

MD MEDICAL GROUP POSTS 66% EBITDA, 83% NET PROFIT GROWTH IN 1H 2021

6 September 2021, Moscow. MD Medical Group Investments Plc (“MD Medical Group,” “MDMG,” the “Group” or the “Company” – LSE and MOEX: MDMG), a leading Russian private healthcare provider, announces its audited consolidated financial statements for the 6 months ended 30 June 2021 under International Financial Reporting Standards (IFRS).

1H 2021 Financial Highlights

- **Revenue increased by 51%** year-on-year (y-o-y) to RUB 12,009 mln vs. RUB 7,974 mln in 1H 2020, mainly driven by in-patient treatments and such segments as oncology, internal medicine, trauma and cardiology.
- **EBITDA increased by 66%** y-o-y to RUB 3,777 mln with **EBITDA margin** of 31.5%, up 3.0 p.p. y-o-y. This growth was mainly driven by performance at Lapino.
- **Net profit grew by 83%** y-o-y to RUB 2,688 mln.
- **Operational cash flow grew by 51%** y-o-y to RUB 3,724 mln.
- **Capex** amounted to RUB 712 mln, down by 45% y-o-y. Key investments included expansion of the service range at Lapino-2 (such as oncosurgery and dentistry), the completion of construction of Lapino-4, design of the new Lapino-3 building, launch of three out-patient clinics and two test collection laboratories.
- **Debt** decreased by 10% to RUB 6,130 mln at the end of 1H 2021 from 31 December 2020, while **net debt** decreased by 38% from the end of 2020 to RUB 1,835 mln. The net debt to EBITDA ratio amounted to 0.2x.
- **Net working capital** remained negative at RUB (2,135) mln and represented 8.9% of revenue.

Commenting on the 1H 2021 financial results, Mark Kurtser, CEO of MD Medical Group, said:

“In the first half of 2021, we demonstrated significant improvement in our financial performance. The Company’s revenue grew by 51% on the back of strong operating results across the board as well as further expansion and diversification of our healthcare services portfolio. Operating performance improved in our traditional competencies of women’s health and paediatrics as well as in other profiles, primarily in oncology, internal medicine, trauma care and cardiac surgery. We intend to further develop these areas by adding new competencies and responding to patients’ growing demand for effective high-tech medical care.

“In the first six months of the year, EBITDA increased by 66%, generating a 3.0 p.p. increase in EBITDA margin to 31.5%. At the same time, net profit increased even faster – by 83% to RUB 2,688 million. I would like to note that the average ticket increased in every operational area.

“The key driver behind this impressive growth in all areas was the successful development of the Lapino clinical hospital, where capacity continues to expand in existing competencies, and essential new medical services are being offered.

“I would like to note that, for the first time in our history, services that are not directly related to women’s health and paediatrics brought in more than half of the Group’s total revenue. Our doctors recently performed a number of complex operations, which demonstrated simultaneously our expertise in paediatrics, in endovascular surgery and in cardiology. These achievements open up new opportunities for us.

“Since its very first days, Mother and Child has been carrying out a successful growth strategy. Today we affirm our status by announcing a large-scale programme for the construction of new medical centres.

“First of all, this concerns the major expansion of our facility in Lapino, where two hospitals will be built on new grounds – Lapino-3 and Lapino-5, specialising in radiology and psychoneurology, respectively – with a total area of about 22,000 square metres. In partnership with MGIMO University, we are going to open a medical school in Lapino, where highly qualified personnel will be trained, including for the needs of our growing company. The commissioning of these facilities is just the intermediate stage in the large-scale expansion of the entire cluster in Lapino.

“Continuing our successful work in the Moscow region, we have begun preparations for the construction of a multidisciplinary hospital in Domodedovo with an area of 15,000 square metres. The construction will be in line with our standard regional hospital design.

“At the same time, we are going beyond the capital region and preparing projects in large Russian cities where we have been working successfully for several years. We have started the construction of a hospital in St Petersburg as well as the construction of a separate new building next to the existing hospital in Tyumen for the treatment of patients with infectious diseases, including COVID.

“In addition to building hospitals, we are going to open new clinics in Moscow and other Russian cities, while also introducing a network of sampling labs – a new format for us – in Moscow and the Moscow region under the MD LAB brand.

“In total, the Company plans to allocate RUB 12 billion for its large-scale development programme for 2021–2024. Backed by our sustainable financial and operating results, we are going to implement the programme at our own cost. I hope that I will be able to focus more on these and our other future projects in more detail during the first-half conference call.

“In conclusion, I would like to say that, in line with our previous statements, we will continue to share our success with our shareholders. As part of our decision to pay dividends twice a year in the amount of 50% of net profit, the Board of Directors has approved the payment of interim dividends for the first half of the year in the amount of RUB 18 per share.”

Highlights for 1H 2021 and after reporting period

Operational results

MD Medical Group continued to develop its business and demonstrated the following operational results for 1H 2021:

- Total deliveries grew by 10% y-o-y to **4,027**.
- Total IVF cycles grew by 41% y-o-y to **8,154**.
- Total in-patient treatments grew by 49% y-o-y to **76,196**.
- Total out-patient treatments grew by 23% y-o-y to **897,396**.

Expansion of our hospital network

- *Opening of a new multifunctional medical centre Lapino-4* with 100 beds and an area of 4,200 sq m. The construction of the new two-storey multifunctional medical centre intended to treat patients with infections, primarily coronavirus patients, was achieved within a short period of time using rapid construction technology.

