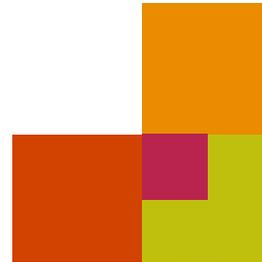


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**MOTHER & CHILD**  
GROUP OF COMPANIES



## MD MEDICAL GROUP STRATEGY DAY PRESENTATION



February 15, 2017  
London

*Photo: OR1 Integrated operating theatre in Ufa hospital*

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# TEAM PRESENTING TODAY



**Dr Mark Kurtser**

*CEO, Founder, Controlling shareholder,  
Member of the BoD*

- Dr Kurtser was a Chief Obstetrician and Gynaecologist of Moscow and Head of the Centre of Family Planning and Reproduction, the largest public obstetrics hospital in Moscow
- Holds a degree in medicine from Pirogov Medical University in addition to a post-doctoral degree in medicine



**Andrey Khoperskiy**

*CFO*

- Joined the Group as Head of Finance controlling and Treasury in 2013
- Before joining the Group, Andrey worked for Rusagro Group and Sukhoi Aviation Holding Company as a Finance manager
- Holds a degree in taxes from Moscow State University of Economics, Statistics and Informatics



**Elena Romanova**

*Head of Investor Relations*

- Prior to joining MDMG, Elena was Senior IR Manager at Norilsk Nickel. She also worked as an auditor at Ernst & Young and CTC Media
- Holds a degree in Financial Management from Financial University under the Government of the Russian Federation

1

MD MEDICAL GROUP TODAY

# MDMG: A UNIQUE NATIONWIDE PRIVATE HEALTHCARE SERVICES PROVIDER



**Market leader**  
private healthcare  
in Russia<sup>1</sup>



**32**  
healthcare facilities  
in **19 cities**



**≈6,000**  
highly qualified  
personnel



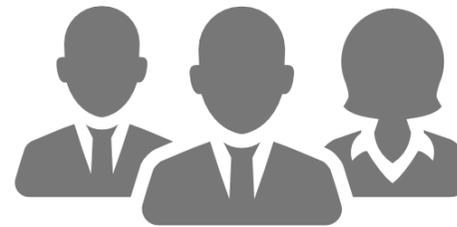
**95%** self-pay and  
private insurance  
component



**Attractive private**  
Russian healthcare  
services **market**



**Track record**  
of organic growth  
and M&A expansion



**Experienced**  
management  
team



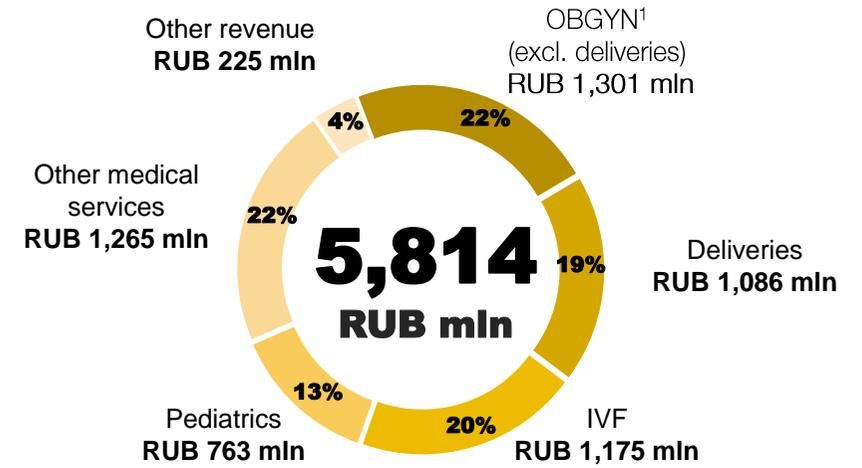
**Robust**  
**strategic**  
development  
plan

# MD MEDICAL GROUP AT A GLANCE

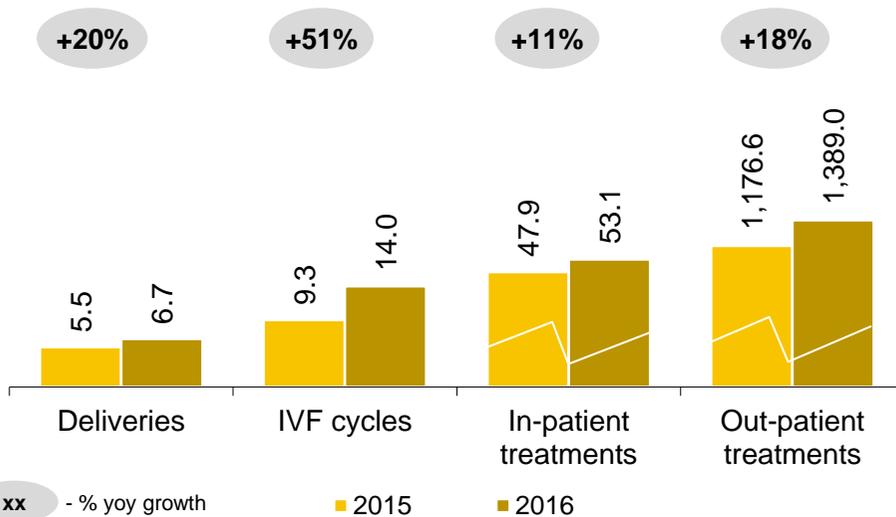
## Diversified geographic footprint



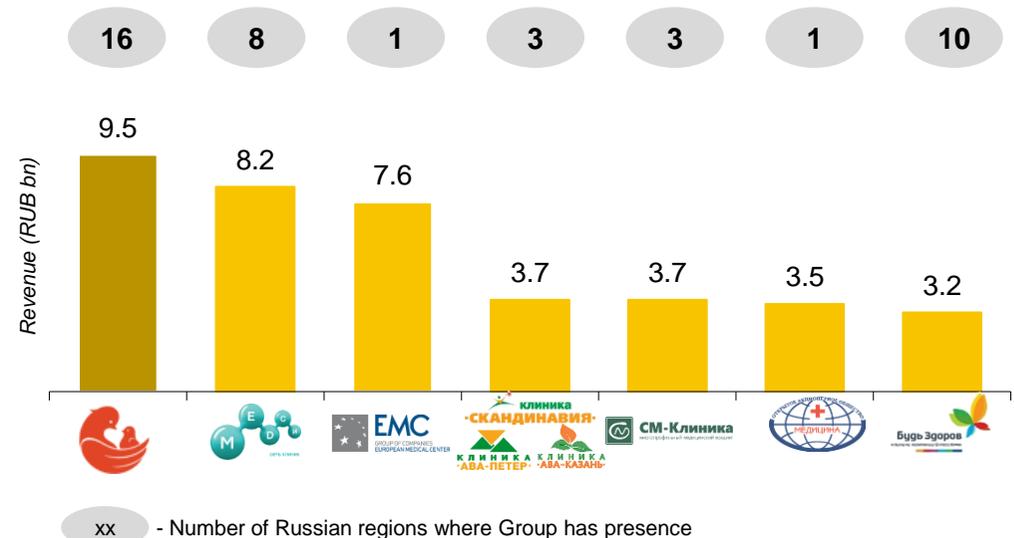
## Diversified revenue by segment, H1'16



## Growth across all key performance indicators (k)



## Clear market leader<sup>2</sup> (2015)



Note: <sup>1</sup> Obstetrics and gynecology; <sup>2</sup> Based on Vademecum Analytical Center data (2016)  
Source: Company data, public sources

