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**MOTHER & CHILD**  
GROUP OF COMPANIES



*Photo: OR1 Integrated operating theatre in Ufa hospital*

MD Medical Group

Deutsche Bank CEEMEA  
Conference

17 January 2018  
London



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## OPERATIONAL RESULTS

# MD MEDICAL GROUP AT A GLANCE

## OVERVIEW

≈ **6,700**  
EMPLOYEES

**30**  
OUT-PATIENT  
CLINICS

**4**  
HOSPITALS

**21**  
CITIES

**18**  
REGIONS

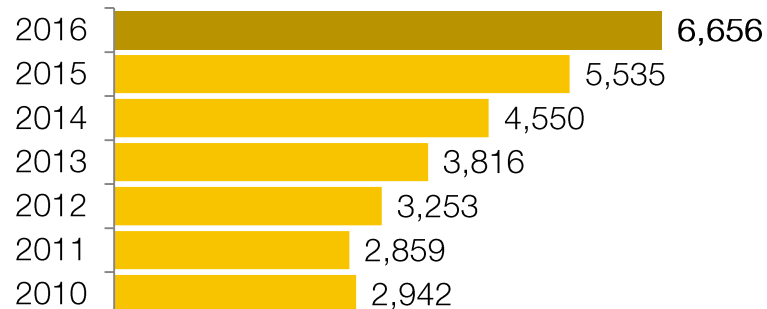


### Highlights

- Russia's leading private healthcare provider
- Network of modern and high-quality healthcare facilities across Russia
- Wide range of medical services including OBGYN, fertility and IVF treatment, paediatrics and other services (surgery, urology, traumatology, dental care, stem cell storage, laboratory testing and radiology diagnostics)
- Highly qualified medical personnel
- State-of-the-art equipment provided by leading international and domestic suppliers

