MD MEDICAL GROUP POSTS 8% REVENUE GROWTH IN H1 2018

10 September 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 reviewed condensed consolidated interim financial statements for the six months ended 30 June 2018 under International Financial Reporting Standards ("IFRS").

H1 2018 Key Highlights

- **Revenue** increased by 8% year-on-year (y-o-y) to RUB 7,130 mln vs. RUB 6,618 mln in H1 2017, driven mainly by the continued ramp-up of the hospital at Lapino and the hospitals in Ufa and Novosibirsk, as well as the opening of the hospital in Samara. **Like-for-like revenue** increased by 4%.
- **EBITDA** grew 2% y-o-y to RUB 1,922 mln, while **like-for-like EBITDA** grew 3%. The LFL EBITDA margin stood at 28%, while the EBITDA margin was 27%.
- **Net profit** grew 0.4% y-o-y to RUB 1,230 mln.
- **Capex** totalled RUB 1,676 mln (RUB 854 mln in the year-ago period). Key investments included completion of construction at the hospital in Samara, construction of the hospital in Tyumen, new clinic openings and the launch of construction for the Lapino-2 facility.
- **Debt** increased by 8% from 31 December 2017 to RUB 4,952 mln, while **net debt** increased by 45% from the end of 2017 to RUB 2,986 mln. The net debt to EBITDA[1] ratio stood at 0.7x at the end of H1 2018.
- **Working capital** remained negative at RUB (1,506) mln and represented 10.2% of revenue[2].

[1] Annualised EBITDA for 1H 2018
[2] Annualised Revenue for 1H 2018

H1 2018 Financial Highlights (RUB mln)

	H1 2018	H1 2017	Change y-o-y, %
Revenue	7,130	6,618	+8%
Gross profit	2,522	2,478	+2%
EBITDA	1,922	1,888	+2%
EBITDA margin, %	27%	28.5%	-1.5 p.p.
Net profit	1,230	1,225	+0.4%
Capex including M&A	1,676	854	+96%
Operating cash flow (net)	1,921	1,994	-4%
Working capital	-1,506	-1,476*	+2%
Net debt	2,986	2,065*	+45%

* As of 31 December 2017

H1 2018 Performance Highlights

- *Continued ramp-up at Mother&Child Ufa*. Capacity utilisation rates continued to grow in H1 2018 and amounted to 40% for deliveries, 88% for IVF, 57% at the in-patient department and 63% at the out-patient department.
- *Opening of IDK Clinical Hospital*, a new multi-disciplinary hospital in Samara with a total area of 15,000 sqm. The hospital has 164 beds and annual capacity of up to 2,500 deliveries, up to 1,200 IVF cycles, 220,000 out-patient visits and 8,000 surgical operations. The hospital is already ahead of its planned run-rate for revenue and operational indicators.
- *Ground-breaking ceremony for construction of the second stage of the Lapino hospital*. The new seven-story surgery building with an area of 18,500 sqm has annual capacity of 15,000 surgical procedures, more than 27,000 in-patient treatments and more than 200,000 out-patient visits. The Lapino-2 hospital will offer three services that are new for the Group: neurosurgery, cardiovascular surgery and chemotherapy.
- *Expansion of clinics in Vladimir, Kostroma and Moscow (Mother&Child Yugo-Zapad)*. The area of Mother&Child Yugo-Zapad was increased to 801 sqm. The upgraded clinic is capable of carrying out up to 350 minor gynaecological operations in the day-patient centre and up to 26,800 out-patient treatments in gynaecology per year.
- *Opening of a new clinic in Nizhny Novgorod* with an area of 600 sqm. The clinic offers a wide range of services both in OBGYN and other areas including urology, andrology, endocrinology and gastroenterology. It also focuses on infertility treatment, and offers a full range of fertility disorder treatments.
- *Opening of Mother&Child Lefortovo, our seventh clinic in Moscow,* with an area of 392 sqm. It offers both the Group's core services such as OBGYN and IVF, as well as medical services for a wider range of patients, including in genetics, cardiology, urology, and endocrinology. The new clinic is capable of carrying out up to 1,000 IVF cycles and more than 20,000 out-patient treatments per year.

Commenting on the H1 2018 financial results, Mark Kurtser, CEO of MD Medical Group, said:

"In the first half of 2018, we took a number of important steps towards implementing our investment programme to support the future growth of the Company.

"We opened our first hospital in Samara – the largest facility of its kind in the Volga region. We also continued work on construction of the hospital in Tyumen, launched construction of the second building at Lapino, and started expanding PMC. We also significantly expanded three existing clinics and opened new ones in Nizhny Novgorod and Moscow, and just recently in Volgograd. After the end of the reporting period, we also started construction of our first hospital in St Petersburg. This active yet deliberate expansion is an investment into the future of the company and its shareholders.

"The Company's financial position remains robust. Despite raising funds for our large-scale investment programme, our net debt to EBITDA ratio remained at a comfortable 0.7x at the end of H1 2018. In line with our intention to diversify our offering, other medical services continued to grow as a proportion of revenue, amounting to 30% of the total.