# 2

## KEY ACHIEVEMENTS AND RESULTS

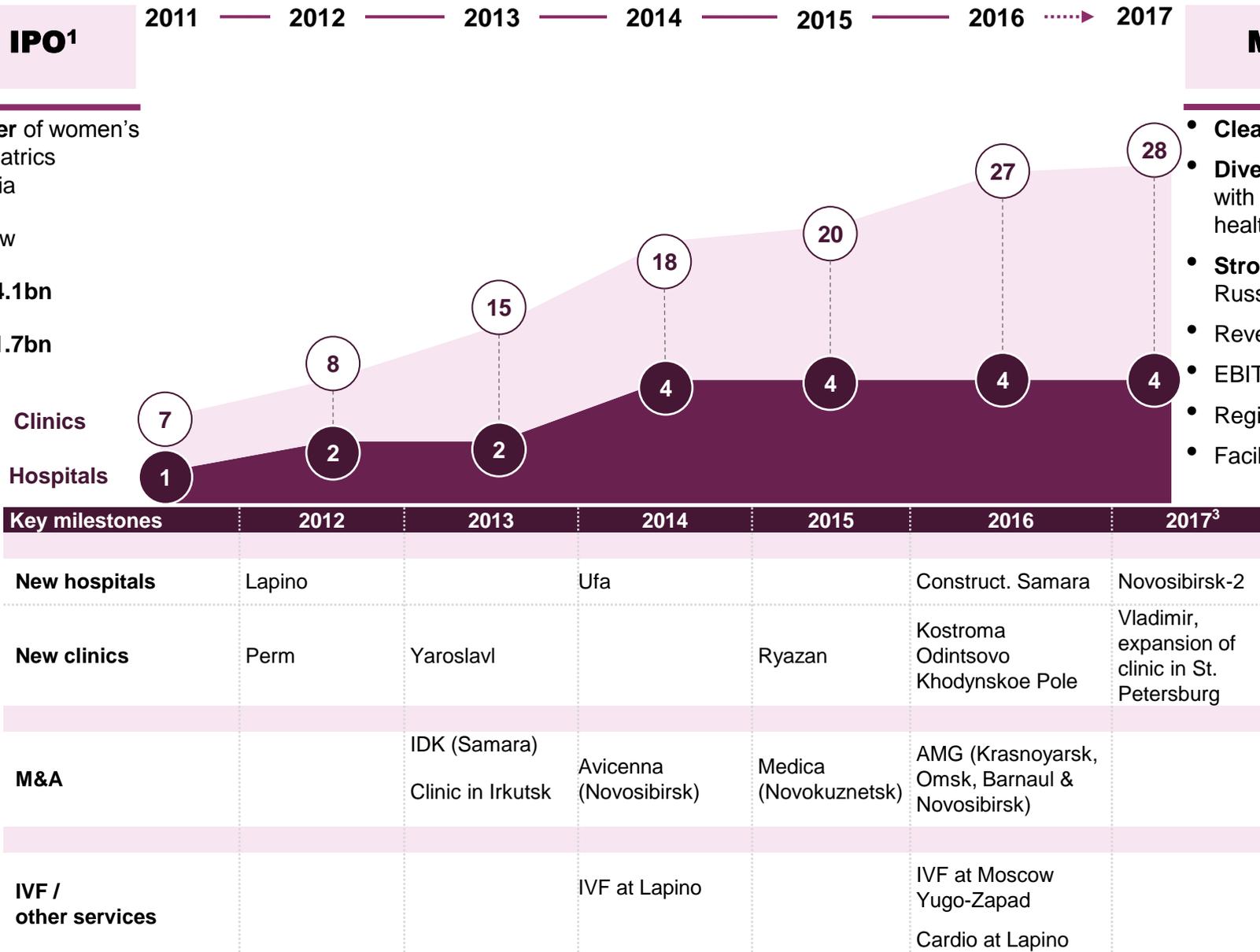
# OUTSTANDING GROWTH AND STRATEGIC DEVELOPMENT SINCE THE IPO

## MDMG at IPO<sup>1</sup>

## MDMG today<sup>2</sup>

- **Leading provider** of women's health and paediatrics services in Russia
- Focus on Moscow
- Revenue: **RUB 4.1bn**
- EBITDA<sup>4</sup>: **RUB 1.7bn**
- Regions: **3**
- Facilities: **8**

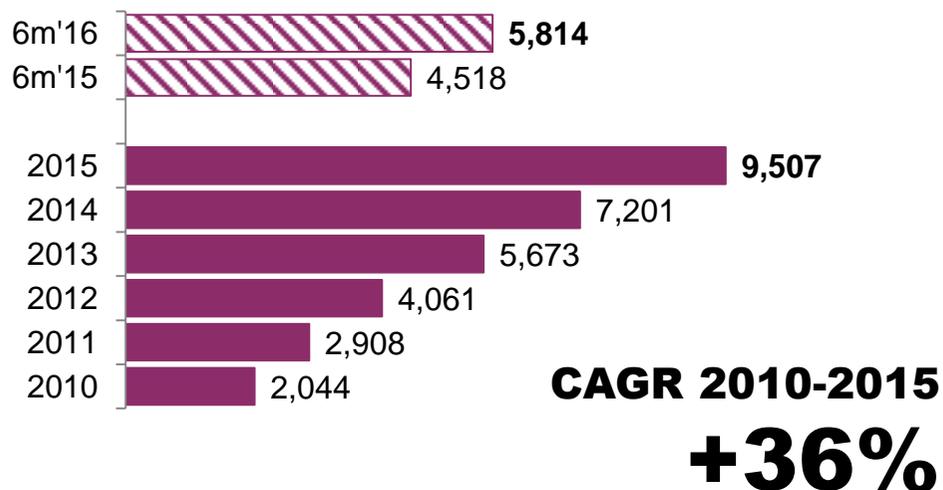
- **Clear market leader**
- **Diversified service** offering with a focus on women's health and paediatrics
- **Strong footprint** across Russian regions
- Revenue: **RUB 9.5bn**
- EBITDA<sup>4</sup>: **RUB 2.7bn**
- Regions: **16**
- Facilities: **32**



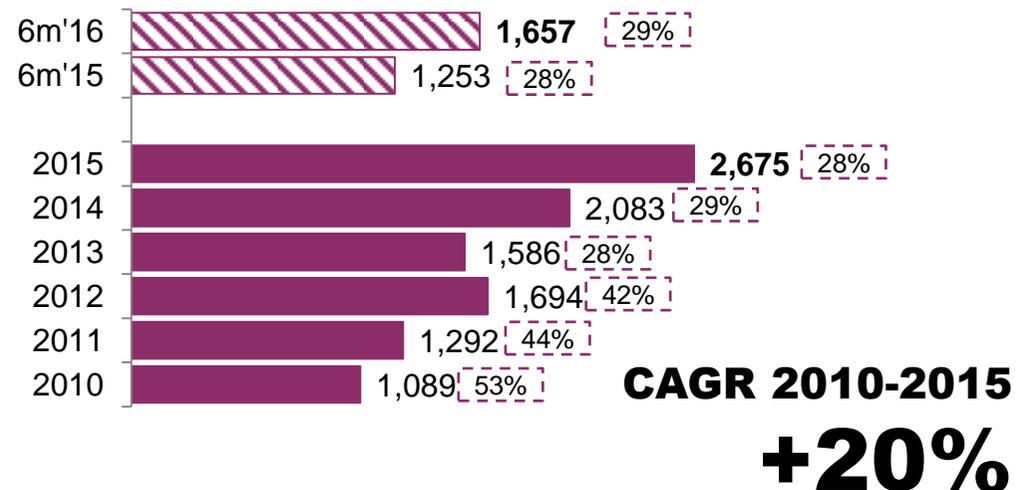
Note: <sup>1</sup> Financials as of FY2012; <sup>2</sup> Financials as of FY2015; <sup>3</sup> Includes planned expansion in 2017; <sup>4</sup> EBITDA calculated as operating profit before depreciation and amortisation  
Source: Company data