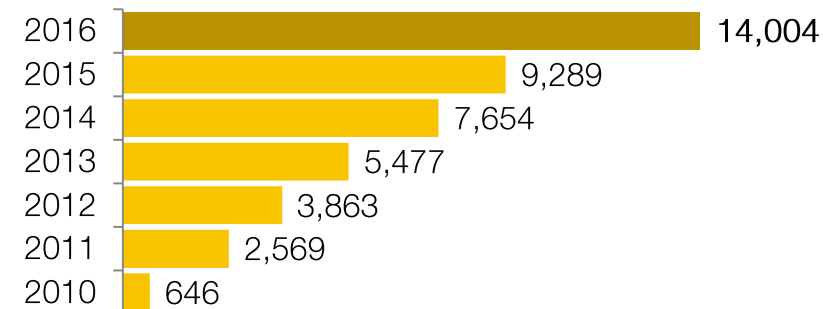
# OPERATIONAL HIGHLIGHTS

## Deliveries



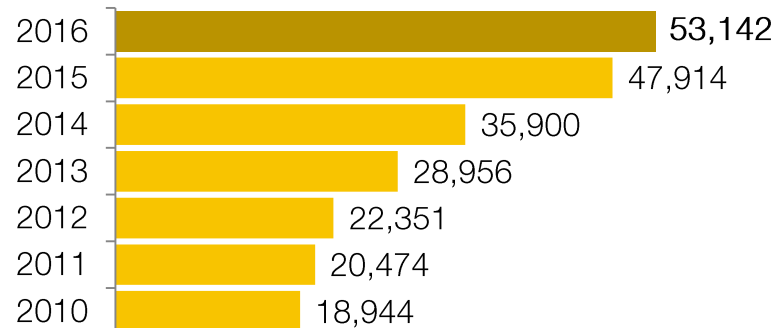
**CAGR 2010-2016**  
**+15%**

## IVF



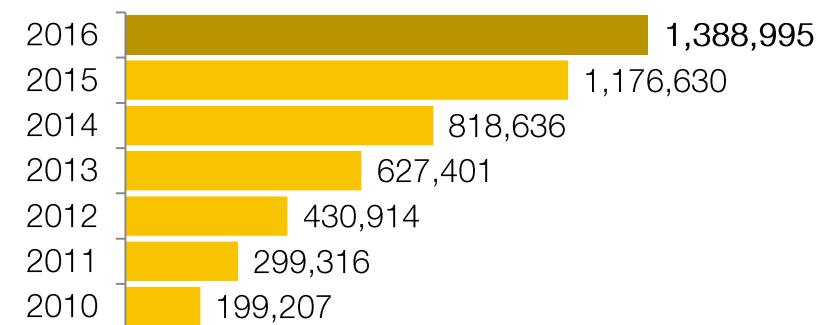
**CAGR 2010-2016**  
**+67%**

## In-patient treatments



**CAGR 2010-2016**  
**+19%**

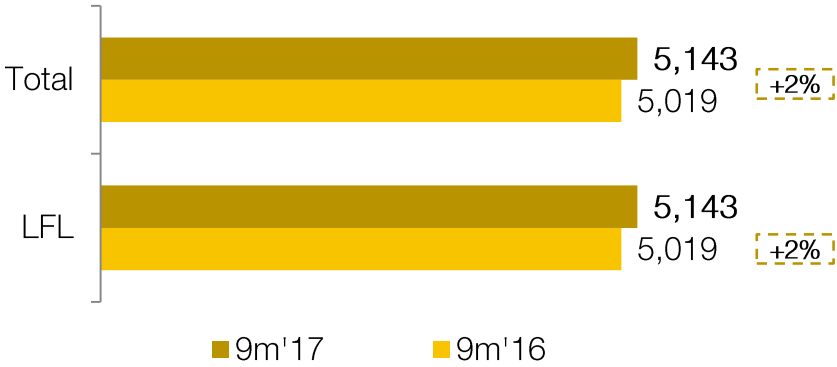
## Out-patient treatments



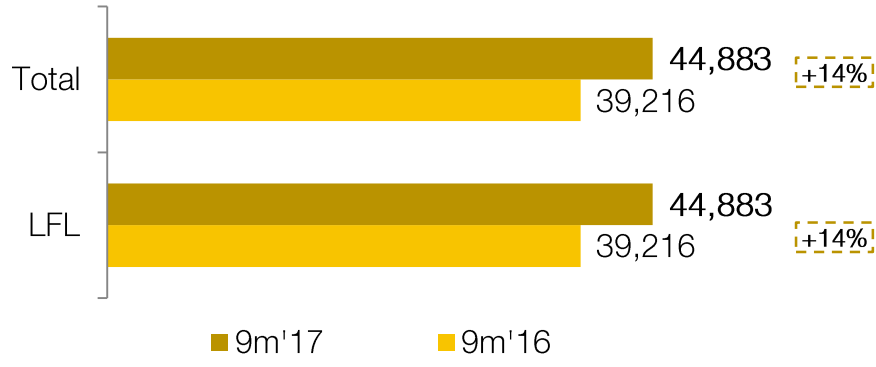
**CAGR 2010-2016**  
**+38%**

# OPERATIONAL RESULTS 9m'17

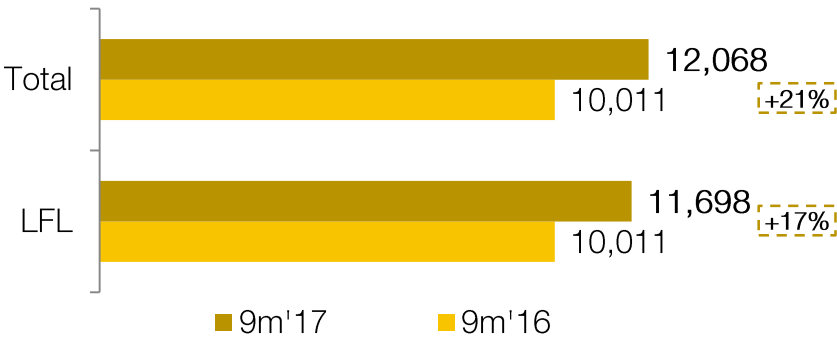
## Deliveries



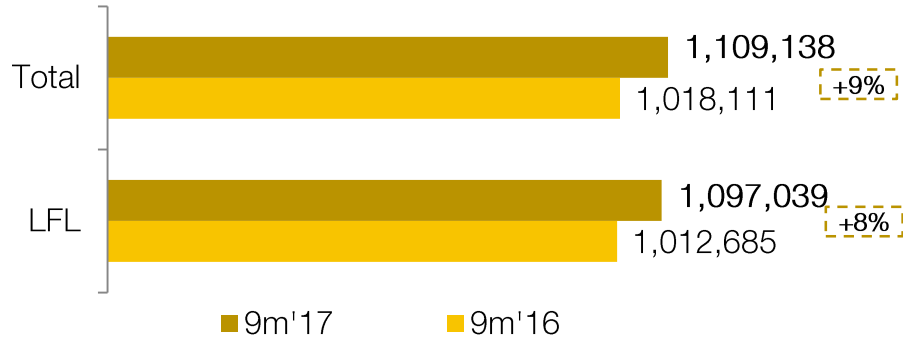
## In-patient treatments



## IVF

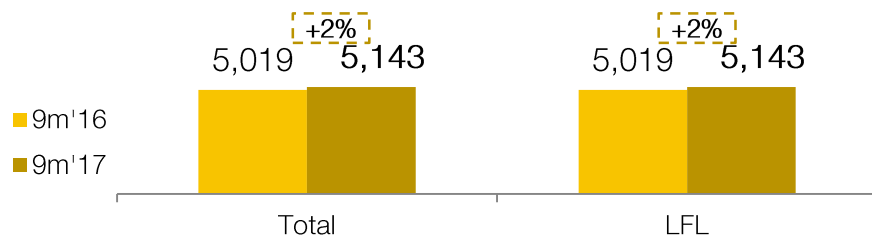


## Out-patient treatments

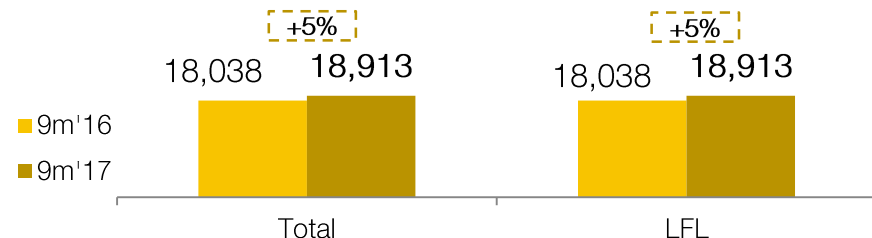


# OPERATING PERFORMANCE 9m'2017

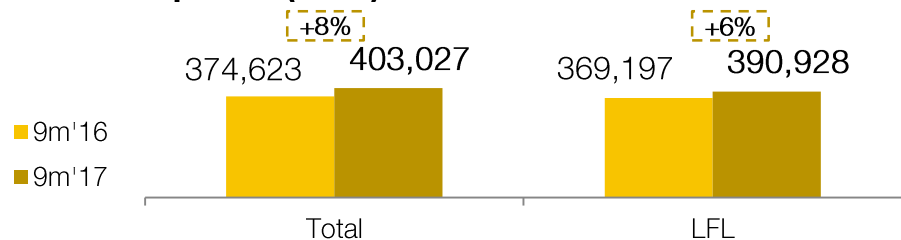
## DELIVERIES



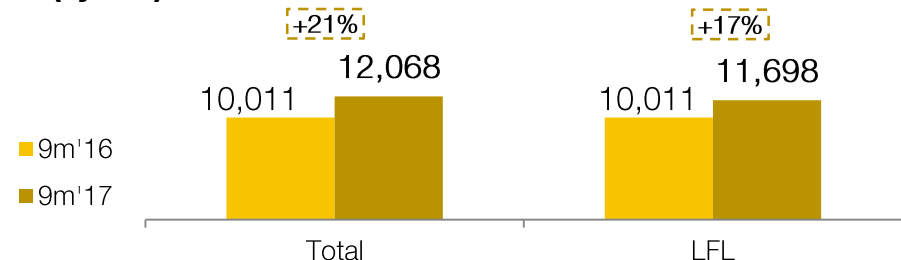
## OBGYN in-patient (patient-days)



