

MD MEDICAL GROUP



FY 2013
IFRS Results



17 March 2014
Moscow



Disclaimer

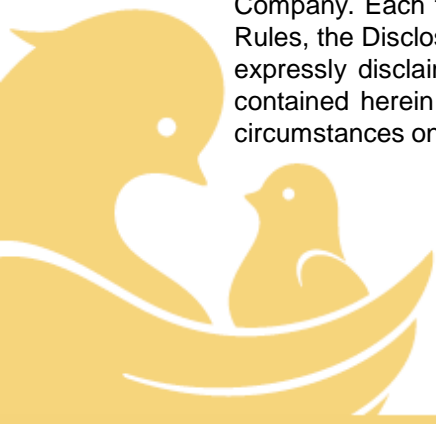
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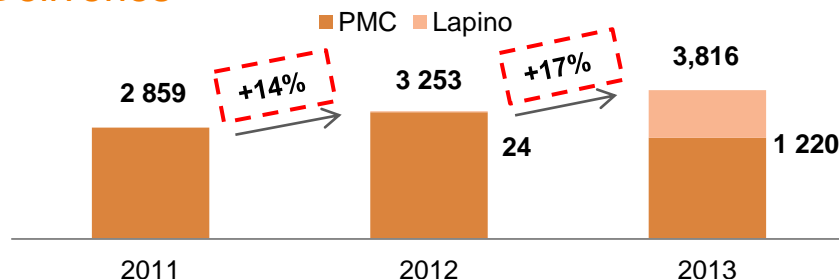
Key Highlights

- **Revenue** increased 40% y-o-y to 5,673 mln RUB (2H'13 increased 20% to 3,095 mln RUB vs. 1H'13)
- **EBITDA** 1,586 mln RUB (2H'13 = 941 mln RUB representing growth of 46% h-o-h)
- **EBITDA margin** 28% for FY2013 (2H'13: 30%, up by 5 p.p. vs. 1H'13)
- **Net cash** position of 275 mln RUB as at 31 December 2013
- **CAPEX** amounted to 3,080 mln RUB, incl. M&A for 648 mln RUB
- Board of Directors proposed a **dividend** for 2013 of 0.07USD per share that accounts for 30% of net profit attributable to owners of the Company. Record date and payment date will be set on March 26, 2014.
- Key Company events in 2013:
 - Ramp-up of Lapino: contributed more than 1 bln RUB in revenue and positive EBITDA for FY 2013; speeding up in 2H'13
 - Acquisition of IDK chain of clinics in Samara region and Irkutsk clinic, significantly strengthening Group's position in Russian regions
 - M&C Yaroslavl clinic opened in December 2013, the first IVF clinic in the region
 - Construction of Ufa hospital commenced, vertical stage of construction completed in Feb, 2014

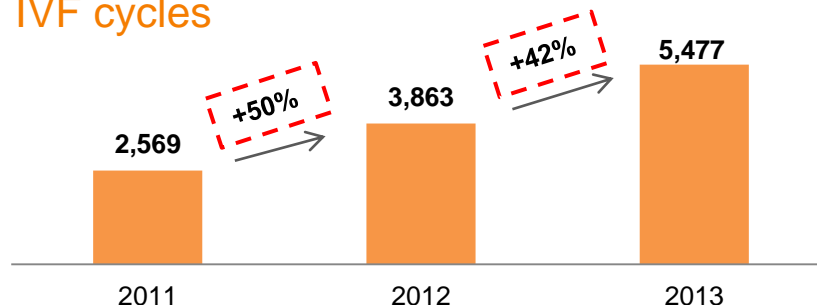


2013 Operating Results

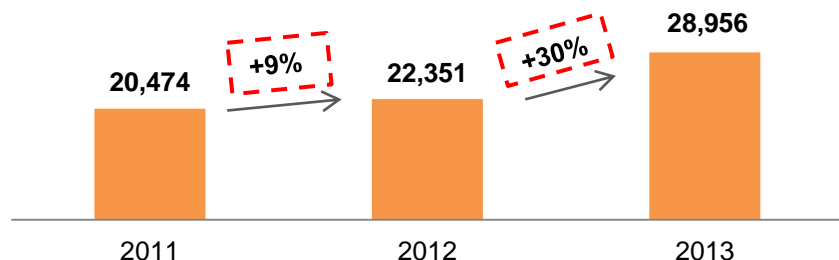
Deliveries



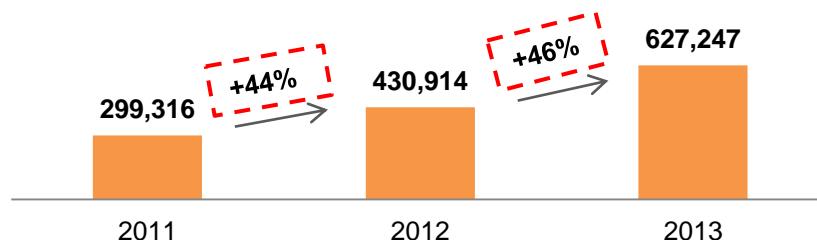
IVF cycles



In-patient treatments



Out-patient visits ³



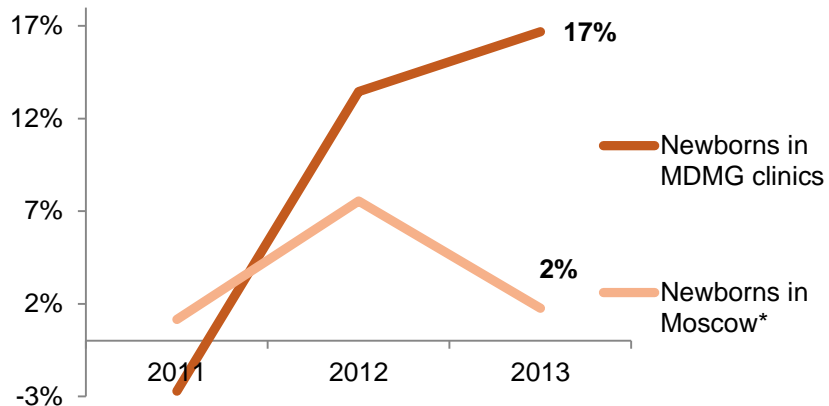
Double-digit growth across all key performance indicators as a result of:

