MD MEDICAL GROUP POSTS 28% REVENUE GROWTH, 37% EBITDA GROWTH IN 2016

20 March 2017, Moscow – MD Medical Group Investments Plc (“MD Medical Group”, “MDMG” or the “Company” – LSE: MDMG), a leading Russian private healthcare provider, announces its audited consolidated financial statements for the full year ended 31 December 2016 under International Financial Reporting Standards (“IFRS”).

FY 2016 Key Highlights

- **Revenue** increased 28% year-on-year (y-o-y) to RUB 12,179 mln vs. RUB 9,507 mln in FY 2015, driven mainly by the continued ramp-up at Lapino, improved results at existing clinics, and the new hospital in Ufa, and the results of new Siberian clinics consolidated since Q1 2016.
- **EBITDA** grew 37% y-o-y to RUB 3,670 mln. **Like-for-like EBITDA** grew 32% y-o-y. The **EBITDA margin** was 30%, up 2 p.p. y-o-y.
- **Net profit** grew 29% y-o-y to RUB 2,277mln.
- **Operating cash flow** increased 37% y-o-y to RUB 3,861 mln.
- **CAPEX** amounted to 2,222 mln, including M&A costs of RUB 475 mln. Key investments included the construction of a new wing at the Novosibirsk hospital (RUB 739 mln) and maintenance of existing assets (RUB 465 mln).
- **Debt** increased 6% vs. 30 June 2016 to RUB 3,283 mln, while **net debt** decreased 10% from 30 June 2016 to RUB 1,648 mln as cash and equivalents increased by 29% vs. 30 June 2016 to RUB 1,643 mln. The net debt to EBITDA ratio decreased to 0.4x.
- **Working capital** remained negative at RUB (1,376) mln and represented 11% of revenue.

FY 2016 Financial Highlights (RUB mln)

	FY 2016	FY 2015	Changes y-o-y, %
Revenue	12,179	9,507	+ 28%
Gross profit	4,779	3,589	+ 33%
EBITDA	3,670	2,675	+ 37%
EBITDA margin, %	30%	28%	+ 2 p.p.
Net profit	2,277	1,770	+ 29%
CAPEX incl. M&A	2,222	1,069	+ 108%
Operating cash flow (net)	3,861	2,818	+ 37%
Working capital	(1,376)	(1,320)*	+ 4%
Net debt	1,648	1,836*	-10%

* - As of 30 June 2016

FY 2016 Business Highlights

- Continued ramp-up at Lapino. Capacity utilisation rates were 82% at the deliveries department, 81% at the IVF department, 61% at the in-patient department, and 43% at the out-patient department[1].
- Flow of patients to Mother and Child Ufa hospital continued to grow during 2016. Average capacity utilisation was 35%[2] at the deliveries department, 75% at the IVF department, 41% at the in-patient department and 42% at the out-patient department.
- Ground-breaking ceremony for a new hospital in Samara. The Mother and Child Samara hospital will have a planned area of 15,000 sqm and 164 beds. The hospital will have annual capacity for up to 3,000 deliveries, 1,200 IVF cycles, 29,500 patient-days, and 397,000 out-patient visits.
- Opening of a new clinic in Moscow, Mother and Child Khodynskoe Pole, in June 2016. The clinic offers a wide range of women's healthcare services, such as IVF, consultations with geneticists and OBGYNs, as well as services in foetal medicine including foetal diagnostics and treatment. It has capacity for up to 1,000 IVF cycles and 39,600 consultations with doctors each year.
- Opening of a new clinic in Kostroma in April 2016, the first in the region to offer IVF. The new clinic also provides OBGYN consultations, pregnancy examinations, expert ultrasound

[1] Recalculated capacity at Lapino hospital: in-patient days – 28,470; out-patient visits – 639,540.
[2] Recalculated capacity at Lapino hospital: in-patient days – 26,280; out-patient visits – 290,800.

examinations, and ante-natal diagnostics. The new clinic will be able to cater for up to 10,000 physician visits per year.

- Opening of a new IVF department at Mother and Child Yugo-Zapad clinic in Moscow in March 2016, which can carry out 800 IFV cycles a year. The expanded Mother and Child Yugo-Zapad clinic will offer new services including hysteroscopy and fertiloscopy, as well as chorion biopsy and amniocentesis for genetic research.
- Opening of the interventional cardiology and cardiovascular surgery department at Lapino hospital. It offers emergency and routine care, and carries out high-tech endovascular diagnostics, and operative treatments.
- Opening of the new out-patient medical centre in Odintsovo with a total area of 140 sq m that offers OBGYN, ultrasound screening, urology, otolaryngology, neurology and surgery. The medical centre effectively serves as a branch of Lapino hospital and is located only 10 km from the hospital – the Group's largest medical facility. The medical centre is able to carry out up to 30,000 specialist treatments per year.

Commenting on the FY 2016 financial results, Mark Kurtser, CEO of MD Medical Group, said:

"We completed 2016 with a record performance in the history not only of our Group, but of the whole sector.

"Revenue for FY 2016 grew 28% y-o-y to RUB 12,179 mln. EBITDA improved by 37% to RUB 3,670 mln, with an EBITDA margin growth of 2 p.p. to 30%. Net profit increased 29% to RUB 2,277 mln. Net debt to EBITDA ratio declined to 0.4x.