# STRONG FINANCIAL PERFORMANCE

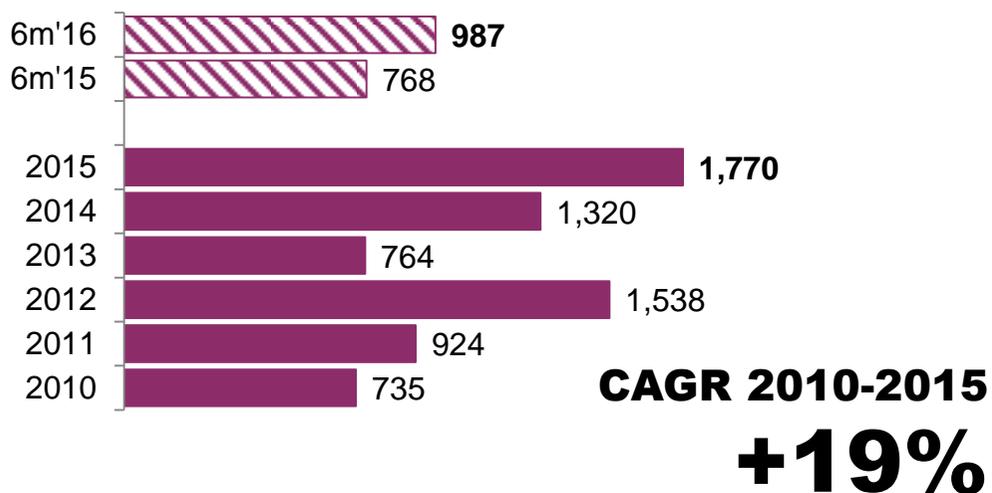
## Revenue



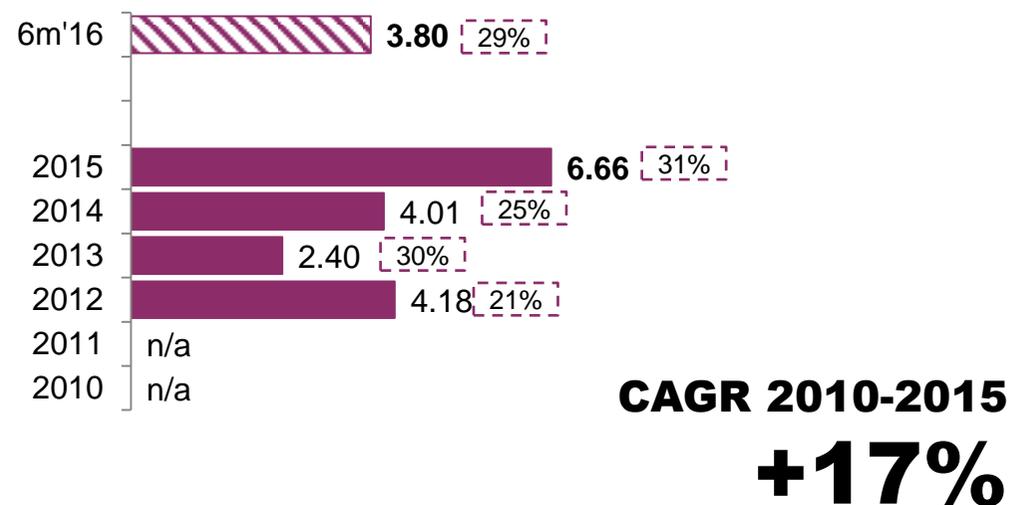
## EBITDA<sup>1</sup>



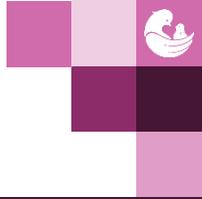
## Net income



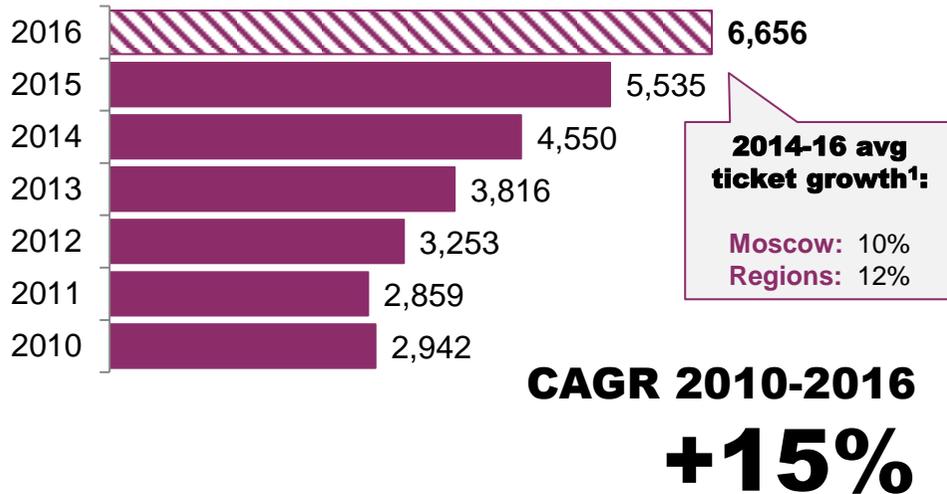
## Dividends per share<sup>2</sup>



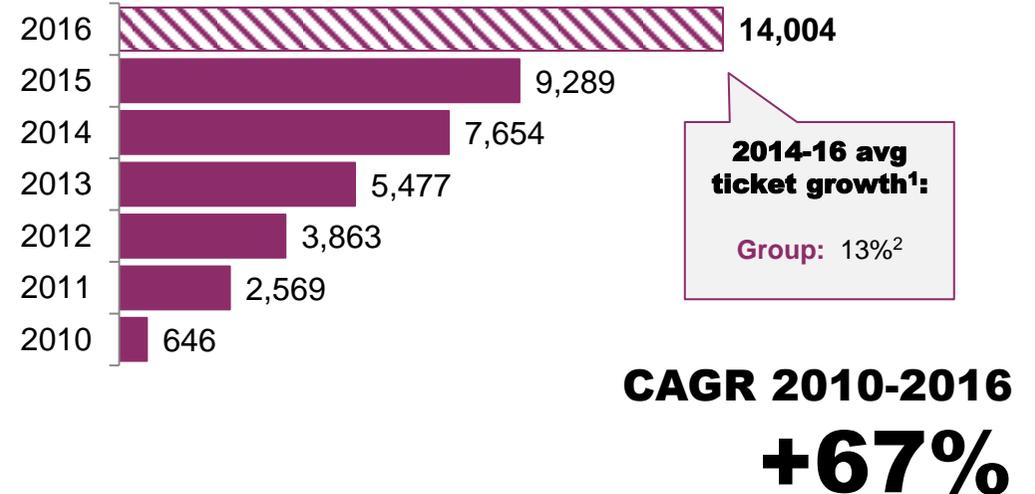
# SUCCESSFUL OPERATIONAL SCALE-UP



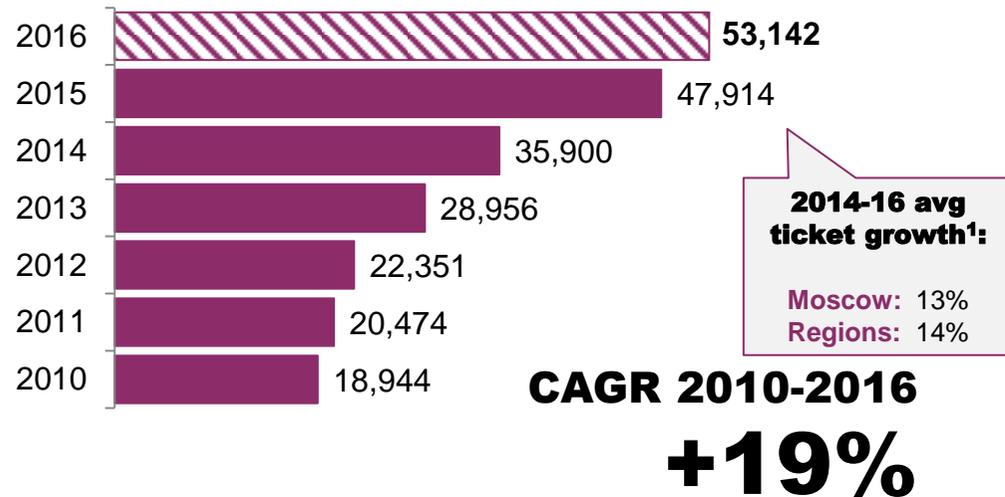
## Deliveries



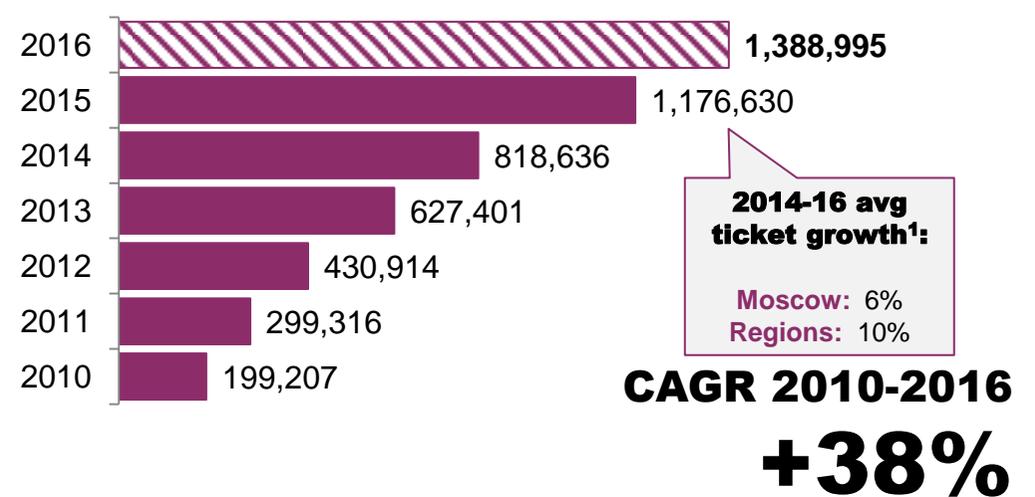
## IVF



## In-patient treatments



## Out-patient treatments



Note: <sup>1</sup> Management estimates based on weighted average of facilities and services; <sup>2</sup> IVF average ticket is similar in Moscow and the regions  
 Source: Company data

# CASE STUDY: RAMP UP OF LAPINO HOSPITAL

## Overview



**2012**  
launch

**RUB 5.2bn**  
capex<sup>1</sup>

**3,000**  
deliveries

**1,000**  
IVF cycles

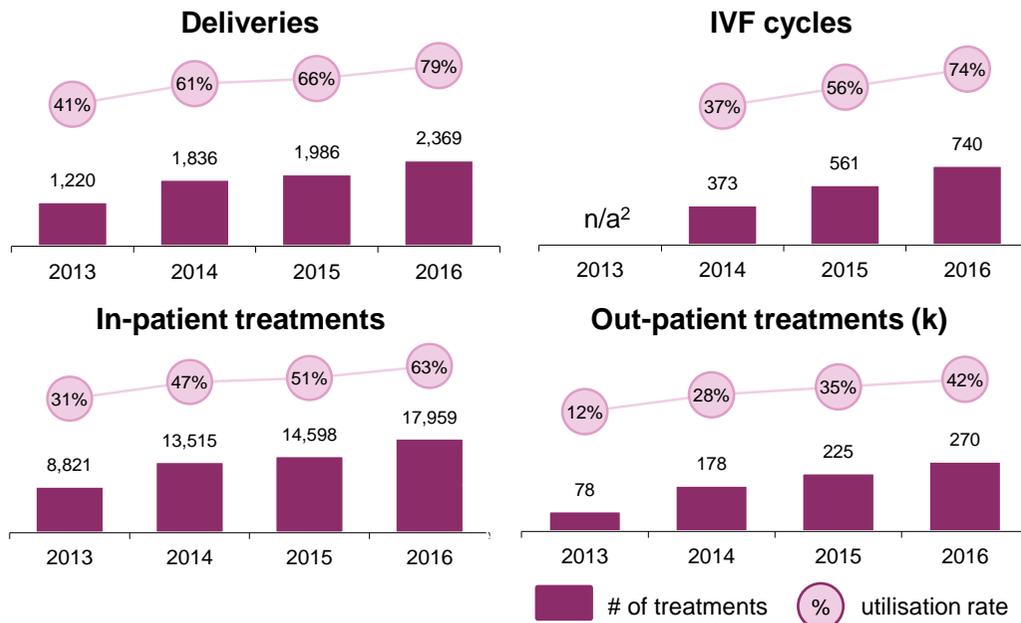
**28.5k**  
in-patient  
days

**640k**  
out-patient  
treatments

## Service offering evolution

	Deliveries & OBGYN	Paediatrics	Diagnostics	Surgery	Trauma	Rehabilitation	Urology	IVF	Neurology	Therapy	Fetal surgery	Plastic surgery	Cardio surgery	Pathology & Cytology lab
2016	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2015	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
2014	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
2013	✓	✓	✓	✓	✓	✓	✓							

## Performance



## Key takeaways

### Step-by-step launch

- Phased launch allows to match expenses with revenue and to avoid inefficiencies
- Outpatient clinics should be opened first to attract initial customers and create potential for inpatient facility development
- Sustainable growth of the number of employees to deliver required services for the minimum costs