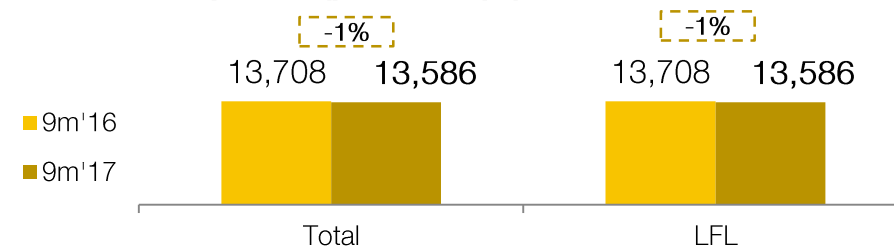
## OBGYN out-patient (visits)



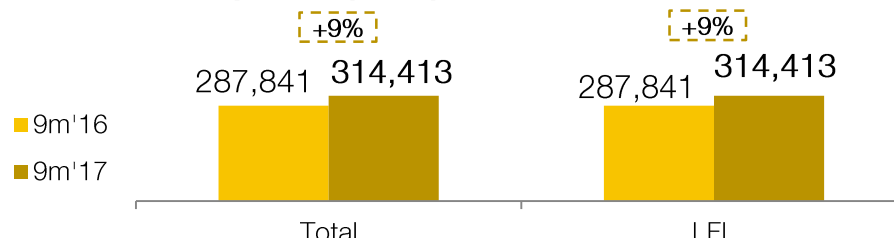
## IVF (cycles)



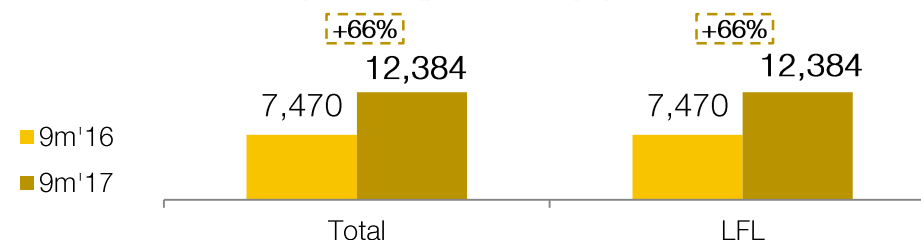
## PAEDIATRICS in-patient (patient-days)



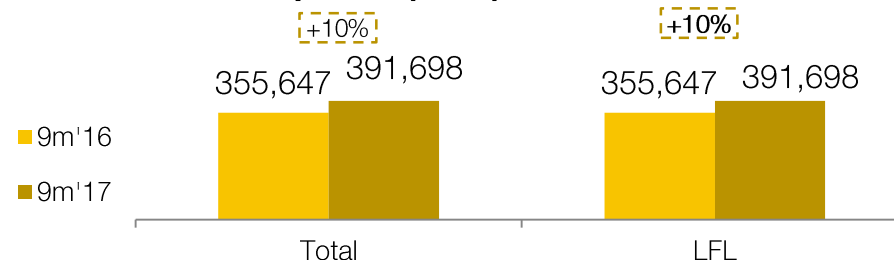
## PAEDIATRICS out-patient (visits)



