of equipment for Lapino-2 (RUB 344 mln).
- **Debt** increased by 39% from 31 December 2016 to RUB 4,570 mln, while **net debt** increased by 26% from the end of 2016 to RUB 2,065 mln due to additional funding raised for the construction of the hospitals in Samara and Tyumen. The net debt to EBITDA ratio amounted to 0.5x.
- **Working capital** remained negative at RUB (1,475) mln and represented 11% of revenue.

FY 2017 Financial Highlights (RUB mln)

	2017	2016	Changes y-o-y, %
Revenue	13,755	12,179	+ 13%
Gross profit	5,397	4,779	+ 13%
EBITDA	4,165	3,670	+ 13%
EBITDA margin, %	30.3%	30.1%	+ 0.2 p.p.
Net profit	2,704	2,277	+ 19%
CAPEX incl. M&A	3,463	2,222	+ 52%
Operating cash flow (net)	4,186	3,861	+ 8%
Working capital	-1,475	-1,431	+ 3.1%
Net debt	2,065	1,640	+ 26%

FY 2017 Business Highlights

- *Opening of a new hospital in Novosibirsk*. The merger with the existing Avicenna Mother&Child Novosibirsk hospital created the largest private healthcare facility in Siberia. Following the opening of a new building, the capacity of the delivery department increased by 85%, capacity of the in-patient unit grew by almost 6 times, while the potential number of out-patient treatments per year increased by nearly 5 times.
- *Continued ramp-up at Mother&Child Ufa*. Capacity utilisation rates continued to grow in 2017 and amounted to 36% for deliveries, 78% for IVF, 46% at the in-patient department and 54% at the out-patient department.
- *Continued construction of Samara hospital* which was opened after the end of the reporting period in March 2018. The Mother&Child Samara hospital with an area of 15,000 sqm comprises 164 beds and has an annual capacity of up to 2,500 deliveries, 1,200 IVF cycles and 220,000 out-patient treatments.
- *Launch of construction of a new hospital in Tyumen*. It is expected that the new multi-disciplinary hospital with an area of 15,000 sqm will comprise 164 beds and will offer hi-tech medical care to up to 220,000 patients per year.
- *Opening of a new clinic in Tyumen* with an area of approx. 350 sqm. Its annual capacity will be up to 15,000 out-patient visits, 500 IVF cycles, and 200 endoscopic procedures. It offers the Group's trademark services including OBGYN, prenatal care, infertility treatment and IVF.
- *Opening of a new clinic in Voronezh.* The clinic has capacity for up to 1,000 minor gynaecological operations, 1,000 IVF cycles (including under the MHI programme), and 26,000 consultations with doctors each year. In addition to core medical services for women and children, the clinic's specialists on-site include endocrinologists, urologists, andrologists, opthalmologists, and more.

- *Expansion of the clinic in St Petersburg* where the total area was increased by 65% to 893 sqm. Existing premises doubled their IVF department capacity to 2,000 cycles per year. The gynaecology department also doubled its capacity – thanks to the acquisition of new space.
- *Opening of the Miscarriage Treatment Centre at PMC* focused on pregnancy planning and screening for patients at high-risk of miscarriage, foetal genetic abnormalities, and preeclampsia. The centre comprises 10 beds, an outpatient department, operating theatre, intensive care and therapy ward with extracorporeal methods of treatment.
- *Opening of a clinic in Vladimir* which carried out the first stage of IVF. In January 2018, a new – significantly larger – clinic opened in the city and is now replacing the first one. The new clinic has a capacity for up to 400 minor gynaecological operations, 500 IVF cycles (the whole cycle now takes place within one clinic), and 15,000 consultations with doctors each year.

Commenting on the FY 2017 financial results, Mark Kurtser, CEO of MD Medical Group, said:

"We successfully completed 2017 and demonstrated robust financial performance underpinned by strong operational results and consistent implementation of our regional development strategy.