### Economy and efficiency

- Reduction in the number of support staff

### Tax concession

- Negotiating property tax exemption upfront before the launch

# CASE STUDY: UFA – OUR FIRST HOSPITAL IN THE REGIONS

## Key statistics and full capacity



**2014**  
launch

**RUB**  
**4.3bn**  
capex<sup>1</sup>

**3,000**  
deliveries

**1,100**  
IVF cycles

**26k**  
in-patient  
days

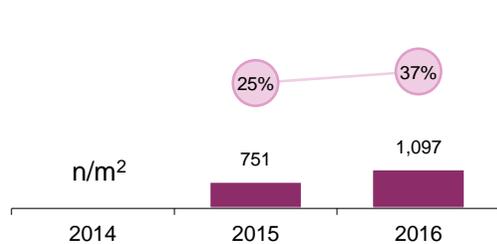
**291k**  
out-patient  
treatments

## Service offering evolution

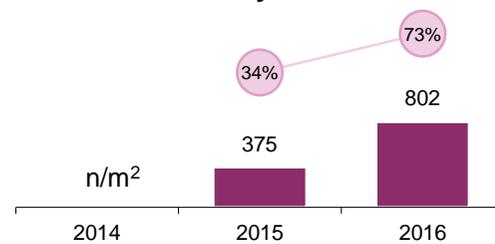
	Deliveries & OBGYN	IVF	Paediatrics	Plastic surgery	Surgery	Stem cell bank	Diagnostics	Laboratory	Therapy	Urology	Neurosurgery	Cytology lab	ENT-surgery
2016	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2015	✓	✓	✓	✓	✓	✓	✓	✓	✓				
2014	✓	✓	✓	✓	✓	✓	✓	✓					

## Performance

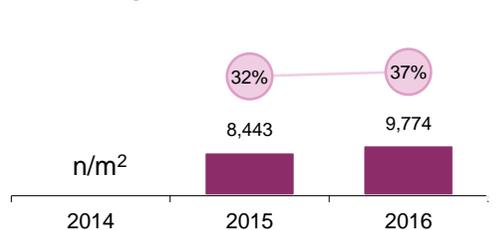
### Deliveries



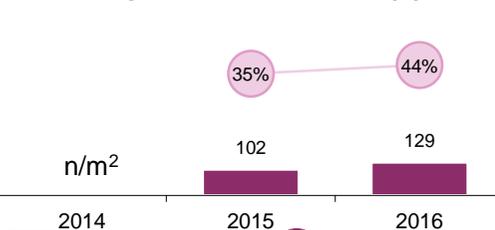
### IVF cycles



### In-patient treatments



### Out-patient treatments (k)



■ # of treatments    % utilisation rate

## Key takeaways for a regional hospital

### Capacity and size calibration

- Reduced area compared to a 30,000 sq m project to maximize efficiency and capacity utilisation

### Design optimisation

- Revised hospital layout for reduced staffing requirement

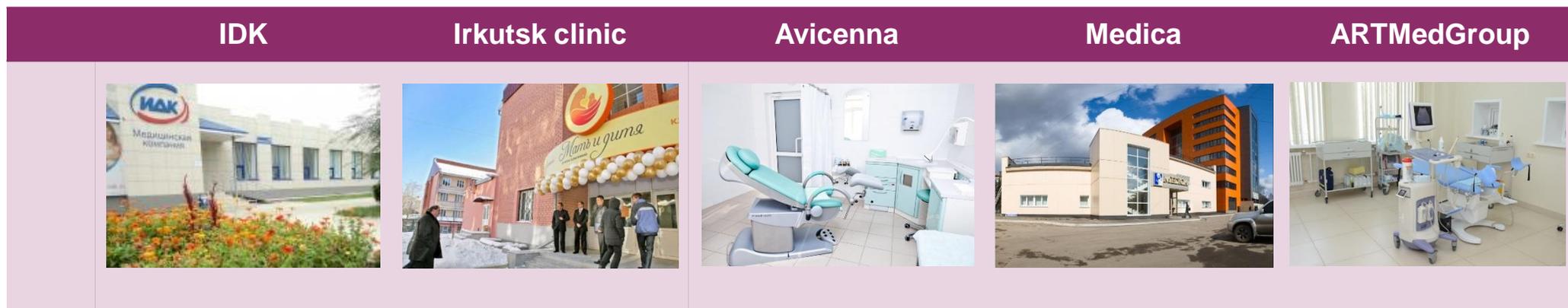
### Service offering

- Multidisciplinary hospital model is more appropriate for the Russian regions vs a maternity only center

### FX management

- Construction contracts in RUB to hedge against FX fluctuations

# STRONG TRACK RECORD IN M&A



Compleat. date	Q2'13	Q2'13	Q4'14	Q4'15	Q1'16
Region	Samara - Volga region	Irkutsk - Siberia	Novosibirsk - Siberia	Novokuznetsk - Siberia	Krasnoyarsk, Novosibirsk, Barnaul, Omsk - Siberia
Facilities	5 clinics	1 clinic	1 hospital <sup>3</sup> and 3 clinics	1 clinic	5 clinics
Enterprise Value <sup>1</sup>	RUB 574 mln	RUB 151 mln	RUB 2,078 mln	RUB 350 mln	RUB 500 mln
Sales before M&A <sup>2</sup>	RUB 513 mln	RUB 85 mln	RUB 707 mln	RUB 152 mln	RUB 395 mln

Note: <sup>1</sup> At acquisition; <sup>2</sup> Last reported before the acquisition; <sup>3</sup> Under construction at the time of the acquisition  
 Source: Company data

# CASE STUDY: IDK SAMARA - LEADER IN THE VOLGA REGION<sup>1</sup> WITH CORE COMPETENCY IN IVF

## Key statistics and full capacity



**2013**  
acquisition

**RUB 574 mln**  
deal value<sup>2</sup>

**7,300**  
in-patient  
treatments

**5,600**  
IVF cycles

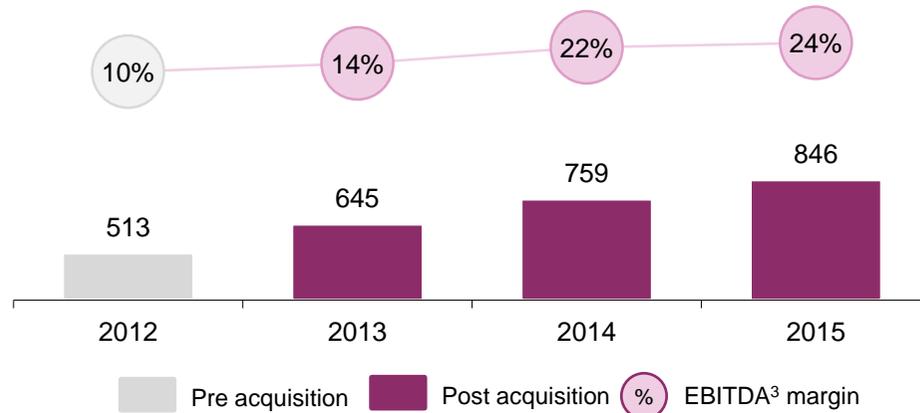
**518k**  
out-patient  
treatments

## Strategic rationale

- The largest private healthcare asset in the Volga region<sup>1</sup> with a history of 20 successful years
- High-quality IVF, obstetrics and gynaecology asset to enhance MDMG's market position
- Immediate access to the patient base in a new region
- Experienced personnel sourced from IDK's own medical education center
- Platform for expansion with IDK's developing network of clinics in the Samara region with 700 pregnancy management contracts

## Performance

Revenue (RUB mln) / EBITDA<sup>3</sup> margin



## Key operational initiatives

### Sales growth

- ✓ Optimized pricing strategy
- ✓ Monitoring of utilisation and office schedules
- ✓ KPIs for customer service
- ✓ Development of VHI<sup>4</sup> programmes
- ✓ Sales motivation programmes for doctors

### Cost control

- ✓ Rationalized administrative headcount
- ✓ Increased marketing department efficiency
- ✓ Implemented outsourcing of some maintenance services, e.g. electricians
- ✓ Compensation review

# CASE STUDY: AVICENNA – SERVICE DIVERSIFICATION & CONSOLIDATION OF SIBERIA

## Overview



**2014**  
acquisition

**RUB 2,1bn**  
deal value<sup>1</sup>

**500**  
deliveries

**1,800**  
IVF cycles

**4,015**  
in-patient days

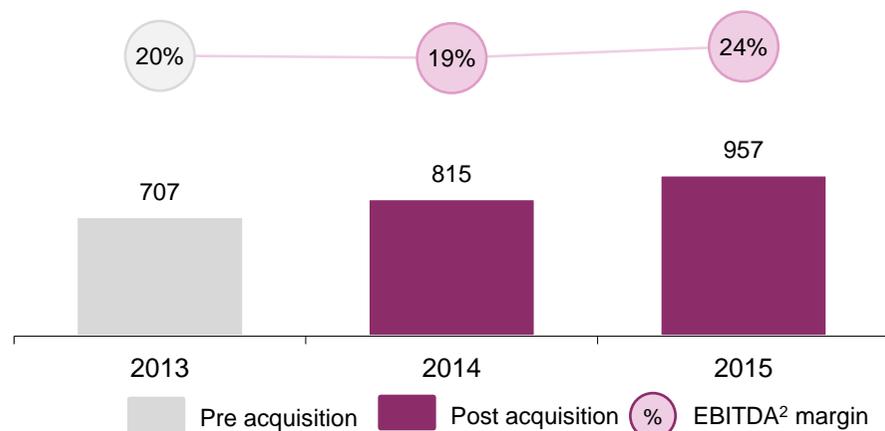
**451k**  
out-patient treatments

## Strategic rationale

- Diversification into neurosurgery, traumatology, orthopaedics, oncology, and ophthalmology
- Entry in a highly attractive region with the 3rd largest city in Russia
- Reputable brand in the region helps MDMG gain immediate access to the local market
- Experienced personnel with doctors of first or highest category and collaboration with leading local medical schools
- Strong management team with expertise in the region