## OTHER SERVICES in-patient (patient-days)

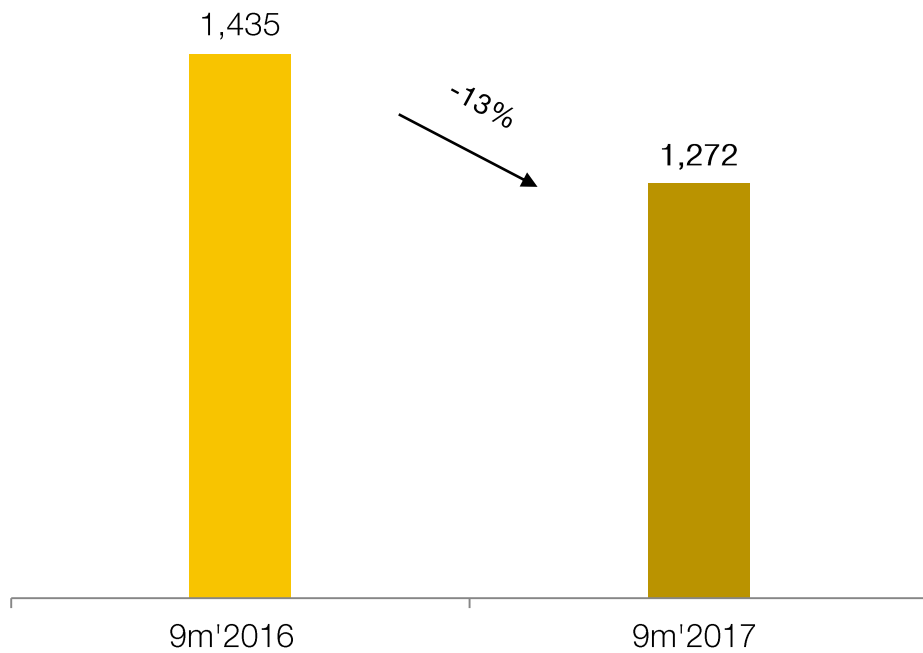


## OTHER SERVICES out-patient (visits)

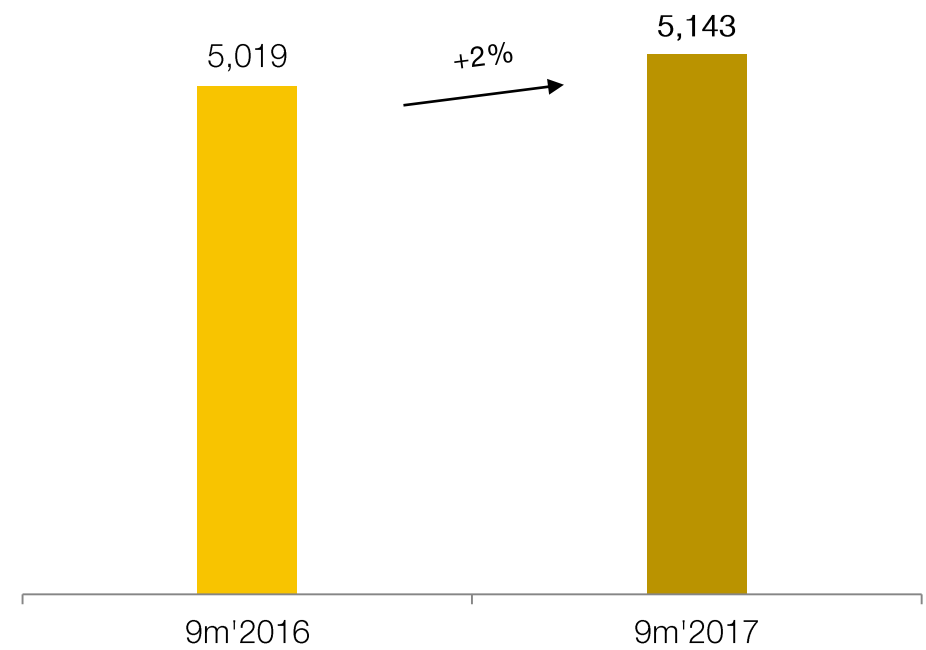


# CONTINUED GROWTH DESPITE DOWNWARD DEMOGRAPHIC TRENDS...

## Newborns in Russia, tsnd of children



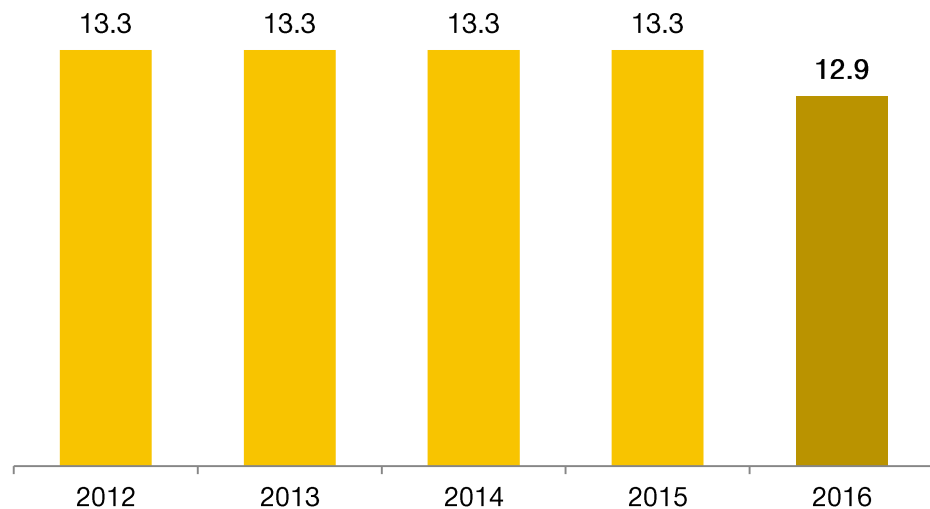
## Deliveries at MDMG





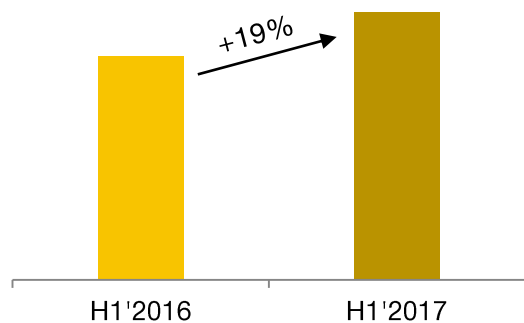
## ... AND MITIGATING IMPACT FROM FERTILITY DROP

Fertility in Russia (number of births per 1000 population)

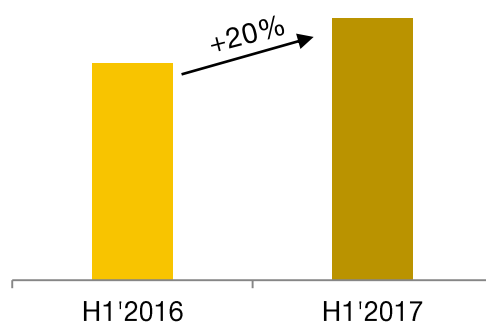


The Company is successfully diversifying its service offering with “other medical services” increasing by RUB 336 mln  
27% y-o-y (H1'2016/H1'2017)