"Revenue for FY 2017 grew 13% y-o-y to RUB 13,755 mln. Our EBITDA was also up by 13% to RUB 4,165 mln, with our EBITDA margin at a strong level of 30.3%. Net profit increased by 19% to RUB 2,704 mln. Despite the higher debt due to raising funds for the construction of new hospitals, the Company maintained a solid financial position – with our Net debt to EBITDA ratio remaining at a very comfortable level of 0.5x.

"Key drivers included further capacity utilisation growth at our Lapino hospital, improved performance of the existing clinics and opening of our new hospital in Novosibirsk.

"IVF was among our fastest growing segments; its revenue grew 24% which strengthens our leadership in the assisted reproductive technologies market in Russia. At the same time, I am pleased to mention that our 'other medical services' segment demonstrated strong growth in revenue of 24%. For the first time in our history, the share of this segment in total revenue reached 28%. This is a result of our focus on the consistent expansion of the range of services we offer at our hospitals and clinics. We are committed to further active diversification which will contribute to the Company's sustainable growth going forward.

"In order to ensure the continued positive development and steady growth of our business, in 2017 we continued to expand our network of high-technology hospitals and clinics. In particular, we opened a new in-patient facility in Novosibirsk, the results of which already notably contributed to the Group's performance in the reporting year; we continued the construction of our Samara hospital which we opened earlier this month. Furthermore, we opened new clinics in Vladimir, Voronezh and Tyumen, and significantly expanded our clinic in St Petersburg – the second largest healthcare market in Russia. Already in 2018, we opened new clinics in Vladimir and Nizhny Novgorod in addition to the Samara hospital.

"Such strong performance and successful implementation of our strategy in 2017 along with continued active development in 2018 form the basis for the continued growth of the largest healthcare business in Russia, for the benefit of the communities we serve, our shareholders and other stakeholders."

Revenue

Revenue grew by 13% y-o-y to RUB 13,755 mln in FY 2017 thanks to the Group's performance in the Central and Siberian regions.

Key areas of focus – OBGYN, deliveries, IVF and paediatrics – represent 72% of the Group's revenue. IVF and Other medical services were the fastest-growing service lines (up 24% y-o-y). The growth of the latter segment was primarily driven by the performance at Lapino and newly opened hospital in Novosibirsk.

Revenue structure in FY 2017 (RUB mln)

Type of revenue	2017	2016	Change, %
OBGYN (excl. deliveries)	2,733	2,634	+4%
Deliveries	2,236	2,245	0%
IVF	3,258	2,628	+24%
Paediatrics	1,738	1,610	+8%
Other medical services	3,790	3,062	+24%
Total	**13,755**	**12,179**	**+13%**

Operating expenses, excl. D&A

Operating expenses (excluding D&A) amounted to RUB 9,590 mln in FY 2017 (up 13% y-o-y).

This growth was comparable to the revenue growth and was linked to the higher number of patient visits and cost inflation.

CAPEX and Balance Sheet

Total CAPEX (incl. M&A) amounted to RUB 3,463 mln (vs. RUB 2,222 mln in FY 2016). Major investments included the construction of new hospitals in Samara (RUB 2,162 mln) and Tyumen (RUB 425 mln), as well as the launch of preparatory works for the construction and purchase of equipment for Lapino-2 (RUB 344 mln).

As of 31 December 2017, the Group's debt increased by 39% as compared to 31 December 2016 and amounted to RUB 4,570 mln, while net debt amounted to RUB 2,065 mln, up 26% compared to

31 December 2016, as the Company raised additional funding for the construction of Samara and Tyumen hospitals. The net debt to annualised EBITDA ratio amounted to 0.5x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative at RUB (1,475) mln and amounted to 11% of revenue.

Events occurring after the reporting period

In January 2018, the Group repaid ahead of schedule a secured bank loan raised for the construction of Lapino. The amount repaid ahead of the schedule was RUB 390 mln.