"Key drivers included further capacity utilisation growth at our hospitals in Lapino, Novosibirsk and Ufa, as well as the commissioning of the new hospital in Samara.

"Following an active start to the second half of the year with the opening of a new clinic and the start of construction of a new hospital, we are continuing to lay the foundations of future growth for the benefit of our shareholders."

Revenue

Revenue grew by 8% y-o-y to RUB 7,130 mln in H1 2018, mainly due to stronger revenue at the hospitals in Lapino, Ufa and Novosibirsk, as well as the hospital in Samara.

Key areas of focus – OBGYN, deliveries, IVF and paediatrics – represent 70% of the Group's revenue. IVF is the largest single contributor, with 23%. The share of paediatrics remained at 13%. Deliveries and OBGYN accounted for 15% and 19%, respectively. At the same time, the share of Other Medical Services (surgery, urology, traumatology, etc.) grew from 28% to 30%.

Revenue dynamics in H1 2018 (RUB mln)

H1 2017	H1 2018	Change, %	Type of revenue	Like-for-like		
				H1 2017	H1 2018	Change, %
1,352	1,394	+3%	OBGYN (excl. deliveries)	1,352	1,345	-0.5%
1,524	1,592	+4%	IVF	1,524	1,488	-2%
1,069	1,071	0%	Deliveries	1,069	1,050	-2%
859	907	+6%	Paediatrics	859	901	+5%
1,602	1,942	+21%	Other medical services	1,602	1,902	+19%
212	224	+9%	Other revenue	212	220	+4%
6,618	7,130	+8%		6,618	6,906	**+4%**

Operating expenses, excl. D&A

Cost of sales including general and administrative expenses and excluding D&A in H1 2018 grew 10% y-o-y to RUB 5,208 mln.

Like-for-like operating expenses (+5% y-o-y) grew faster than like-for-like revenue (+4% y-o-y) and amounted to RUB 4,969 mln in H1 2018.

Growth in expenses was mainly due to payroll indexation at PMC and Lapino, as well as the opening of the hospital in Samara.

Capex and balance sheet

Total capex amounted to RUB 1,676 mln (vs. RUB 854 mln in H1 2017). Major investments included the completion of construction at the hospital in Samara (RUB 587 mln), construction of the hospital in Tyumen (RUB 645 mln), new clinic openings (RUB 157 mln) and the start of construction at Lapino-2 (RUB 110 mln).

The Company bought out minority shareholders in a number of its subsidiaries in Moscow, St Petersburg, Ufa and Perm. The transactions totalled RUB 768 million, and were paid for out of the Company's own funds.

As of 30 June 2018, the Group's debt increased by 8% as compared to 31 December 2017, while cash and cash equivalents declined by 22%. As of the end of the reporting period, the Company's net debt amounted to RUB 2,986 mln, up 45% compared to 31 December 2017.

The net debt to annualised EBITDA ratio increased to 0.7x as of the end of the period.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative, increasing by 2% year-on-year in the reporting period to RUB (1,506) mln, and amounted to 10.2% of annualised revenue in H1 2018.

Events occurring after the reporting period

Start of reconstruction of the Perinatal Medical Centre with the aim of diversifying the range of services offered. The Company plans to expand the hospital's surgery unit, including urology, traumatology and cardiological surgery, as well as the IVF unit. After reconstruction, the PMC will become a multi-disciplinary hospital (like the Company's other hospitals), offering medical services for all members of the family.

Opening of the Mother&Child Volgograd clinic with an area of approximately 380 sqm. It offers a wide range of the Group's core services for women such as IVF, ultrasound, minor gynaecological operations in the day-patient centre, OBGYN and foetal medicine. In addition, the clinic offers services in endocrinology, urology, andrology, ophthalmology, etc. The new clinic is able to carry out up to 500 IVF cycles, including under the Mandatory Health Insurance programme, and it can accommodate up to 20,000 doctors' appointments, and up to 1,000 minor gynaecological operations per year.

Ground-breaking ceremony for a new hospital in St Petersburg. The Mother&Child St Petersburg hospital will have a total area of 22,000 sqm and is expected to include 178 beds. The new hospital in St Petersburg is expected to have an annual capacity of approximately 2,500 deliveries, 1,200 IVF cycles, more than 35,000 in-patient days, 350,000 out-patient visits per year.

The condensed consolidated interim 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 (3.00 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 Department

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:
https://services.choruscall.eu/links/motherandchild180910.html

Conference-call details:

- Russia, Moscow: +7 495 249 1682
- UK: +44 0 333 300 1417
- US: +1 508 924 4325
- All other locations: +44 0 333 300 1417

Access code: **9602145**
PIN code: **04577**

Please visit the registration page for a full list of dial-ins for the call:
http://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=9602145&linkSecurityString=385fef528
The conference call will be recorded and available for replay at 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 is a leading provider in the highly attractive Russian private healthcare service market. The company manages 38 modern healthcare facilities, including 5 hospitals and 33 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, Nizhny Novgorod, and Volgograd.

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.