"Throughout the past year, we continued to improve capacity utilisation at our hospitals in Lapino and Ufa, which remained the key drivers of our revenue growth. The six clinics we acquired in Siberia completed their full year of operation as part of the Group, accounting for 7% of revenue growth. These results demonstrate that implementing a balanced development strategy backed by dynamic organic growth and carefully selected acquisitions enable us to grow above the market year on year.

"On the back of this impressive growth, our market capitalisation nearly doubled over 2016. However, despite this positive trend, we believe that our shares remain undervalued and do not fully reflect our achievements. At the same time, we are confident that our efforts will be acknowledged by the market, and we aim to make every effort to grow our business to the benefit of our shareholders.

"2016 was an unconditional success for us in every direction. However, this is just the beginning. Last month we announced our ambitious development strategy, including plans to open nine hospitals and a number of clinics by 2021. In 2017, we opened a hospital in Novosibirsk and are continuing to build our next one – in Samara.

"As you can tell, we are enthused, energised, and ready to continue the successful growth of our business going forward."

Revenue

Revenue grew by 28% y-o-y to RUB 12,179 mln thanks to higher patient numbers at Lapino, PMC and Ufa, as well as the Group's existing clinics. The Siberian clinics acquired in December 2015 and January 2016 also made a significant contribution to the Group's results.

In FY2016, the share of regional clinics and hospitals in overall revenue continued to grow y-o-y and amounted to 34%, mainly thanks to increased revenue from the Ufa hospital and the acquisition of the Siberian clinics.

Key areas of focus – OBGYN, deliveries, IVF and paediatrics – represent 75% of the Group's revenue. IVF was the fastest-growing service line in 2016 (up 63% y-o-y). The largest contribution to IVF growth was made by the newly acquired clinics in Siberia, as well as Lapino, PMC and Moscow clinics.

Revenue structure in FY 2016 (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%
9,507	**12,179**	**28%**		**9,507**	**11,452**	**20%**

Operating expenses, excl. D&A

Cost of sales, including general and administrative expenses and excluding D&A, amounted to RUB 8,521 mln in FY 2016 (up 25% y-o-y).

LFL expenses increased by 16% to RUB 7,922 mln, while LFL revenue grew 20%.

The increase in expenses in 2016 was mainly due to the higher number of patient visits and cost inflation.

CAPEX and Balance Sheet

Total CAPEX including M&A amounted to RUB 2,222 mln (vs. RUB 1,069 mln in 2015), RUB 475 mln of which was spent on M&A. Other major investments included the construction of a new wing at Mother and Child Novosibirsk (RUB 739 mln) and maintenance of existing assets (RUB 465 mln).

As of 31 Dec 2016, the Group's debt increased by 6% as compared to 30 June 2016, while cash and equivalents increased by 29%, or RUB 368 mln. Net debt amounted to RUB 1,648 mln, down 10% compared to 30 June 2016.

The net debt to EBITDA ratio went down to 0.4x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital increased 4% y-o-y to RUB (1,376) mln and amounted to 11% of revenue.

Events occurring after the reporting period

The Board of Directors recommended a final dividend for the year of RUB 338 mln, or RUB 4.5 per share, representing 15% of net profit attributable to the owners of the Company.

Approval of dividends will be discussed at the Annual General Meeting of shareholders (AGM) scheduled for 21 April 2017. The record date for participation in the AGM is 15 March 2017. The deadline for GDR holders to vote is 19 April 2017.

Subject to shareholders' approval of the dividend at the AGM, the dividend record date is set as 28 April 2017. The Group's Global Depositary Receipts will be marked as ex-dividend on 27 April 2017. The pay date for GDR holders is set for 23 May 2016 in US dollars based on the Central Bank of Russia rate as of 17 March 2017. Information regarding dividend taxation according to the Russian Tax Code is listed in Appendix 1.

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

1) 15% as a general rule;
2) A reduced rate may be applied 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. Countries that have signed a DTT with Russia are listed in Appendix 2. Terms for applying a reduced tax rate for certain countries are set out in Appendix 3.

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/investors/financialreports/

Conference call:

The Company will host a conference call and webcast for investors and analysts on 20 March 2017 at 5.00 pm Moscow time (2.00 pm London; 10.00 am New York).

The call will be hosted by:

- Dr Mark Kurtser, CEO and a member of the Board of Directors
- Andrey Khoperskiy, Deputy CEO for Finance and Economics
- Elena Romanova, Head of Investor Relations

The dial-in and online viewing details are below:

Webcast link: www.incommuk.com/customers/mdmedicalfy2016

Password: 73501615

Conference-call details:

- Russia, Moscow Toll-Free: 8 800 100 9635
- UK: 020 3059 8125
- US Toll-Free: 1 7249 289 460
- All other locations: + 44 20 3059 8125

Access Code: 73501615

You can also pre-register at the following link:

www.incommuk.com/customers/mdmedical

The recording of the conference call will be available on the Company's website.

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 operates in the highly attractive Russian private healthcare service market and has a leading position in high-quality women's health and paediatrics. The company manages 32 modern healthcare facilities, including 4 hospitals and 28 outpatient clinics in Moscow and Moscow region, St. Petersburg, Ufa, Perm, Samara and Samara region, Irkutsk, Novosibirsk, Irkutsk, Yaroslavl, Ryazan, Kostroma, Novokuznetsk, Krasnoyarsk, Omsk, Barnaul, and Vladimir.

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.