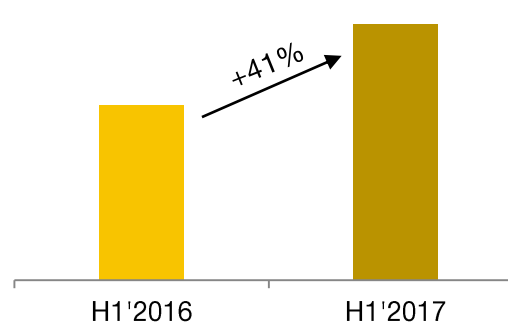
Revenue: Diagnostical center



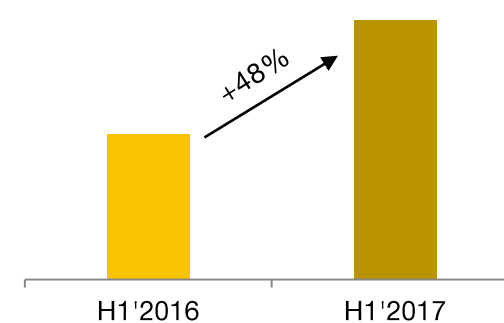
Revenue: traumatology in-patient



Revenue: surgery



Revenue: plastic surgery in-patient



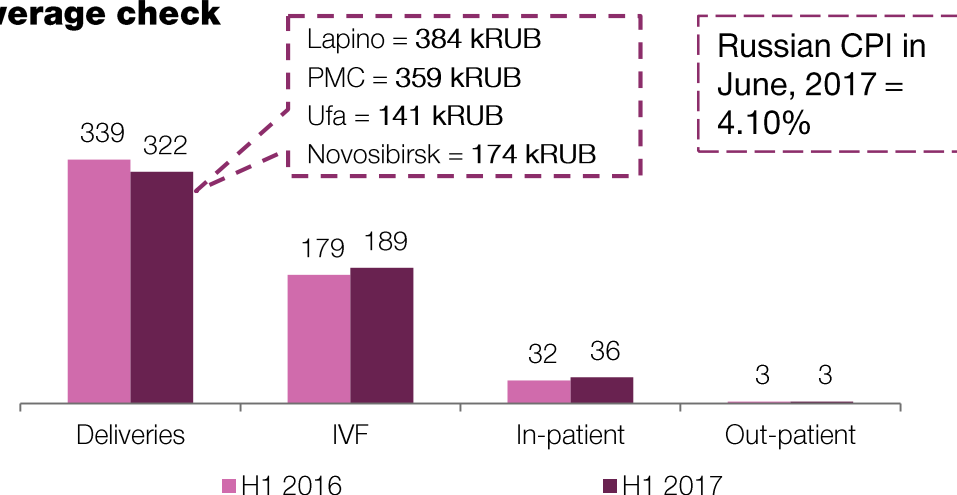
# 2

## FINANCIAL RESULTS ANALYSIS FOR H1 2017

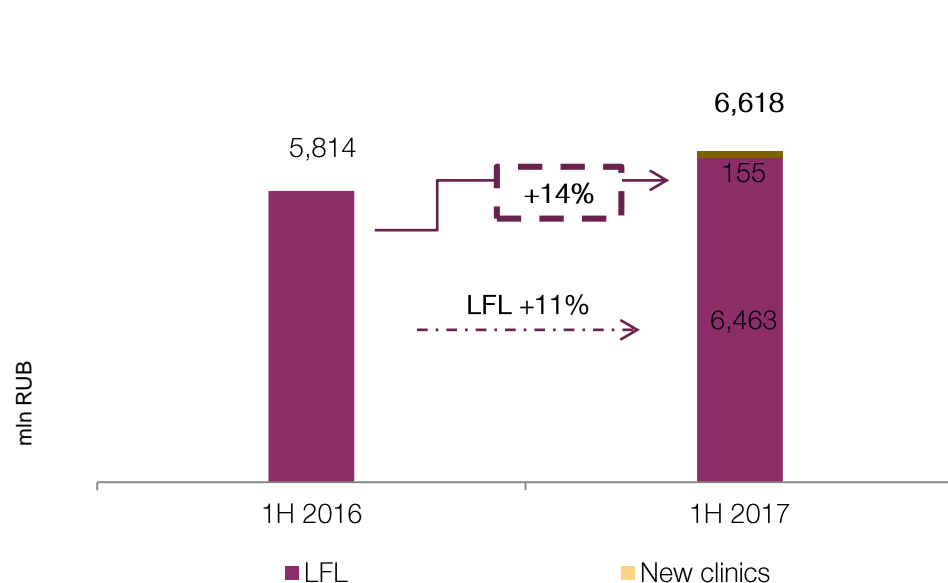
# KEY FINANCIAL INDICATORS FOR H1'17

- The Company increased its revenue and EBITDA in H1'17 by 14% both vs. H1'16
- EBITDA margin was at a sustainable level of 29%
- LFL revenue and EBITDA grew by 11% and 12%, respectively
- Average check change year-on-year:
  - +5% - IVF
  - -5% - deliveries. Decrease of average checks is related to growing share of regional business, no price increase in H1'17 and slight decrease of average checks in Moscow hospitals due to different mix of doctors group contracts.
  - +13% - in-patient treatments
  - +1% - out-patient treatments