- **Footprint expansion:** Continuous expansion through acquisition and launch of new clinics: IDK Samara (consolidated as of 1 April 2013), M&C Irkutsk (as of 1 May 2013), Yaroslavl (16 December 2013)
- **Service range expansion:** New in-patient and out-patient services after opening of surgery, trauma and rehabilitation departments as well as new diagnostics centre at Lapino hospital, Genetic centre at Clinic of Health in Moscow (23 May 2013)
- **Leadership in innovative technologies in women's health and paediatrics:** first healthcare provider in Russia to offer Laparoscopic removal of abdominal cerclage
- **Comprehensive integration of recently acquired out-patient clinics:** Continued growth in operational efficiency by applying Group standards and as a result of increased numbers of cross-referrals

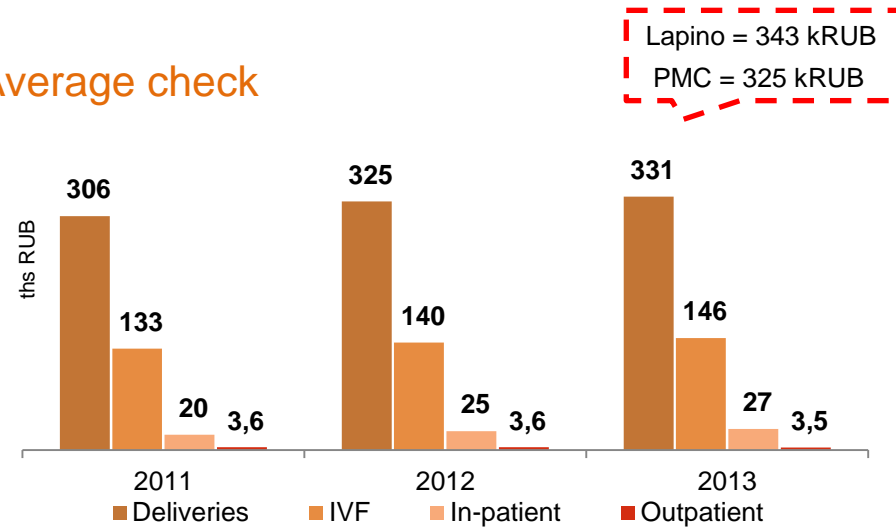


Revenue and EBITDA Dynamics

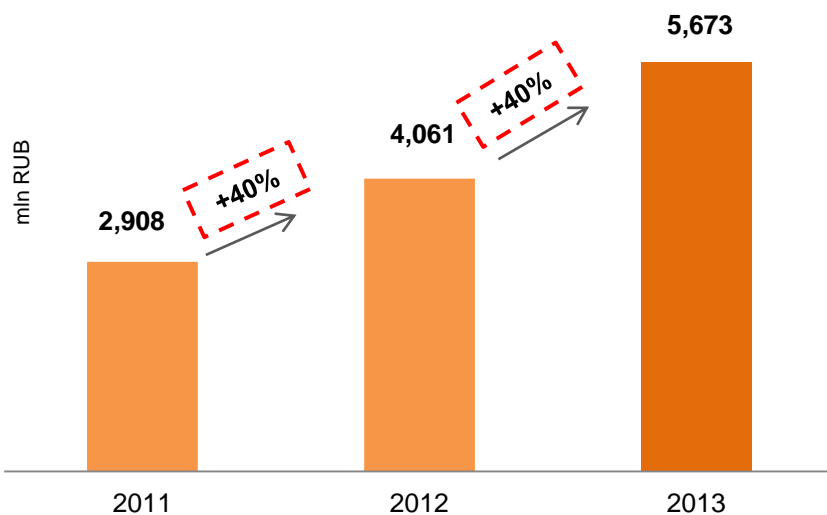
Outperforming Moscow birth rate y-o-y



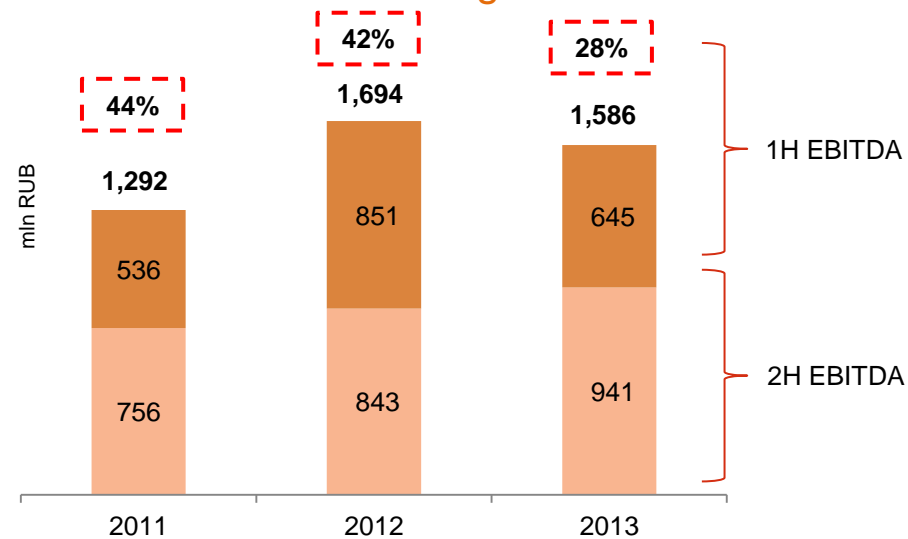
Average check



Group Revenue



EBITDA and EBITDA margin





Key factors affecting financial results

Factor	Description
Launch of Lapino	<ul style="list-style-type: none">• Capacity utilization data:<ul style="list-style-type: none">• Deliveries - 47% in 2H'13 (+34% 2H'13 vs. 1H'13)• OBGYN outpatient – 46% in 2H'13 (+54% h-o-h), inpatient – 28% in 2H'13 (+17% h-o-h)• Pediatrics outpatient – 39% in 2H'13 (+130% h-o-h), inpatient – 29% in 2H'13 (+13% h-o-h)• Surgery & trauma outpatient – 29% in 2H'13 (+69% h-o-h), inpatient – 120% in 2H'13 (+36% h-o-h)• Key measures to increase utilization rates: marketing & promo, advertising, proactive cooperation with insurance companies, sales through medical representatives, opening of IVF department
Adaptation of new doctors team at PMC	<ul style="list-style-type: none">• To assure successful ramp-up of Lapino some PMC doctors were transferred to the new hospital. That affected the amount of deliveries in PMC.• To manage the situation new team of doctors were hired in PMC during the year.• New doctors are now accumulating customer base
Establishment of a management company & BoD post-IPO	<ul style="list-style-type: none">• Facilitating transition from a single hospital model to a fast growing, national hospital chain.• Although Company will accomplish the expansion of holding company in 2014, the growth rates of corresponding costs are expected to be significantly lower than in 2013• Key management company functions include: Construction, Client service, Finance, Legal, Procurement, Marketing, IT, HR, IR
M&A activity	<ul style="list-style-type: none">• MDMG successfully completed two M&A deals in 1H 2013 for 648 mln RUB• Consolidation with IDK since 1 April 2013 and Mother and Child Irkutsk since 1 May 2013• Both companies were integrated into the Group