## Performance

Revenue (RUB mln) / EBITDA<sup>2</sup> margin



## Key operational initiatives

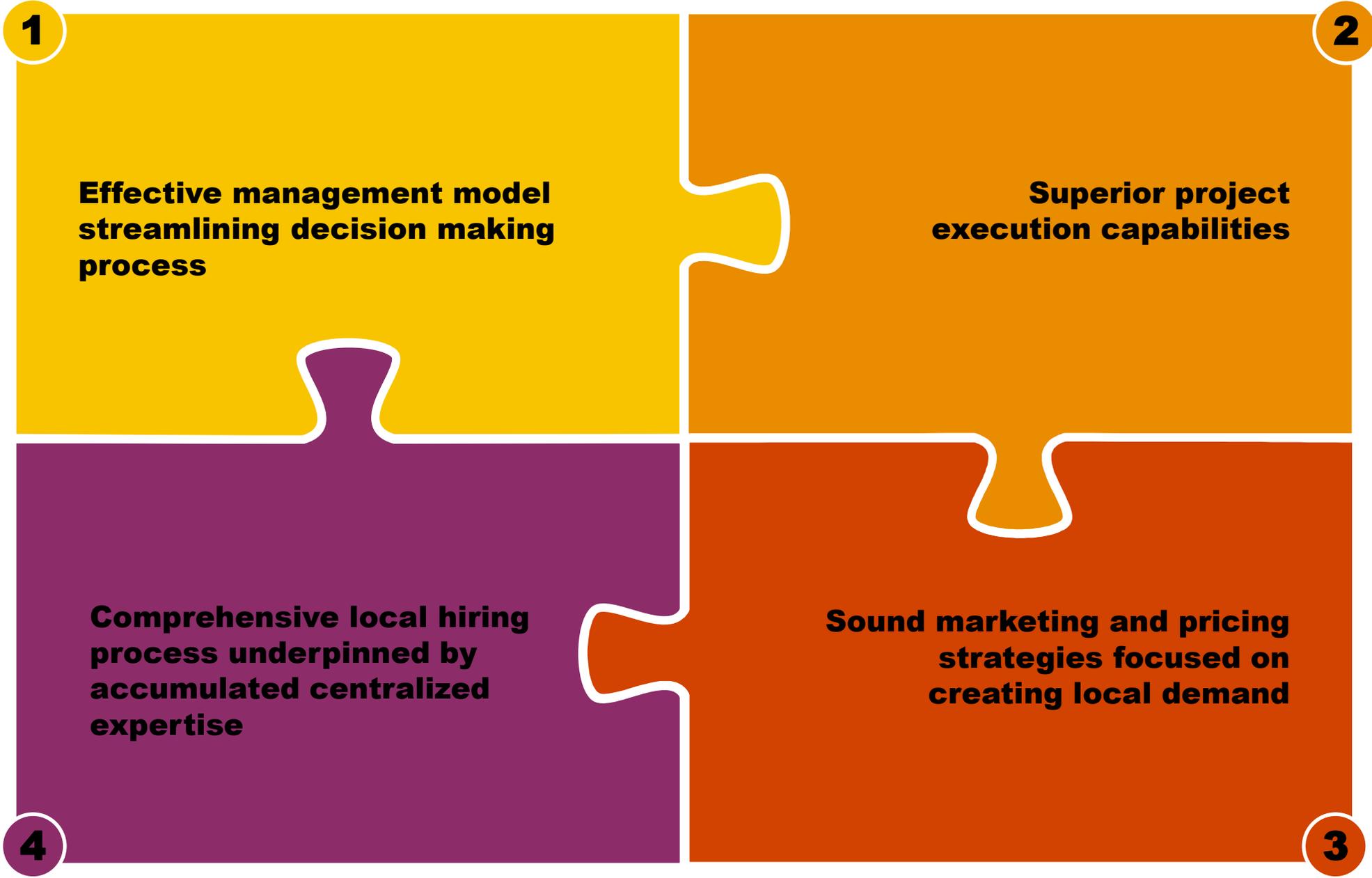
<b>Sales growth</b>	<ul style="list-style-type: none"> <li>✓ Introduced sales targets</li> <li>✓ Established budget</li> <li>✓ Broadened service offering – e.g. added pregnancy management, lab testing, gynecology to IVF clinics</li> </ul>
<b>Siberian business consolidation</b>	<ul style="list-style-type: none"> <li>✓ Platform for consolidation of position in Siberia with AMG and Medica</li> <li>✓ Centralized operational functions like marketing and procurement; reduced advertising costs</li> <li>✓ Introduced experience in running a diversified business and new best practices</li> </ul>
<b>Expansion</b>	<ul style="list-style-type: none"> <li>✓ Basis for future expansion – new wing</li> </ul>

3

KEY COMPETENCIES

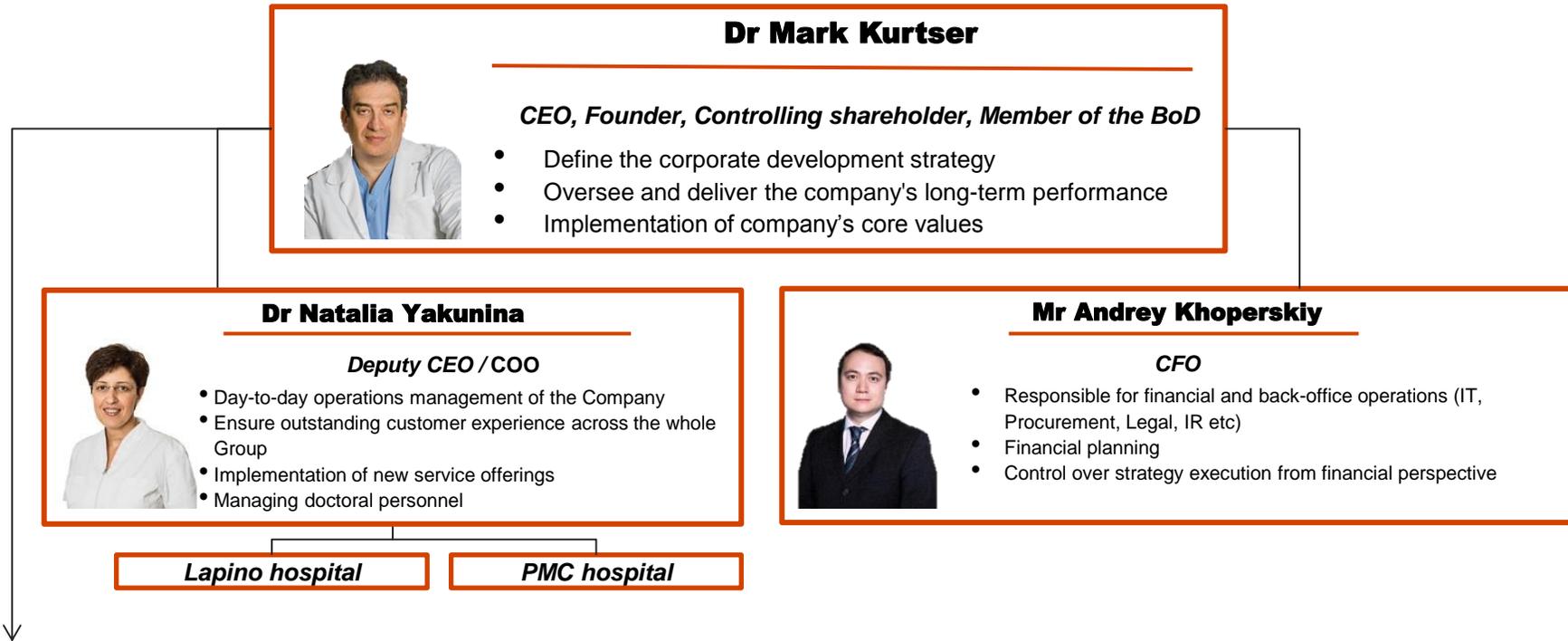


# KEY COMPETENCIES DEVELOPED THROUGH SUCCESSFUL





# EFFECTIVE MANAGEMENT MODEL STREAMLINING DECISION MAKING PROCESS



<b>Regional directors</b>	<b>Assets under management of regional directors</b>							
 <b>Mr Vadim Sigutin</b> Director of Central region	Moscow (5) Clinics	Ryazan Clinic	Kostroma Clinic	St. Petersburg Clinic	Yaroslavl Clinic	Vladimir Clinic		
 <b>Mr Alexander Rayt</b> Director of Siberia region	Novosibirsk Hospital	Omsk Clinic	Novokuznetsk Clinic	Novosibirsk Clinic	Barnaul Clinic	Krasnoyarsk Clinic	Irkutsk Clinic	
 <b>Mr Marat Tugushev</b> Director of Volga region	Samara Hospital under construction	Samara (5) Clinics						
 <b>Dr Alsou Nazyrova</b> Director of Ural region	Ufa Hospital	Ufa Clinic	Perm Clinic	Tyumen Clinic				

## Comments

- Focused matrix management structure combining direct strategy execution with centralized quality control
- Ensures high management standards in the light of rapidly growing assets base
- Complete segregation of the back office functions from patient-related activities enables to deliver the best possible customer experience