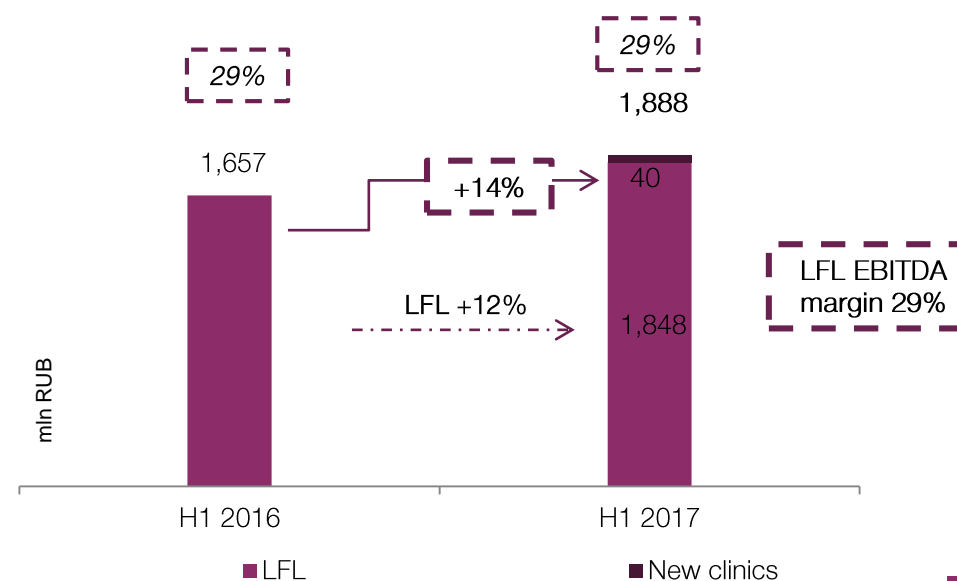
## Average check



## Revenue



## EBITDA & EBITDA margin

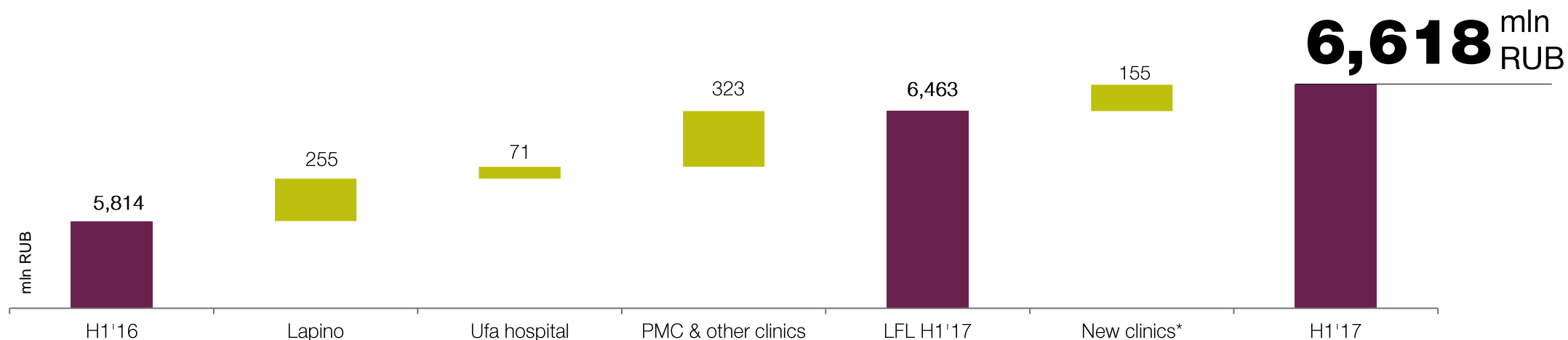


# REVENUE BRIDGE ANALYSIS

## Revenue increased 14% y-o-y to RUB 6,618 mln

- LFL revenue increased 11% or by RUB 649 mln:
  - For the 5<sup>th</sup> year in a row Lapino continues to be the largest sole contributor to LFL revenue increase, adding RUB 255 mln or 4% to Group revenue
  - Other Group's clinics contributed an additional 5% or RUB 323 mln. Approximately one third of which came from the new hospital in Novosibirsk. AMG clinics in Siberia (M&A in 2016) made a significant improvement in their results as well.
  - Ufa hospital continued to improve its performance and generated an extra RUB 71 mln
- New clinics added RUB 155 mln mostly generated by M&C Khodynskoye pole (Moscow)

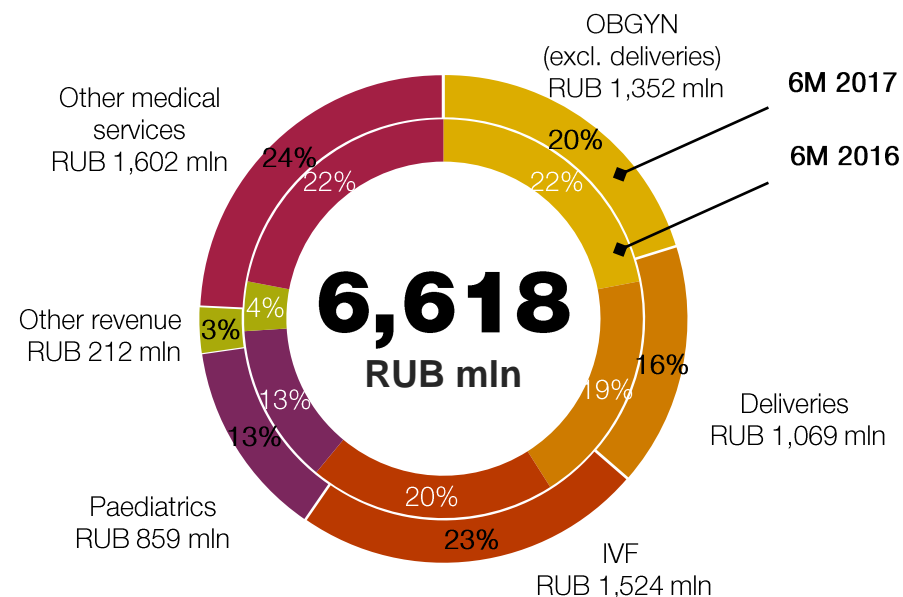
## Revenue bridge H1 2017 vs H1 2016



# REVENUE STRUCTURE

- Most of the top-line growth was ensured by:
  - IVF which grew by RUB 349 mln, 30% y-o-y
  - Other Medical Services' revenue grew by RUB 336 mln, 27% y-o-y
  - Paediatrics increased by RUB 96 mln, 13% y-o-y
- Key services of the Group amount to 73% of the revenue
- Share of the regional business remained at 34% of total revenue of the Group