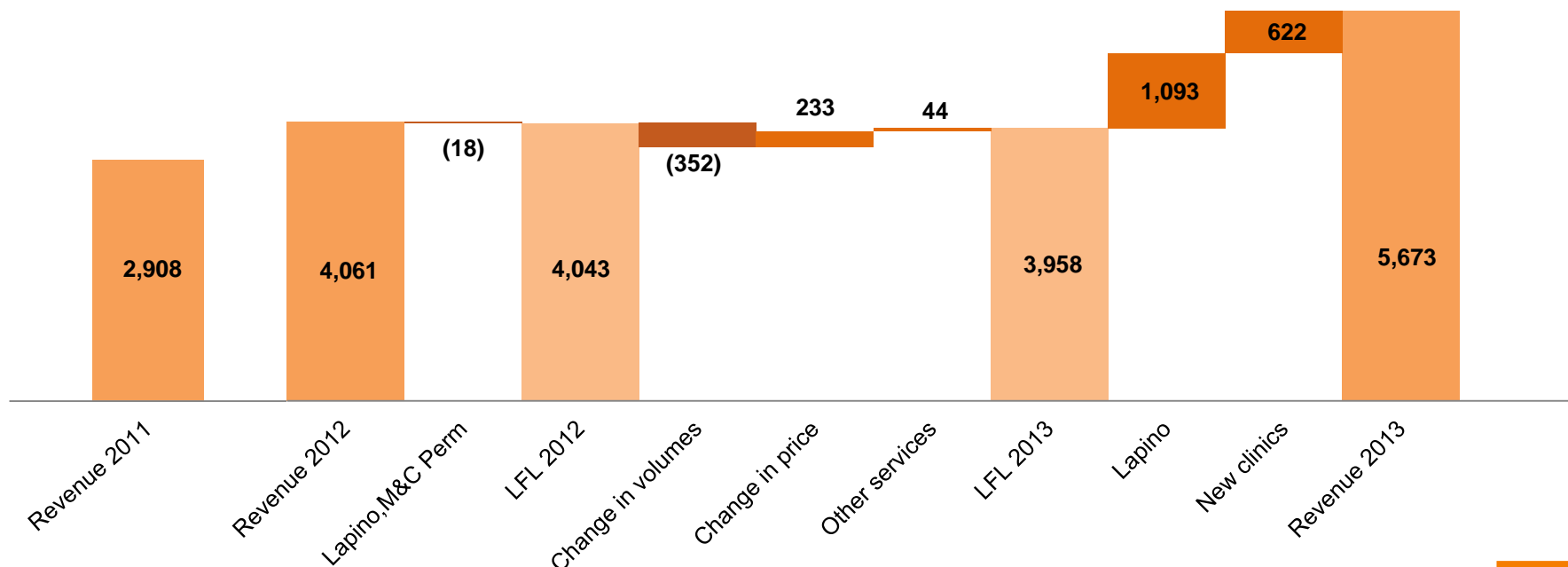


Key Revenue Drivers

Revenue increased by 40% accounting for 5,673 mln RUB owing to:

- Ramp-up of hospital in Lapino that boosted revenue by 1,093 mln RUB or 27% during the first year of operations with targeted capacity utilization still to be reached
- 622 mln RUB of additional revenue contributed by:
 - Acquisition of successful net of clinics in Samara and one clinic in Irkutsk
 - Full year of operations of M&C Perm
- Annual price indexation by 6% in line with CPI

Revenue bridge, mln RUB

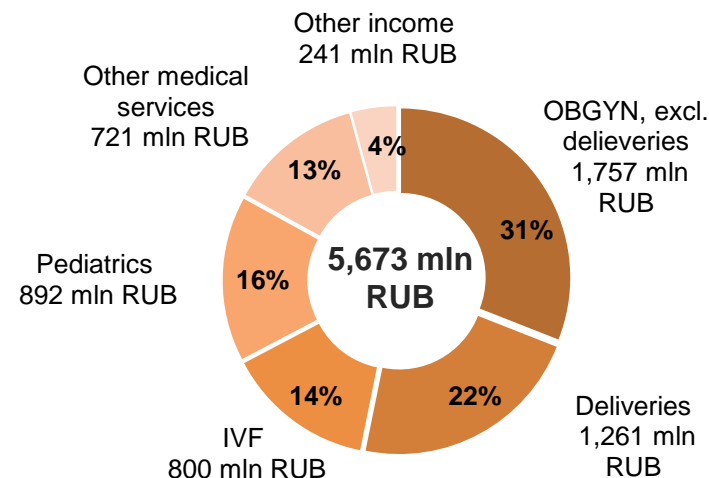




Revenue Structure

- **Increase in revenue from deliveries** on the back of successful ramp up at Lapino hospital
- **Solid growth of IVF segment** mostly due to acquisition of new clinics in Samara region and Irkutsk
- **Continued increase of outpatient visits** as a result of ramp up of Lapino, expansion of the range of services provided by the Group and acquisition of new clinics
- **Other medical services** grew by 86%, mostly driven new services offered at Lapino

Revenue structure



Revenue by services, mln RUB

2012	2013	Change y-o-y, %		1H 2013	2H 2013	Change p-o-p, %
1,208	1,757	45% ↑	OBGYN, excl. deliveries	800	957	20% ↑
1,057	1,261	19% ↑	Deliveries	597	665	11% ↑
542	800	48% ↑	IVF	342	458	34% ↑
693	892	29% ↑	Pediatrics	441	451	2% ↑
387	721	86% ↑	Other medical services	288	434	51% ↑
175	241	38% ↑	Other income	111	131	18% ↑
4,061	5,673	40%	Total	2,578	3,095	20%