Strengthening our medical expertise

- *Strong results in treating COVID-19 patients.* The Group has gained expertise in treating a large flow of patients of all ages, including pregnant women and new mothers.
- *First open-heart surgery at Lapino and first endovascular heart surgery on a newborn in Russia.* Coronary artery bypass surgery involving the insertion of a shunt was performed on a patient with massive coronary artery damage for the first time at Lapino clinical hospital. Also, endovascular heart surgery was performed for the first time in Russia on a premature newborn with low birth weight.

1H 2021 Financial Highlights (RUB mln)

	6m 2021	6m 2020	Change y-o-y
Revenue	12,009	7,974	+51%
Gross profit	4,550	2,663	+71%
EBITDA	3,777	2,270	+66%
EBITDA margin, %	31.5%	28.5%	+3.0 p.p.
Net profit	2,688	1,471	+83%
CAPEX	712	1,294	-45%
Net operating cash flow	3,724	2,474	+51%
Net working capital	(2,135)	(1,857)	-15%
Net debt (30 June 2021 vs 31 December 2020)	1,835	2,943	-38%

Revenue structure

The Group's revenue in 1H 2021 amounted to RUB 12,009 mln, up by 51% y-o-y. This growth was mainly driven by performance of the Lapino hospital.

Revenue from medical services not related to women's and children's health accounted for 51% of total revenue, up from 42% in 1H 2020. Oncology, internal medicine, surgery, cardiology and trauma, as well as laboratory services were the fastest-growing service lines in 1H 2021, primarily driven by the Lapino hospital.

Revenue structure in 1H 2021 (RUB mln)

	6m 2021	6m 2020	Change y-o-y
OBGYN (excl. deliveries)	1,571	1,376	+14%
Deliveries	1,340	1,148	+17%
IVF	1,908	1,346	+42%
Paediatrics	1,032	810	+27%
Internal medicine, surgery and other in-patient medical services	2,566	1,316	+95%
Oncology	1,027	329	+212%
Other medical services	2,352	1,476	+59%
Other revenue	213	173	+23%
TOTAL	12,009	7,974	+51%

The average check for key services in FY 2020 amounted to:

- RUB 333 thsd for deliveries, up by 6% y-o-y;
 - Moscow and the Moscow Region – RUB 469 thsd;
 - Other regions – RUB 164 thsd.
- RUB 234 thsd for IVF, up by 1 y-o-y;
- RUB 57.7 thsd for in-patient treatments, up by 23% y-o-y;
- RUB 3.2 thsd for out-patient treatments, up by 7% y-o-y.

Operating expenses, excl. D&A

Operating expenses (excl. D&A) in 1H 2021 grew 44% y-o-y and amounted to RUB 8,232 mln.

Capex and financial position

Total Capex amounted to RUB 712 mln compared to RUB 1,294 mln in 1H 2020. Key investments included expansion of the service range at Lapino-2 (such as oncosurgery and dentistry), the completion of construction of Lapino-4, design of the new Lapino-3 building, launch of three out-patient clinics and two test collection laboratories in Moscow and the Moscow region, three out-patient clinics in the regions.

Debt decreased by 10% to RUB 6,130 mln at the end of 1H 2021 from 31 December 2020, while **net debt** decreased by 38% from the end of 2020 to RUB 1,835 mln. The net debt to EBITDA ratio amounted to 0.2x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative at RUB (2,135) mln and amounted to 8.9% of revenue for 1H 2021.

Events occurring after the reporting period

On 3 September 2021, the Board of Directors approved an interim dividend of RUB 1 352 250 180 mln for 1H 2021, which corresponds to RUB 18.00 per share. The preliminary dividend record date is set as 24 September 2021. The Group's Global Depositary Receipts will be marked as ex-dividend on 23 September 2021. The pay date for GDR holders is set for 26 October 2021 in US dollars based on the Central Bank of Russia rate as of 3 September 2021, corresponding to RUB 72.8491 per USD.

Starting from 1 January 2015, the Company has been a Russian tax resident according to part 8 of article 246.2 of the Russian Tax Code (the “Code”). According to part 5 of article 246 of the Code, foreign organisations which are considered Russian tax residents in line with article 246.2 of the Code are treated as Russian organisations for the purposes of Section 25 of the Code. When paying dividends, according to Section 25 of the Code, Russian organisations which are the source of income are usually (but not limited to) acting as tax agents and withhold taxes at a rate of 15% rate in order to transfer it to Russian tax authorities. Potential holders should consult with their tax advisors if they need to receive the Russian taxes withheld for any payments received in relation to GDRs.

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

Conference call:

On 6 September 2021, the Group’s management will host a conference call and webcast for investors and analysts 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 the 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/reports/financialreports/>.

Zoom link:

<https://us06web.zoom.us/j/89245630605?pwd=UHBHdmJlZFRVMzY2eElKdnRYczlaZz09>

The call recording 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 is a leading provider in the highly attractive Russian private healthcare service market. The company manages 42 modern healthcare facilities, including 6 hospitals and 36 out-patient clinics in Moscow and the Moscow Region, St. Petersburg, Ufa, Perm, Samara and the Samara Region, Novosibirsk, Irkutsk, Yaroslavl, Ryazan, Kostroma, Novokuznetsk, Krasnoyarsk, Omsk, Barnaul, Vladimir, Tyumen, Voronezh, Nizhny Novgorod, Volgograd, Tula, Kazan, Vladivostok, Krasnodar and Rostov-on-Don.

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.

Since 9 November 2021, the Company's GDRs are also traded in RUB on Moscow Exchange.

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.