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, RUB mln

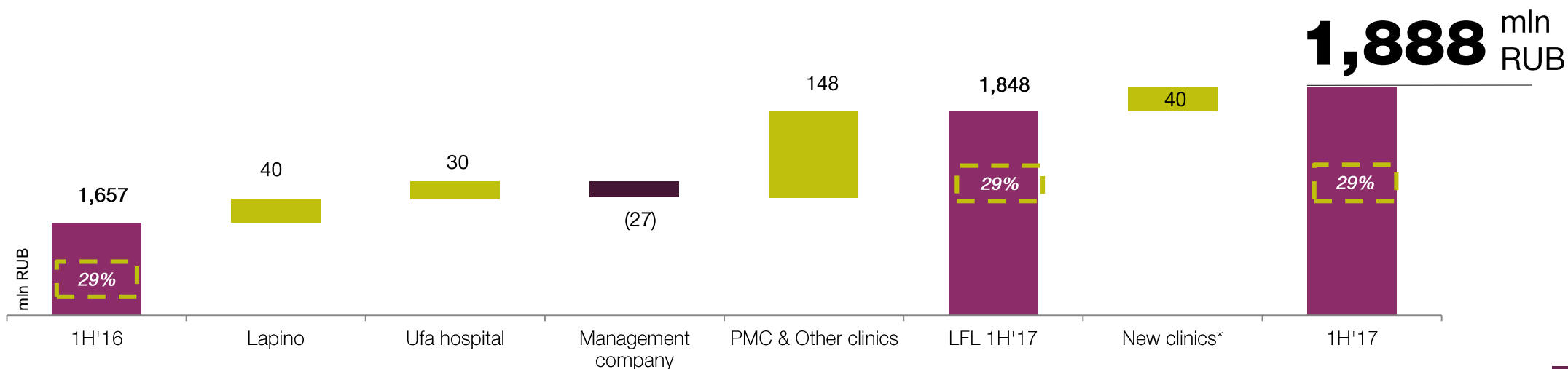
H1 2016	H1 2017	Change, %	Type of revenue	LFL H1 2016	LFL H1 2017	Change, %
1,175	1,524	30% ↑	IVF	1,175	1,432	22% ↑
1,301	1,352	4% ↑	OBGYN (excl. deliveries)	1,301	1,302	0%
1,086	1,069	-2% ↓	Deliveries	1,086	1,069	-2% ↓
763	859	13% ↑	Paediatrics	763	859	13% ↑
1,265	1,602	27% ↑	Other medical services	1,265	1,592	26% ↑
225	212	-6% ↓	Other revenue	225	209	-7% ↓
5,814	6,618	14%		5,814	6,463	11%

# EBITDA BRIDGE ANALYSIS

EBITDA increased 14% y-o-y to RUB 1,888 mln with a sustainable strong margin of 29%

- LFL EBITDA grew by 12% or by RUB 234 mln and amounted to RUB 1,848 mln. LFL EBITDA margin was 29%.
- Key drivers of like-for-like growth:
  - Lapino added RUB 40 mln
  - Ufa hospital added RUB 30 mln
  - PMC and other existing clinics added RUB 148 mln
- Management company expenses increased by RUB 27 mln y-o-y