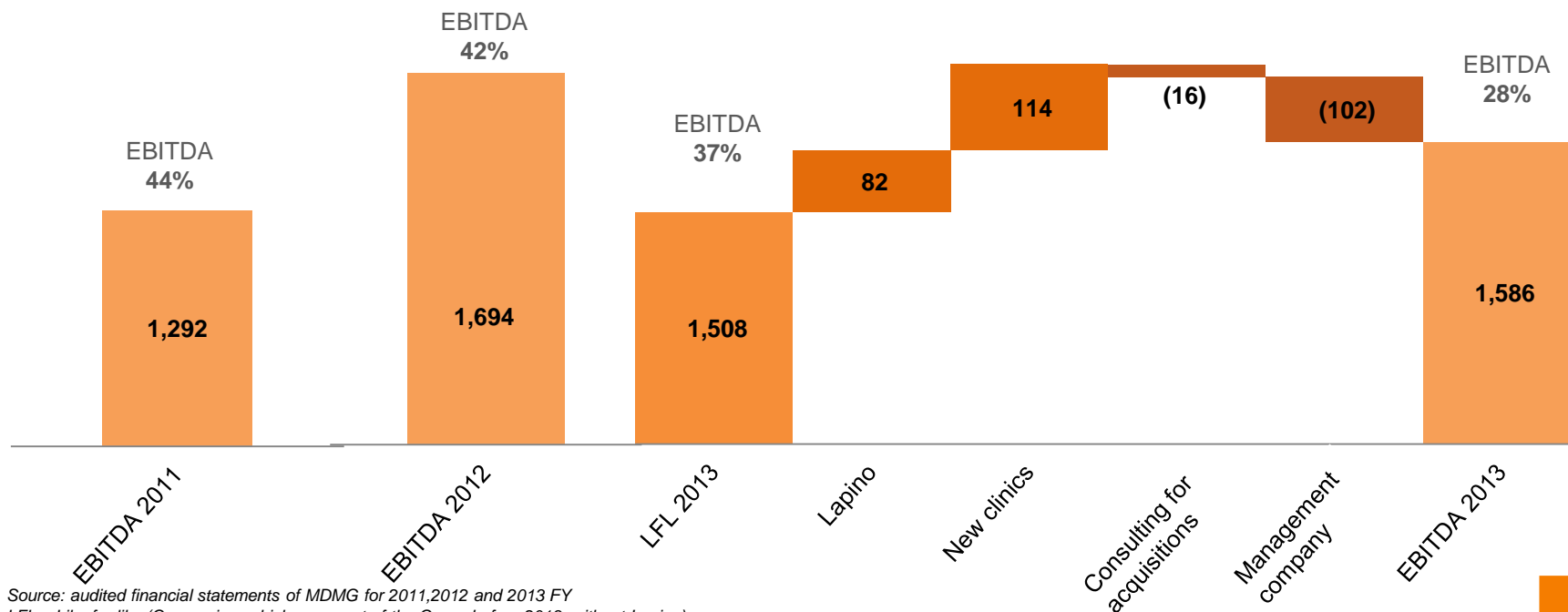


Key EBITDA Drivers

EBITDA 1,586 mln RUB, a slight decrease of 6% y-o-y owing to:

- Opening of Lapino hospital. Despite ramp-up period Lapino was able to achieve 19% of EBITDA margin in 2H'13
- Lower share of revenue from PMC
- New clinics consolidated in 2Q'13 contributed 114 mln RUB to EBITDA
- Holding company's costs increase, driven by transition from a "single hospital" model to a fast growing, national hospital chain. The major part of this way was completed during 2013 and will be finished in 2014 but growth rates will significantly decrease

EBITDA bridge, mln RUB



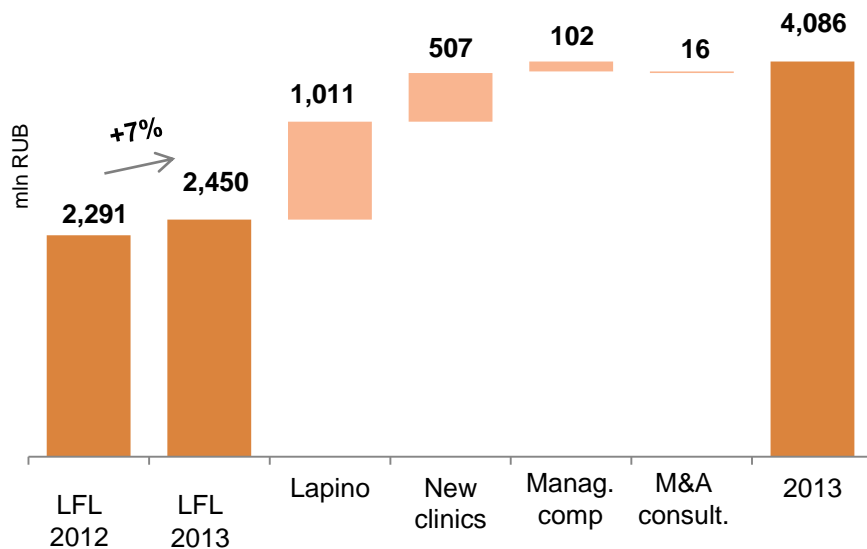
Source: audited financial statements of MDMG for 2011, 2012 and 2013 FY
LFL – Like for like (Companies, which were part of the Group before 2013, without Lapino)



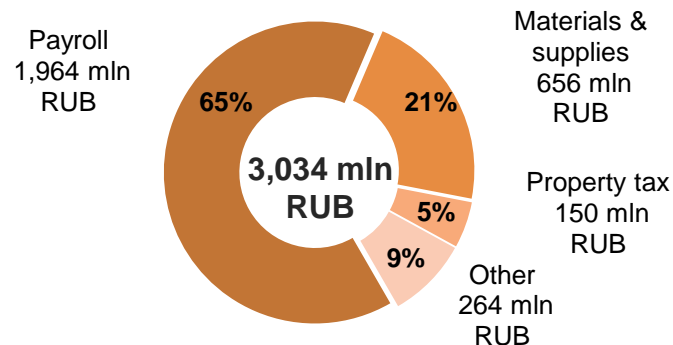
Operating expenses, excl. D&A

- LFL 2013 operating expenses, excl. D&A increased by 7%
- Key factors affecting growth of LFL total cash costs were:
 - growth of payroll across Group
 - increase in utilities and materials
 - other medical services
- Total costs increased by 1,722 mln RUB (73% y-o-y) due to impact of Lapino's full year operations and acquisition of clinics in Samara and Irkutsk