# SUPERIOR PROJECT EXECUTION CAPABILITIES

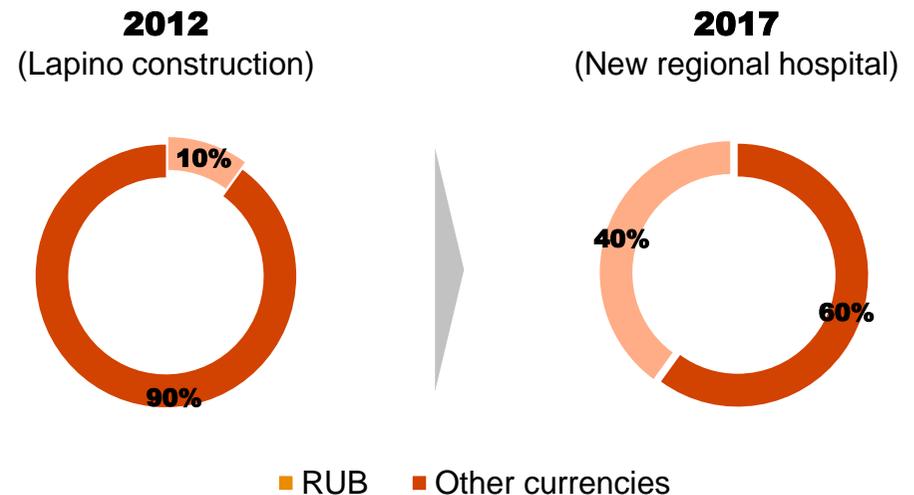
- **Strong execution capabilities proven by successful delivery of recent complex construction projects**
  - Significant experience and competencies gained during construction of Ufa, Lapino and new wing of Novosibirsk hospital
  
- **Established best practices and blueprints for successful execution of growth strategy**
  - Fully dedicated in-house team focused on construction execution – unique approach for the Russian market
  - Execution in the form of turn-key projects with fixed construction terms significantly decreasing risks
  - Large proportion of RUB-denominated construction contracts better aligned with Company’s revenue streams
  - Successful previous experience result in significant decreases in investments required for construction of new hospitals

## Effective delivery of complex construction projects



	Lapino	Ufa	Novosibirsk-2
<b>Construction period</b>	22 months	19 months	15 months
<b>Area (sqm)</b>	42,000	33,000	7,000
<b>Announced completion</b>	Late 2012	Late 2014	Early 2017
<b>Actual completion</b>	November 2012	November 2014	February 2017

## CAPEX currency breakdown





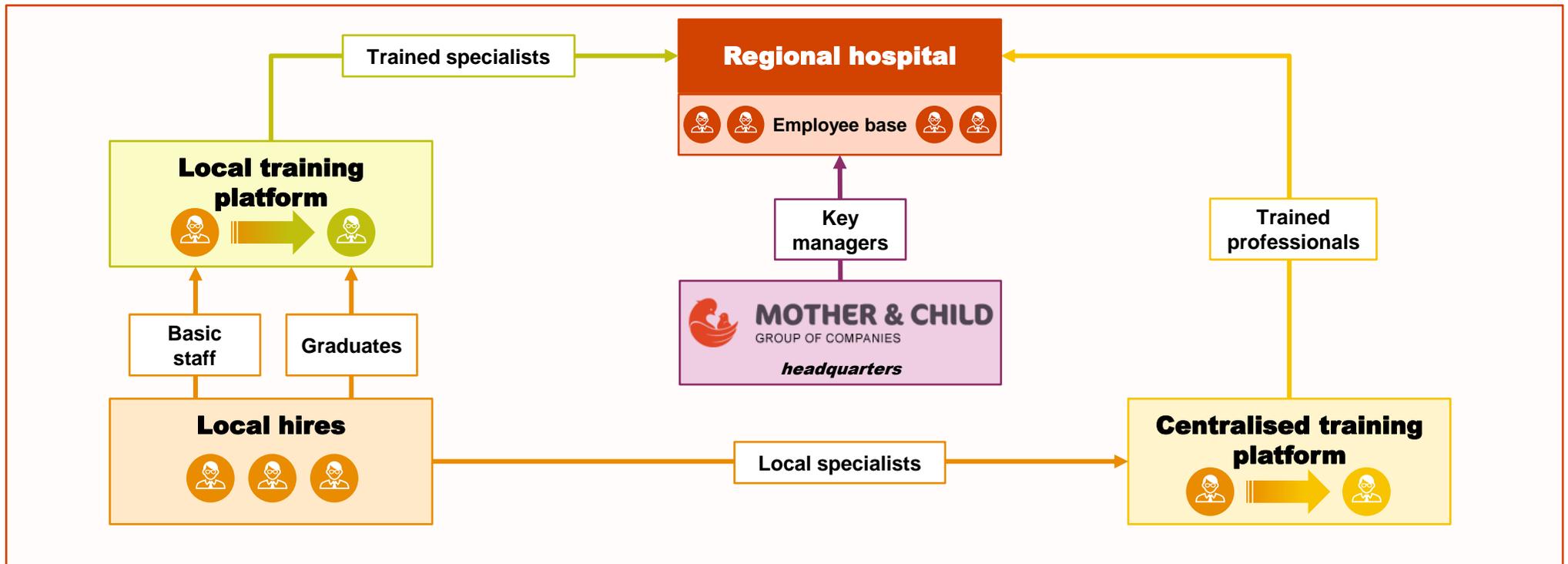
# SOUND MARKETING AND PRICING STRATEGIES FOCUSED ON CREATING LOCAL DEMAND





# COMPREHENSIVE LOCAL HIRING PROCESS UNDERPINNED BY ACCUMULATED CENTRALIZED EXPERTISE

## Sound hiring strategy based on in-house expertise



- Saturated local medical professionals market underpinned by continuous flow of new specialists from regional universities
- Attractive MDMG offering (compensation package), access to expertise eliminating competition
- Senior medical professionals provide direct trainings to newly hired employees
- Active cooperation with TOP local universities

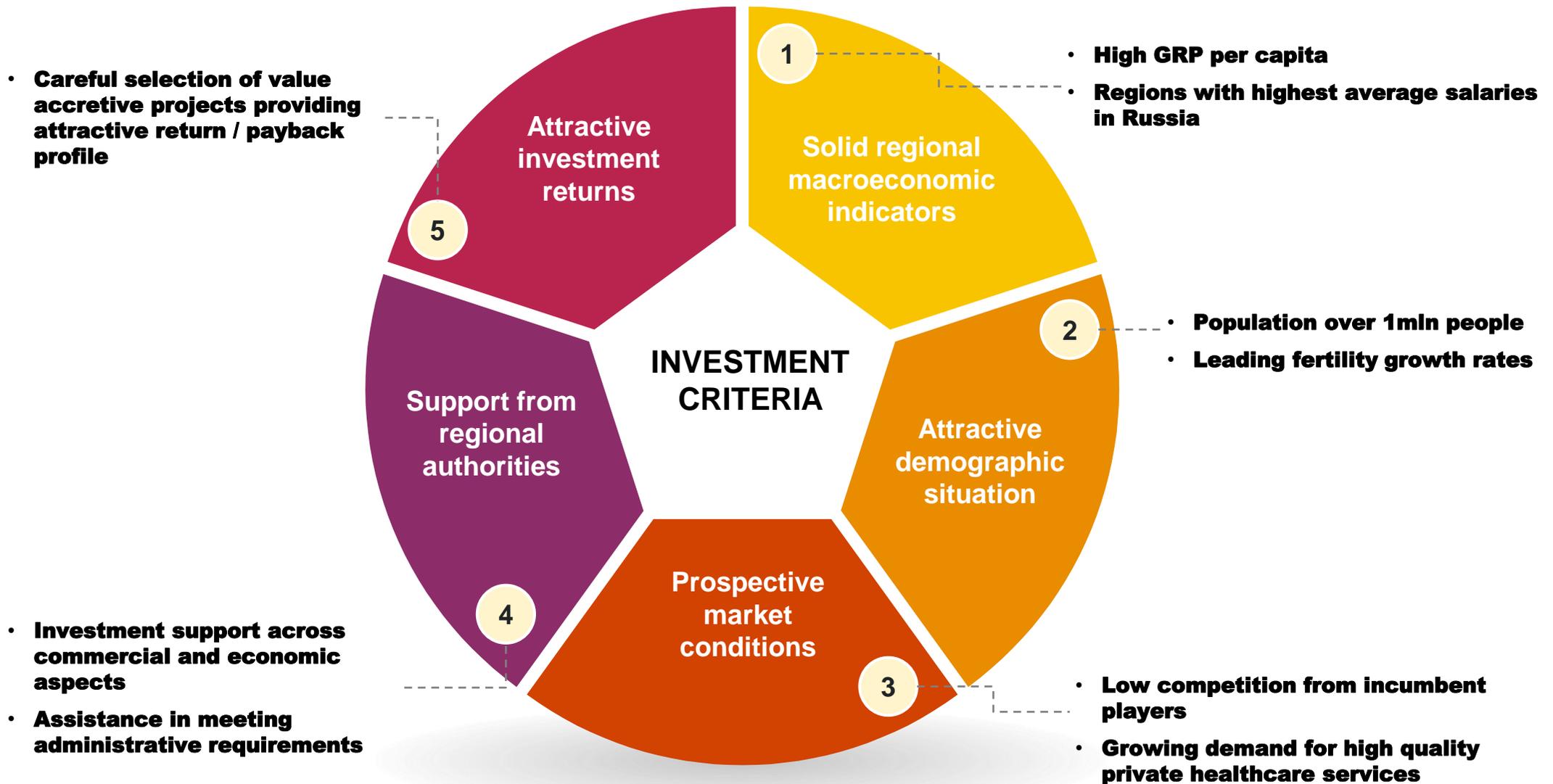
- Moscow-based employees appointed for key management positions at local level (chief doctor, chief anesthesiologist, chief pediatrician)
- Ad hoc additional trainings through career cycle to keep knowledge base up to date

- Specialized and professional training program designed to preserve consistent high level quality of medical services
- Accumulated in-house expertise across the country via employees rotation mechanism
- Secured pool of appointments prior to launch of new hospitals to support ramp-up