In 2018, the Group opened new clinics in Nizhny Novgorod and Vladimir.

In March 2018, the Group opened a new hospital in Samara. The total investment into the project amounted to approximately RUB 3.2 bln. The opening of the new hospital significantly expanded the Group's footprint in Samara. The hospital is offering a range of new services included those not previously available in the city or region.

In March 2018, the Group started to acquire non-controlling stakes in its subsidiaries. The total amount of the purchases is estimated at RUB 690 mln. As of the consolidated results publication date, the related documents are being reviewed by the Anti-Monopoly Service of Russia.

In March 2018, the Group agreed a reduced interest rate of 8.45% (down from 10.75%) for a secured bank loan raised for the construction of Samara hospital.

The Board of Directors recommended a dividend for 2017 of RUB 451 mln. As a result, total dividend for 2017, including declared and paid dividends for H1 2017 in the amount of RUB 351 mln, would amount to RUB 10.5 per share, or RUB 802 mln in total, and would account for 29.7% of net profit for 2017.

Approval of dividends will be discussed at the Annual General Meeting of shareholders (AGM) scheduled for 17 April 2018. The record date for participation in the AGM is 16 March 2018. The deadline for GDR holders to vote is 11 April 2018.

Subject to shareholder approval of the dividend at the AGM, the preliminary dividend record date is set as 25 April 2018. The Group's Global Depositary Receipts will be marked as ex-dividend on 24 April 2018. The pay date for GDR holders is set for 22 May 2018 in US dollars based on the Central Bank of Russia rate as of 16 March 2018.

Under the Russian Tax Code, dividends paid by Russian companies are subject to the following tax rates:

1) 15% as a general rule;
2) At a reduced rate in the case of Russian tax residents and residents of foreign jurisdictions whose Governments have signed a double taxation treaty ("DTT") with the Government of Russia.

Detailed information regarding dividend taxation and applicable reduction according to the Russian Tax Code is listed in Appendix 1.

Consolidated financial statements are available on the Company's web site:
http://www.mcclinics.com/reports/financialreports/

Conference call:

The Company will host a conference call and webcast for investors and analysts today at 5.00 pm Moscow time (2.00 pm London; 10.00 am New York).

MD Medical Group will be represented by:

- Dr Mark Kurtser, CEO and Member of Board of Directors
- Mr Andrey Khoperskiy, Deputy CEO for Finance and Economics
- Mr Dmitry Yakushkin, Head of IR

The press release, presentation and financial statements will be available prior to the conference call on the Company's website: http://www.mcclinics.com

The dial-in and online viewing details are below:
Webcast-Link:
www.incommuk.com/customers/mdmedicalweb
Password: MDMedical
Pre-register at:
www.incommuk.com/customers/mdmedicalregistration

Conference-call details:

- Russia, Moscow Toll-Free: +7 495 2839 705
- UK Toll-Free: + 44 20 3936 2999
- US Toll-Free: +1 845 709 8568
- All other locations: +44 20 3936 2999

Participants need to quote call ID: **743662**
Please note that this call is only intended for investors and analysts.

This announcement contains inside information.

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About MD Medical Group

MD Medical Group is a leading provider in the highly attractive Russian private healthcare service market. The company manages 36 modern healthcare facilities, including 5 hospitals and 31 outpatient clinics in Moscow and the Moscow Region, St. Petersburg, Ufa, Perm, Samara and the Samara Region, Irkutsk, Novosibirsk, Irkutsk, Yaroslavl, Ryazan, Kostroma, Novokuznetsk, Krasnoyarsk, Omsk, Barnaul, Vladimir, Tyumen, Voronezh, and Nizhny Novgorod.

The Company’s shares have been listed on the London Stock Exchange (LSE ticker “MDMG”) in the form of Global Depositary Receipts (GDRs) since 12 October 2012.

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.