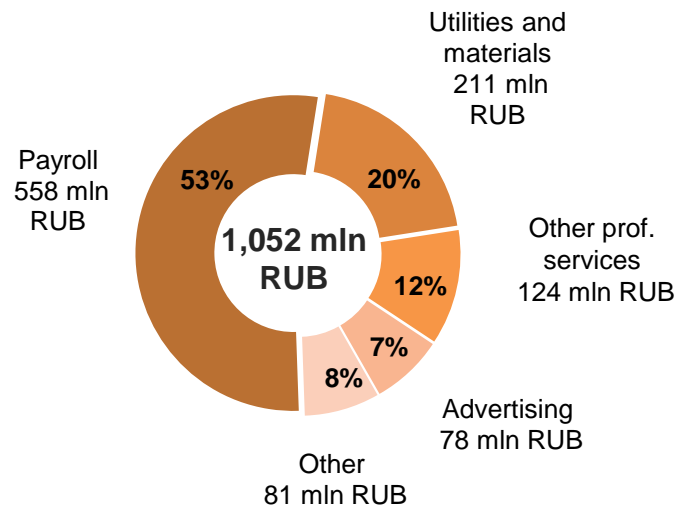
Operating expenses bridge



CoS structure



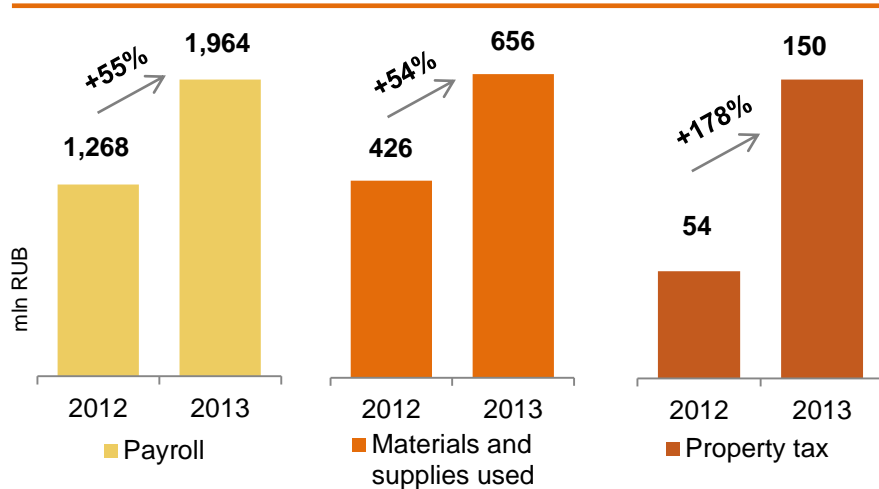
G&A structure





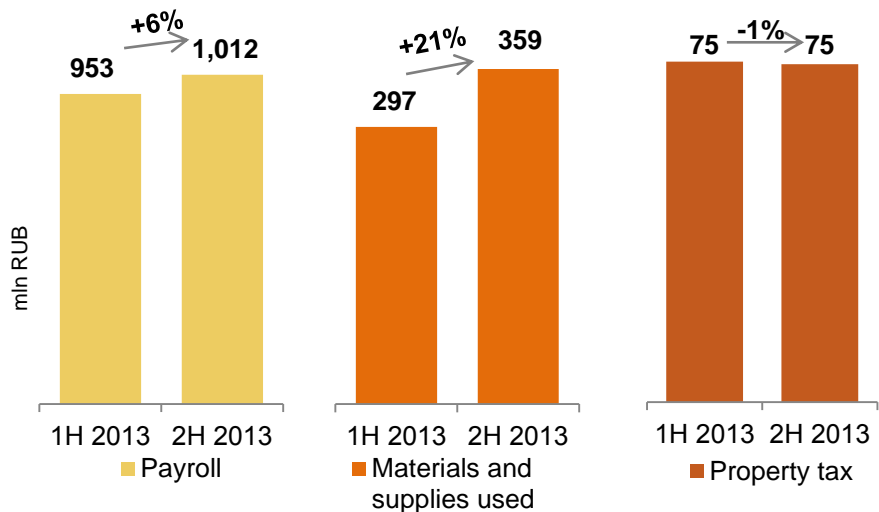
Cost of Sales, excl. D&A

CoS 2013 vs. 2012



CoS 2H'13 vs. 1H'13

Revenue: +20% 2H vs 1H'13

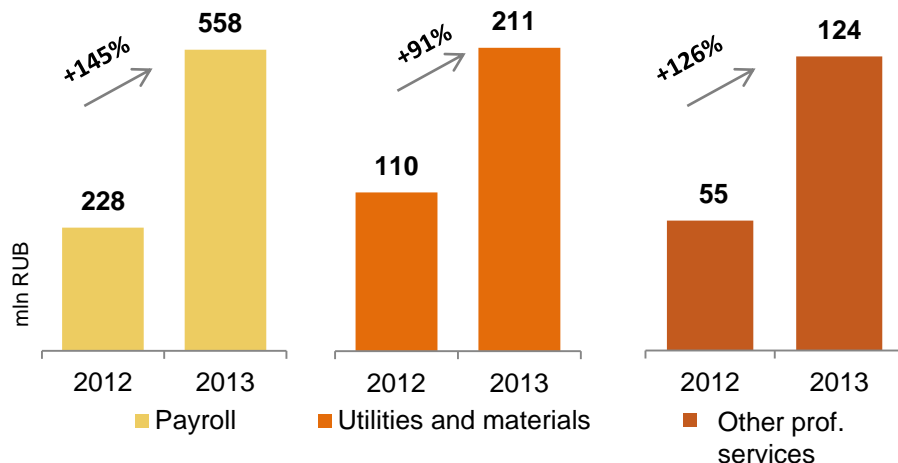


- The highest cost of sales growth occurred in 1H'13 due to the launch of Lapino hospital and consolidation of newly acquired clinics
- 2H'13 vs. 1H'13 revenue growth was far ahead of CoS increase p-o-p meaning that Lapino continuous ramp-up will further increase EBITDA margin
- 2H'13 cash costs were mostly in line with 1H'13:
 - 6% growth of payroll result of full 6 months of operations of Samara clinics as part of the Group
 - 21% increase of materials and supplies used costs was in line with Group's revenue growth