4

STRATEGIC EXPANSION

# STRATEGIC EXPANSION: OVERVIEW OF INVESTMENT DECISION-MAKING PROCESS



Rigorous investment approach, allowing to target the most attractive Russian regions

# STRATEGIC EXPANSION: BACKBONE OF THE MID-TERM GROWTH STRATEGY

## Federal expansion plans



**The only established federal player in the Russian market with an ambitious regional expansion plan, with current strategy assuming launch of 10 new hospitals by 2021**

# DEVELOPMENT STRATEGY AND TIMETABLE



## Expansion pipeline by facility<sup>1</sup>

	Short-term				Medium-term				Strategic		7 new clinics
	Novosibirsk	Samara	Tyumen	Lapino-2	Irkutsk	St. Petersburg	Krasnoyarsk	Kazan	Moscow-3	Nizhny Novgorod	
Capex (RUB bn)	1.2	3.0 - 3.5	3.0 - 3.5	3.2	1.5	3.0 - 3.5	1.5	3.0 - 3.5	3.0 - 3.5	3.0 - 3.5	RUB 60 - 70 mln per clinic
Area (sq m)	7,000	15,000	15,000	10,000	7,000	15,000	7,000	15,000	15,000	15,000	500
# of beds <sup>1</sup>	64	164	164	60	45	164	45	164	164	164	# of out-patient treatments: 35,000
Start of construction	Nov'15	Jun'16	Q2'17	Q2'17	2018	2018	2019	Q3'17	2018	2018	-
Launch	Feb'17	Q1'18	Q1'19	Q1'19	2018	2019	2021	2020	2020	2020	2017 - 2019



Note: <sup>1</sup> estimated figures; <sup>2</sup> according to the project

# NEW WING AT NOVOSIBIRSK HOSPITAL

## Building



## Key parameters

<b>Expected launch</b>	February 17, 2017
<b>New wing area</b>	7,000 sqm
<b>New beds</b>	64
<b>Offices</b>	20

## Estimated capacity of new wing<sup>1</sup>

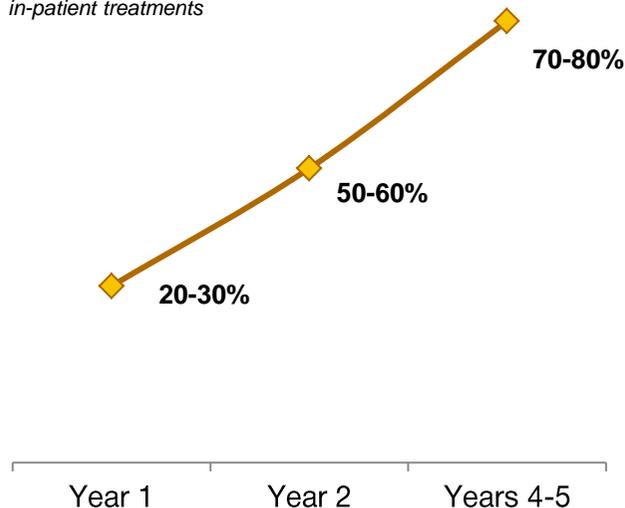
<b>+500</b> deliveries	
<b>+182k</b> out-patient treatments	<b>+19k</b> in-patient days

## Impact of new wing on key metrics

	Before	After <sup>2</sup>	Δ
<b>Area, sqm</b>	3,000	10,000	<b>+233%</b>
<b>Beds</b>	29	93	<b>+221%</b>
<b>Deliveries</b>	540	1,000	<b>+100%</b>
<b>IVF</b>	1,800	1,800	--
<b>In-patient</b>	4,015	22,600	<b>+464%</b>
<b>Out-patient</b>	451,044	632,808	<b>+40%</b>

## Targeted utilization ramp-up

Applicable to deliveries, IVF and in-patient treatments



## Estimated pricing policy<sup>3</sup>

Product	Pricing benchmark
<b>Deliveries</b>	Existing prices c. RUB 180k.
<b>IVF</b>	Existing prices c. RUB 170-180k.
<b>In-patient treatments</b>	Existing prices c. RUB 45-50k.
<b>Out-patient treatments</b>	Moscow hospitals c. RUB 3-4k.

# STANDARDIZED MODEL FOR DEVELOPMENT OF REGIONAL HOSPITALS IN TYUMEN, KAZAN, ST. PETERSBURG



## Well designed prototype

- Target size well suited to cover local demand and effectively reach target utilization rates
- Comprehensive service offering for the entire family
- Adaptable layout and departments structure allowing multidisciplinary utilization of beds
- Ufa / Avicenna expertise to establish demand and attract required personnel

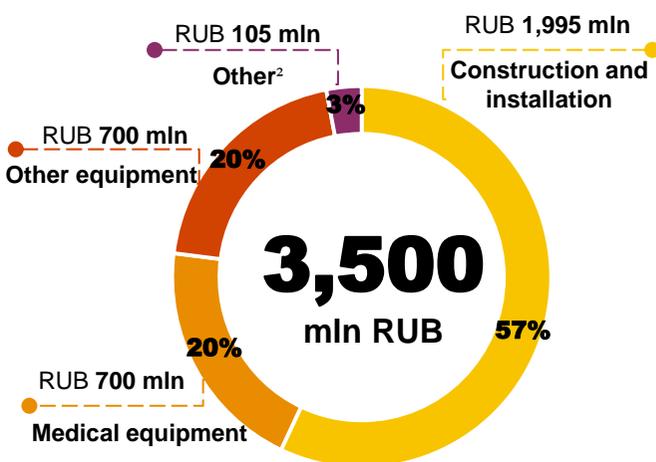
## Key parameters

<b>Roll-out regions (estimated year of construction completion)</b>	Samara (2018) Tyumen (2019) Kazan (2020) St. Petersburg (2020)
<b>Construction timetable</b>	c. 18-20 months
<b>Building area</b>	15,000 sqm
<b>Beds</b>	164
<b>Headcount</b>	c. 450 employees

## Estimated capacity<sup>1</sup>

<b>3,000</b> deliveries	<b>1,200</b> IVF cycles
<b>397k</b> out-patient treatments	<b>29.5k</b> in-patient days

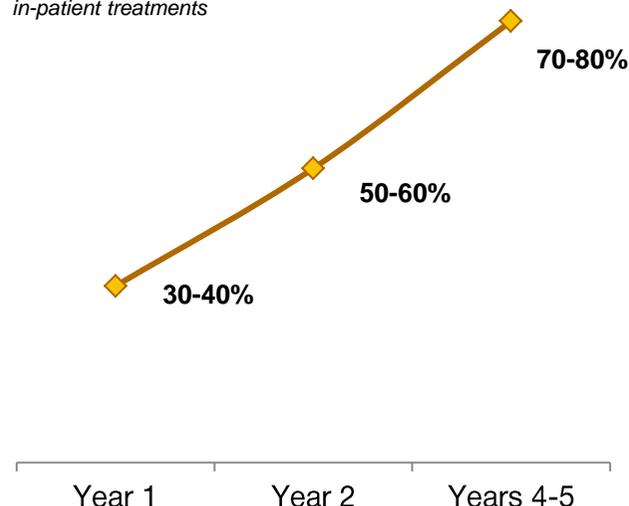
## Estimated capex split



Split: Year 1 = 77% | Year 2 = 13%

## Targeted utilization ramp-up

Applicable to deliveries, IVF and in-patient treatments



## Estimated pricing policy<sup>2</sup>

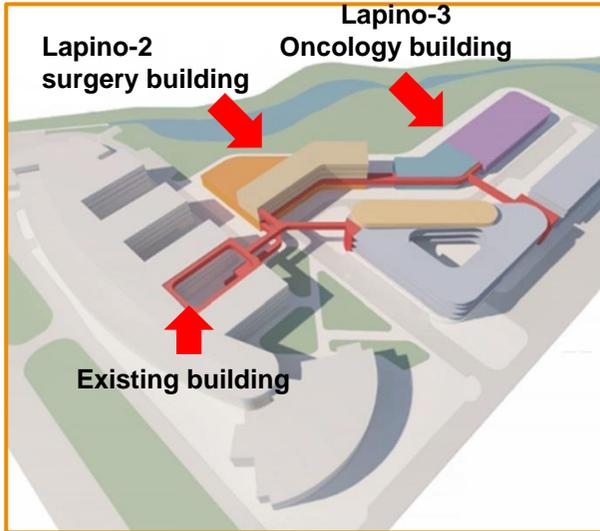
Product	Pricing benchmark
<b>Deliveries</b>	Novosibirsk hospital c. RUB 160-180k
<b>IVF</b>	Moscow hospitals c. RUB 180-210k
<b>In-patient treatments</b>	Novosibirsk hospital c. RUB 45-50k
<b>Out-patient treatments</b>	Novosibirsk hospital c. RUB 3-4k

Note: <sup>1</sup> Rounded numbers according to design project ; <sup>2</sup> Project documentation in the amount of RUB 35 mln and connection to utilities network in the amount of RUB 70 mln; <sup>3</sup> In 2016 terms

# LAPINO-2 NON-OBSTETRIC HOSPITAL PROJECT



## Layout



## Key parameters

<b>Construction timetable</b>	Estimated completion by Q1'19
<b>Building area</b>	12,000 sqm
<b>Beds</b>	60
<b>Out-patient offices</b>	36
<b>Headcount</b>	c. 350 employees