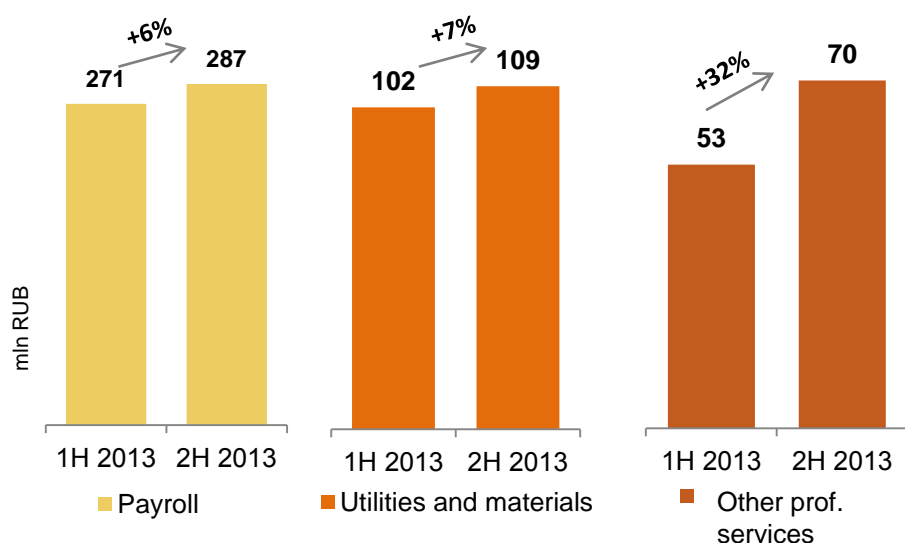
G&A, excl. D&A

G&A 2013 vs. 2012



G&A 2H'13 vs. 1H'13

Revenue: +20% 2H vs. 1H'13



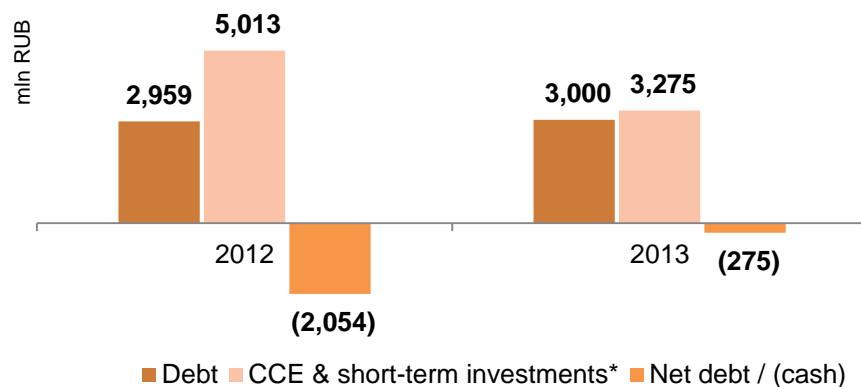
- Company's G&A, excl. D&A expenses increased up to 1,125 mln RUB due to:
 - launch of Lapino hospital
 - acquisition of new clinics and their consolidation in 1H'13
 - holding company's costs increase, driven by transition from a "single hospital" model to a fast growing, national hospital chain, although Company will accomplish the expansion of holding company in 2014, the growth rates of corresponding costs are expected to be significantly lower
- Greatest contribution to the growth of "Utilities and materials" were fixed costs, e.g. maintenance and cleaning of facilities of Lapino and new clinics
- Majority of "Other professional services" related to various services for Lapino and Company's consulting fees
- Growth of "Payroll" and "Utilities & materials" in 2H'13 a result of full 6 months of operations of Samara clinics as part of the Group



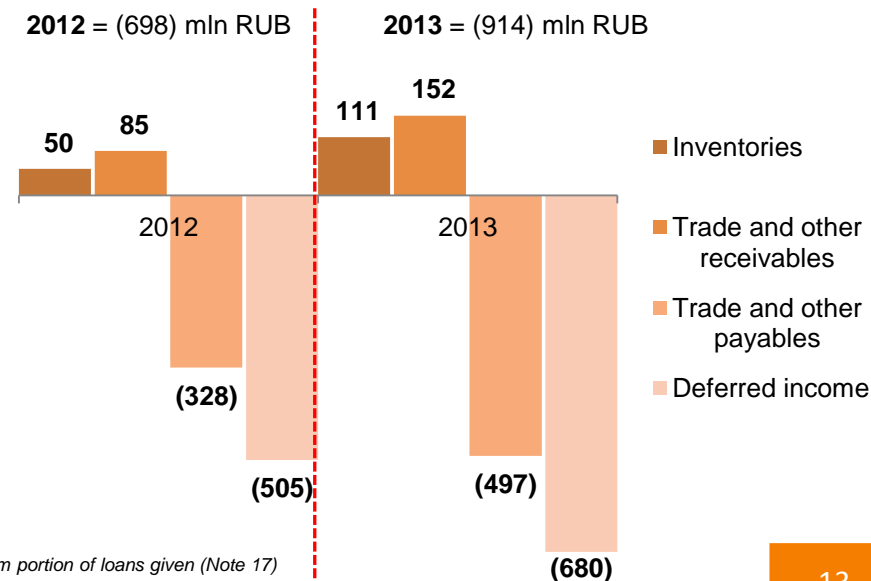
Working Capital and Net Debt

- **Debt remained flat y-o-y** at 3,000 mln RUB
- **Net cash position retained.** By year end cash, cash equivalents and investments amounted to 3,275 mln RUB decreasing 35% y-o-y due to investments in construction & development of current clinics and M&A
- **Low debt burden leaves the Company opportunity to ameliorate the existing capital structure** by increasing the share of debt for financing the future growth
- **Long-term debt comprises of 79%** of total debt, 100% of debt is nominated in rubles
- **The company works with negative working capital** as a source of additional financing

Debt level



Net working capital**



Source: audited financial statements of MDMG for 2012 and 2013 FY

*- Cash position by the year end includes cash, cash equivalents and investments

'Investments' is represented by bank deposits with maturity of more than 3 but less than 12 months and short-term portion of loans given (Note 17)

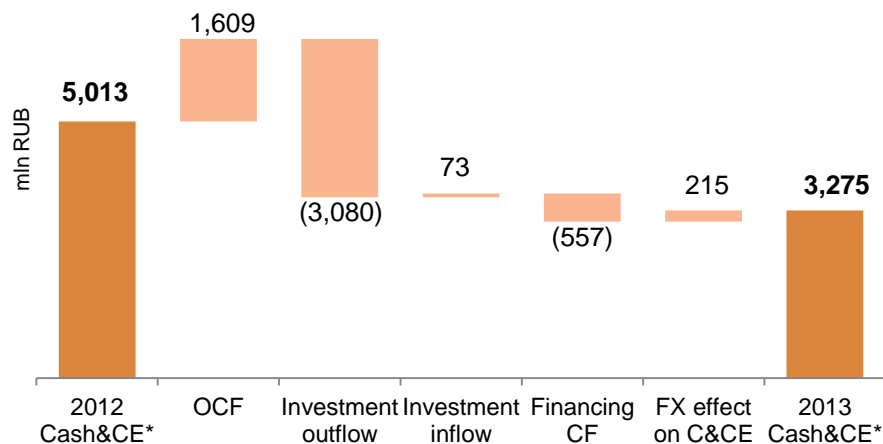
** Working capital is less of items related to CAPEX



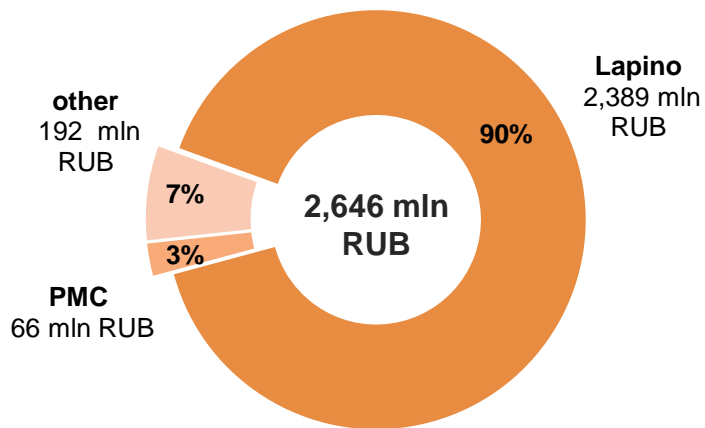
CAPEX & Cash Flow

- **Solid liquidity position of 3,275 mln RUB** in cash & cash equivalents and investments
- **Total CapEx amounted to 3,080 mln RUB**, representing y-o-y growth by 16% due to M&A deals accounting for 648 mln RUB
- Investments were made for hospital in Ufa, repayment of payables for Lapino and refurbishment of additional premises at “Clinic of Health Moscow”, which was successful re-opened in May

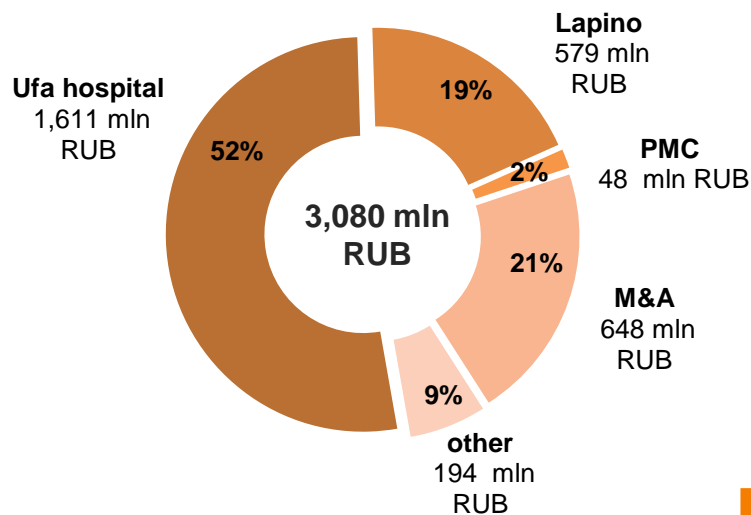
Cash flow



2012 CapEx breakdown



2013 CapEx breakdown



Source: audited financial statements of MDMG for 2012 and 2013 FY

*- Cash position by the year end includes cash, cash equivalents and investments

'Investments' is represented by bank deposits with maturity of more than 3 but less than 12 months and short-term portion of loans given (Note 17)



Pipeline of existing projects: Ufa, Bashkortostan

Construction of MD Medical's 3rd hospital on track with disciplined execution

- Construction started on schedule. Ground breaking ceremony held on 11 March 2013
- Vertical construction completed in February 2014 ahead of schedule
- External and internal fit-out is underway
- On track to open fully in early 2015 (staggered streaming of services)



Key figures

- **Deliveries** – 3,000 units
- **OBGYN** – 18,250 patient days
- **IVF** – 1,100 IVF cycles
- **Paediatrics** – 13,500 patient days
- **Out-patient services capacity** - c245k admissions
- **Total CAPEX** increased from 3.6 to 4.3 bln RUB
 - 400 mln RUB due to RUB weakening, that was more than on half offset by FX effect on C&CE
 - 170 mln RUB - MRI, CT, laboratory and additional investments for first stem and mesenchymal cell bank in republic
 - 100 mln RUB - EUR price indexation for equipment in 2014 vs 2012
 - 30 mln RUB - landscaping



Mid-term and long-term expansion strategy



Action steps

- Continuous search for new locations in Moscow/Saint-Petersburg and other attractive regions
- Marketing campaigns in the regions of interest to create demand before entering new markets
- Leverage on successful experience in Moscow and Ufa
- Active cooperation with regional authorities



Q&A





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Appendix





Revenue analysis: OBGYN and deliveries (1/2)