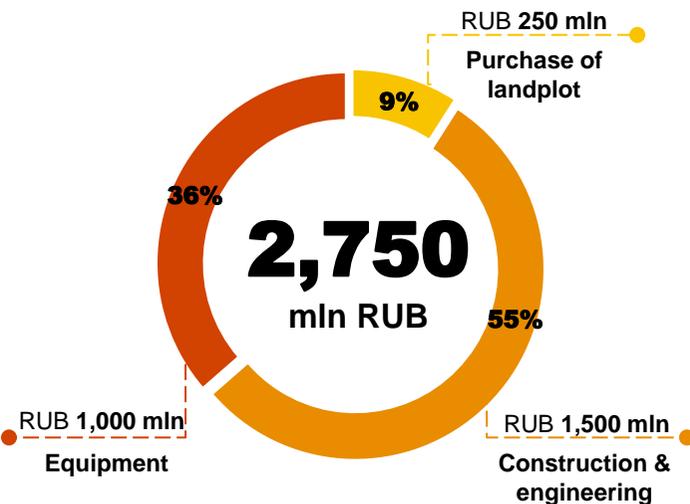
## Estimated capacity of Lapino-2<sup>1</sup>

<b>225k</b> out-patient treatments	<b>22k</b> in-patient days
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## Effect on Lapino-1<sup>1</sup>

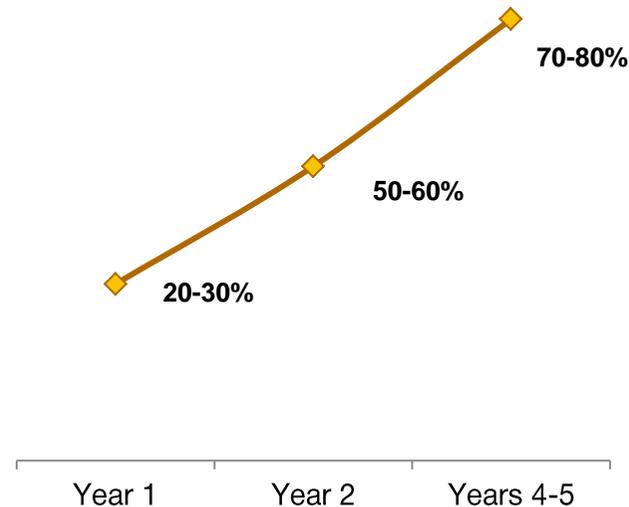
<b>+700</b> deliveries	<b>+22k</b> in-patient days
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## Estimated capex split



## Targeted utilization ramp-up

Applicable to in-patient treatments



## Estimated pricing policy<sup>2</sup>

Product	Pricing benchmark
<b>In-patient treatments</b>	Lapino surgery department c. RUB 90-110k
<b>Out-patient treatments</b>	Lapino hospital c. RUB 5-6k

Note: <sup>1</sup> Rounded numbers according to design project ; <sup>2</sup> In 2016 terms

# IRKUTSK HOSPITAL PROJECT



## Deliveries

- Suitable for reconstruction into a hospital building located in proximity to a city center with all existing infrastructure and large landplot providing opportunity for further expansion
- At the moment, the Company is about to sign a purchase agreement for the building and completing analysis of capex program

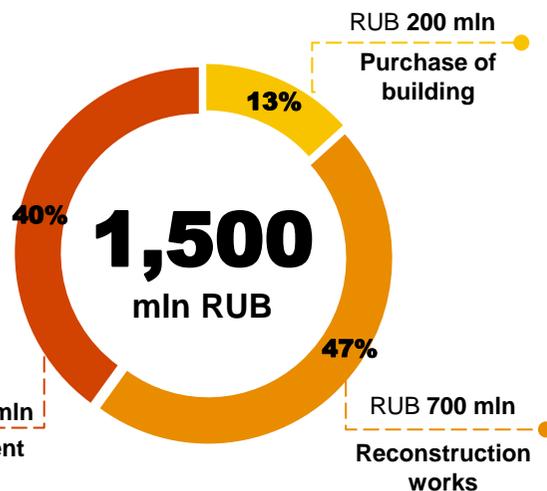
## Key parameters

<b>Construction timetable</b>	Estimated completion by Q4'18
<b>Building area</b>	7,000 sqm
<b>Floors</b>	5
<b>Beds</b>	45

## Estimated capacity<sup>1</sup>

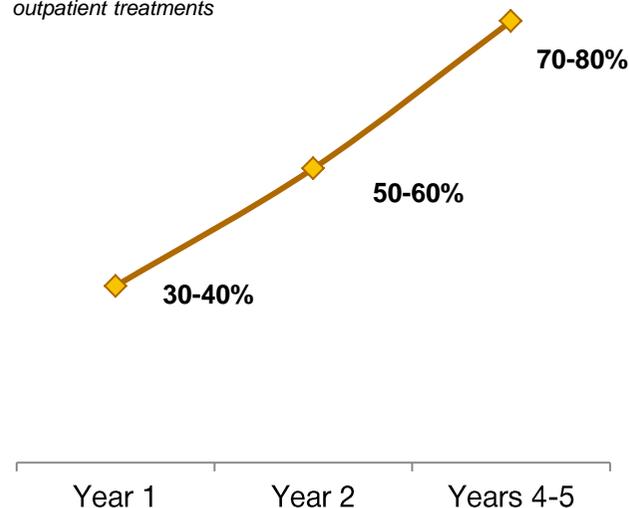
<b>1,100</b> deliveries	<b>800</b> IVF cycles
<b>160k</b> out-patient treatments	<b>11k</b> in-patient days

## Estimated capex split



## Targeted utilization ramp-up

Applicable for inpatient and outpatient treatments

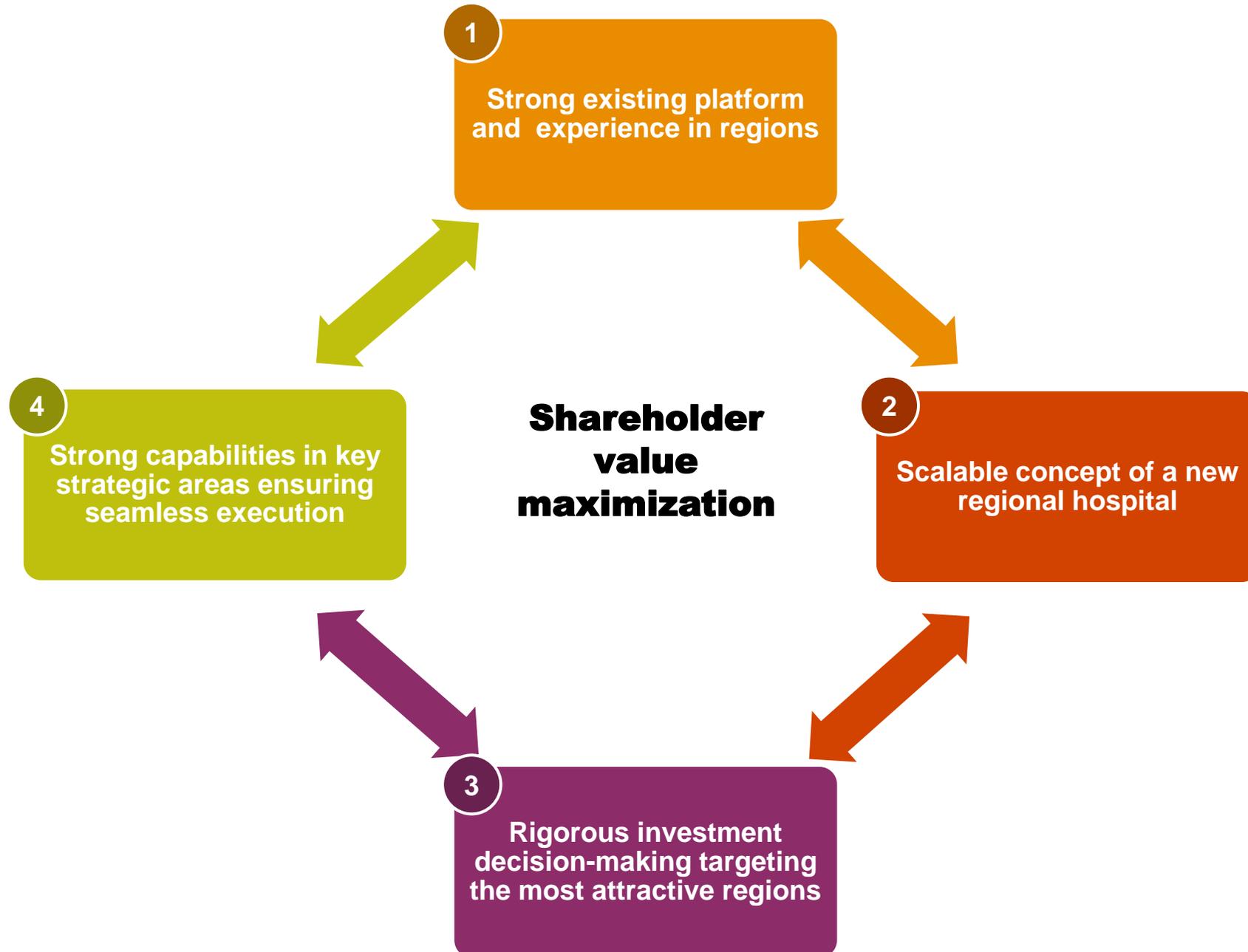


## Estimated pricing policy<sup>2</sup>

Product	Pricing benchmark
<b>Deliveries</b>	Novosibirsk c. RUB 160-170k
<b>IVF</b>	Moscow hospitals c. RUB 180-210k
<b>In-patient treatments</b>	Novosibirsk hospital c. RUB 45-50k
<b>Out-patient treatments</b>	Novosibirsk hospital c. RUB 3-4k

Note: <sup>1</sup> Rounded numbers according to design project ; <sup>2</sup> In 2016 terms

# KEY STRATEGY TAKEAWAYS





# Q&A