		2012	2013	change, %
Obstetrics and Gynaecology (except deliveries)	RUB mln	1,208	1,756	45%
	RUB mln	417	618	48%
In-patient treatments (except deliveries)	Patient-days	14,309	18,503	29%
	RUB ths. per patient-day	29.1	33.4	15%
	% of total*	35%	35%	0 p.p
	RUB mln	791	1,138	44%
Out-patient treatments	Admissions	239,367	350,446	46%
	RUB ths. per admission	3.3	3.3	0%
	% of total*	65%	65%	0p.p
Deliveries	RUB mln	1,057	1,261	19%
	Deliveries	3,253	3,816	17%
	RUB ths. per delivery	325	331	2%

- The 48% growth in revenue from inpatient treatments (excluding deliveries) was driven by an increase in the number of inpatient treatments, price indexation as well as by changes in the composition of services towards more expensive services, due to the opening of Lapino hospital, where the average check is the highest among the Group
- The average check for outpatient treatments remained flat, due to the acquisition of IDK outpatient clinics in Samara
- The number of deliveries increased by 17% y-o-y due to the successful ramp up at Lapino

* Share in Obstetrics and Gynaecology (value terms)



Revenue analysis: OBGYN and deliveries (2/2)

		2012	2013	change, %
IVF	RUB mln	542	800	48%
	Cycles	3,863	5,477	42%
	RUB ths. per cycle	140.3	146.1	4%
Paediatrics	RUB mln	693	892	29%
	RUB mln	137	162	18%
In-patient treatments	Patient-days	8,042	8,991	12%
	RUB ths. per patient-day	17.0	18.0	6%
	% of total*	20%	18%	-2 p.p.
Out-patient treatments	RUB mln	557	730	31%
	Admissions	166,405	225,720	36%
	RUB ths. per admission	3.3	3.2	-3%
	% of total*	80%	82%	2 p.p.
Other medical services	RUB mln	387	721	86%
In-patient treatments	Patient-days	-	1,388	-
Out-patient treatments	Admissions	25,142	51,206	104%

- Revenue growth in inpatient pediatric treatments was mainly driven by an increase in the average check, due to changes in the composition of services towards more expensive services
- Revenue from paediatric outpatient treatments grew substantially by 31% driven by the acquisition of outpatient clinics, as well as by the successful ramp up at Lapino
- The number of outpatient treatments in other medical services almost doubled after opening the surgery, trauma and rehabilitation departments as well as a new diagnostics centre at Lapino hospital

* - Share in Paediatrics (value terms)



Extract from MDMG's profit and loss statement

(RUB mln)	2013	2012	2011
Revenue	5,673	4,061	2,908
Cost of sales	(3,389)	(2,013)	(1,464)
Gross Profit	2,283	2,048	1,444
<i>% of revenue</i>	<i>40%</i>	<i>50%</i>	<i>50%</i>
Other income	4.4	0.8	1
Administrative expenses	(1,125)	(484)	(246)
Other expenses	(5)	(4)	(6)
EBITDA	1,586	1,694	1,292
<i>% of revenue</i>	<i>28%</i>	<i>42%</i>	<i>44%</i>
Operating profit	1,158	1,560	1,193
Net finance expenses	(323)	(41)	(44)
Profit before tax	835	1,519	1,195
Tax	(72)	19	(271)
Profit for the period	764	1,538	924
<i>% of revenue</i>	<i>13%</i>	<i>38%</i>	<i>32%</i>
Minority interest	127	139	64
Profit for the year attributable to: shareholders	636	1,399	860



Extract from MDMG's balance sheet

(RUB mln)	2013	2012	2011
Cash and cash equivalents	3,273	2,583	133
Investments	4	2,430	-
Current trade, other receivables and deferred expenses	152	229	43
Inventories	111	50	27
Current tax asset	8	17	29
Property, plant and equipment	9,210	7,423	4,044
CAPEX prepayments	438	150	462
Other non-current assets	453	31	31
TOTAL ASSETS	13,649	12,914	4,769
Current trade and other payables	748	756	352
Short term loans and borrowings	618	263	30
Short term obligations under finance leases	2	0.2	102
Other current liabilities	609	449	338
Long term loans and borrowings	2,379	2,695	1,060
Long term obligations under finance leases	1	0.8	-
Other non-current liabilities	82	127	80
Equity	9,209	8,623	2,807
TOTAL EQUITY AND LIABILITIES	13,649	12,914	4,769
Net Debt*	(275)	(2,054)	1,059

Source: audited financial statements of MDMG for 2011, 2012 and 2013 FY

* Net Debt calculated as ST and LT portion of loans & borrowings plus ST and LT portion of obligations under finance leases minus cash & CE minus Investments



Extract from MDMG's cash flow statement

(RUB mln)	2013	2012	2011
Cash flow from operating activities			
Profit for the period	764	1,538	924
Adjustments for:			
D&A	428	134	99
Excess of the Group's interest in the fair value of the acquired subsidiaries' net assets over the consideration paid for their acquisition	-	-	(46)
Taxation	72	(19)	271
Other adjustments	271	3	18
Cash flow from operations before working capital changes	1,535	1,656	1,265
Increase in inventories	(47)	(23)	(4)
Increase in trade and other receivables	(44)	(41)	(136)
Increase in trade and other payables	71	100	54
Increase in deferred income	158	136	139
Cash flow from operations	1,673	1,828	1,319
Tax paid	(64)	(11)	(254)
Net cash flow from operating activities	1,609	1,817	1,065
Cash flow from investing activities			
Payment for acquisition of PP&E	(2,430)	(2,646)	(1,812)
Withdrawal / (deposit) of investments	2,538	(2,509)	-
Acquisition of subsidiaries	(648)	(9)	(774)
Other proceeds and payments	72	10	1
Net cash flow used in investing activities	(468)	(5,155)	(2,585)
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	4,374	552
GDR Contributions received from underwriters	150	-	-
Proceeds from borrowings	341	1,903	1,085
Repayment of borrowings	(346)	(60)	-
Repayments of obligations under finance leases	(3)	(107)	(71)
Interest paid	(303)	(179)	-
Increase in ownership in subsidiary	(10)	-	-
Dividends paid to the owners of the Company	(314)	(154)	(1)
Dividends paid to non-controlling interests	(72)	(11)	(22)
Net cash flow from financing activities	(557)	5,768	1,542
Net increase in cash and cash equivalents	584	2,429	22
Cash and cash equivalents at the beginning of the period	2,583	133	112
Effect due to exchange rate changes	106	20	-
Cash and cash equivalents at the end of the period	3,273	2,583	133