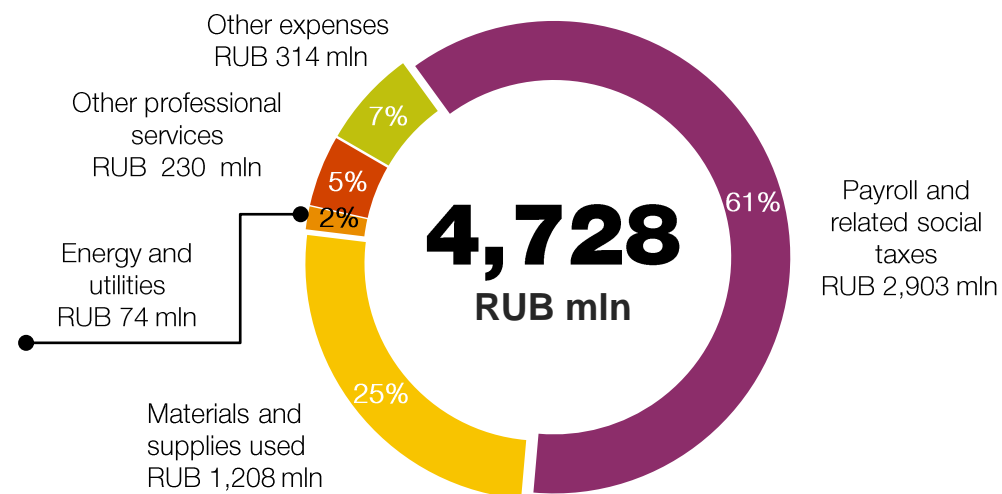
## EBITDA bridge H1 2017 vs H1 2016



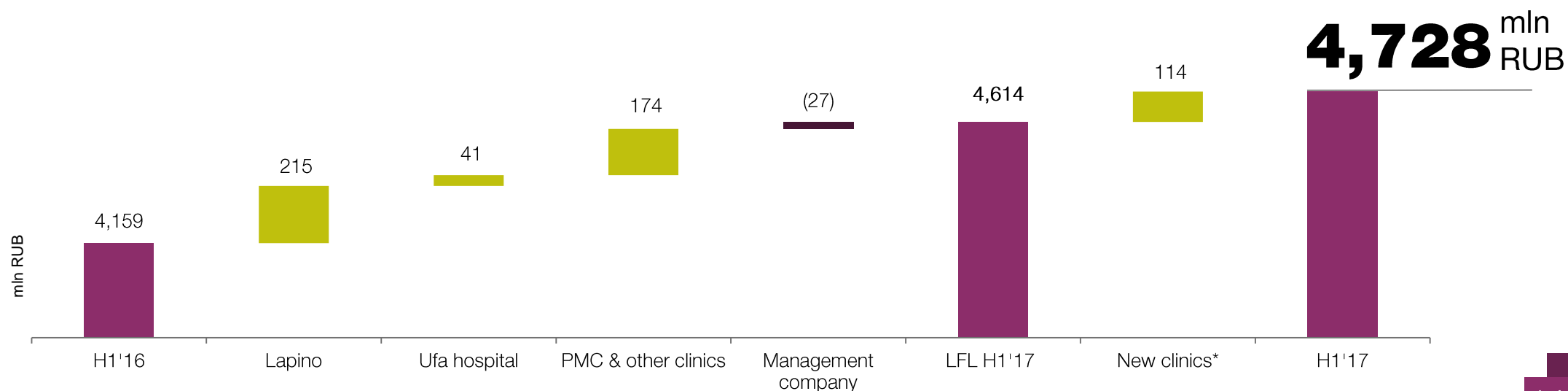
# OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) for H1'17 grew up by 14% vs. corresponding period of last year and amounted to RUB 4,728 mln
- LFL OPEX (excl. D&A) increased 11% y-o-y and amounted to RUB 4,614 mln
- The largest contributors to OPEX growth were Lapino, Ufa and Novosibirsk hospitals with an increase in the number of patients
- Management company added extra RUB 27 mln mostly due to one-off consulting services

## OPEX structure

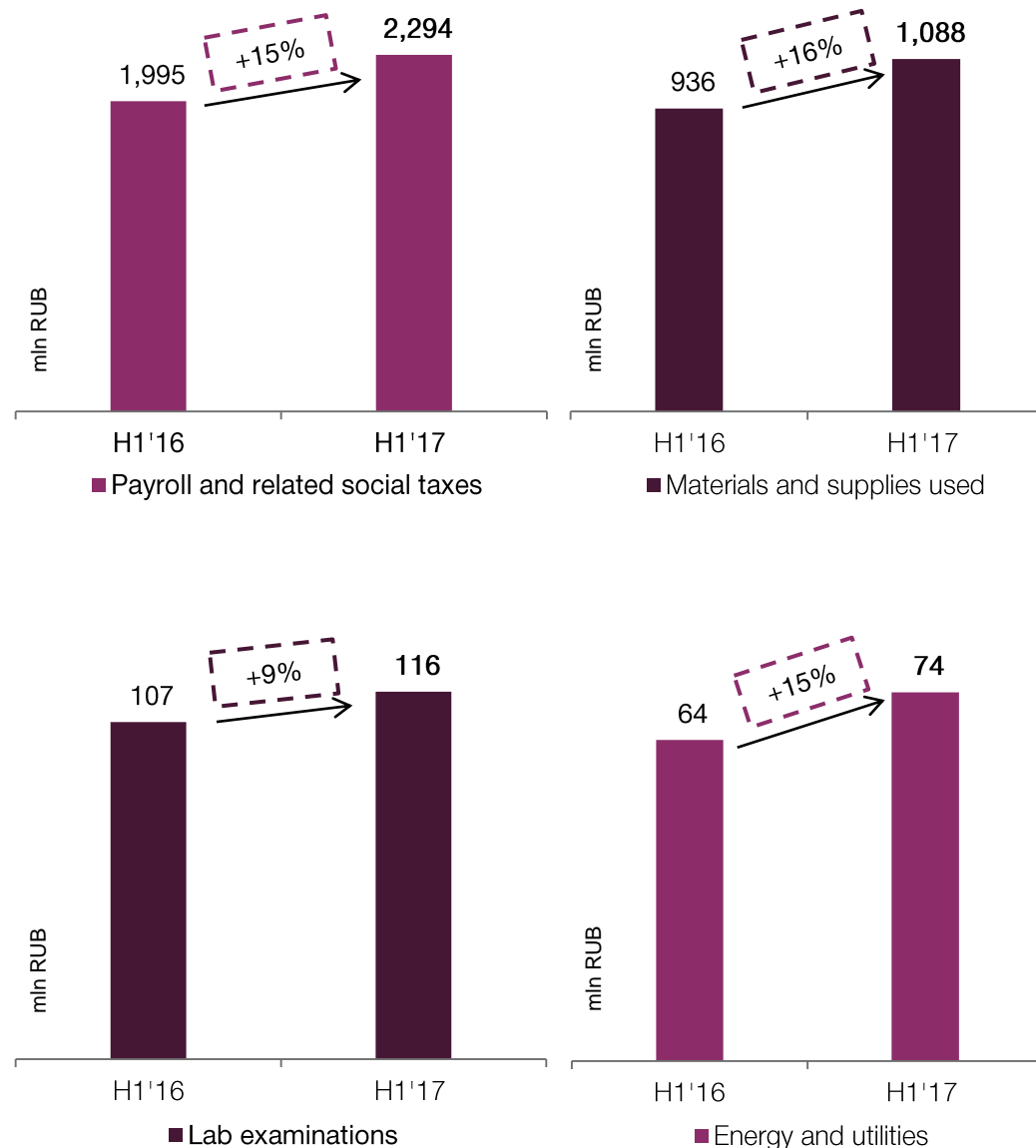


## OPEX (excl. D&A) bridge analysis



# COST OF SALES, EXCL. D&A

## CoS comparison



- CoS (ex. D&A) amounted to RUB 3,752 mln (+16% y-o-y)
- LFL CoS growth was 13% and amounted to RUB 3,048 mln
- The following costs rose mainly due to the increased utilisation of Lapino and Ufa hospitals, as well as the opening of a new hospital in Novosibirsk:
  - Payroll costs amounted to RUB 2,294 mln, growing by 16% vs. H1'16.
  - Materials and supplies grew up 16% and reached RUB 1,088 mln on the back of a growing share in IVF's volumes and revenue which is a material intensive service
  - Energy & utilities grew by 15% y-o-y up to RUB 74 mln
- Laboratory test expenses increased 9% y-o-y

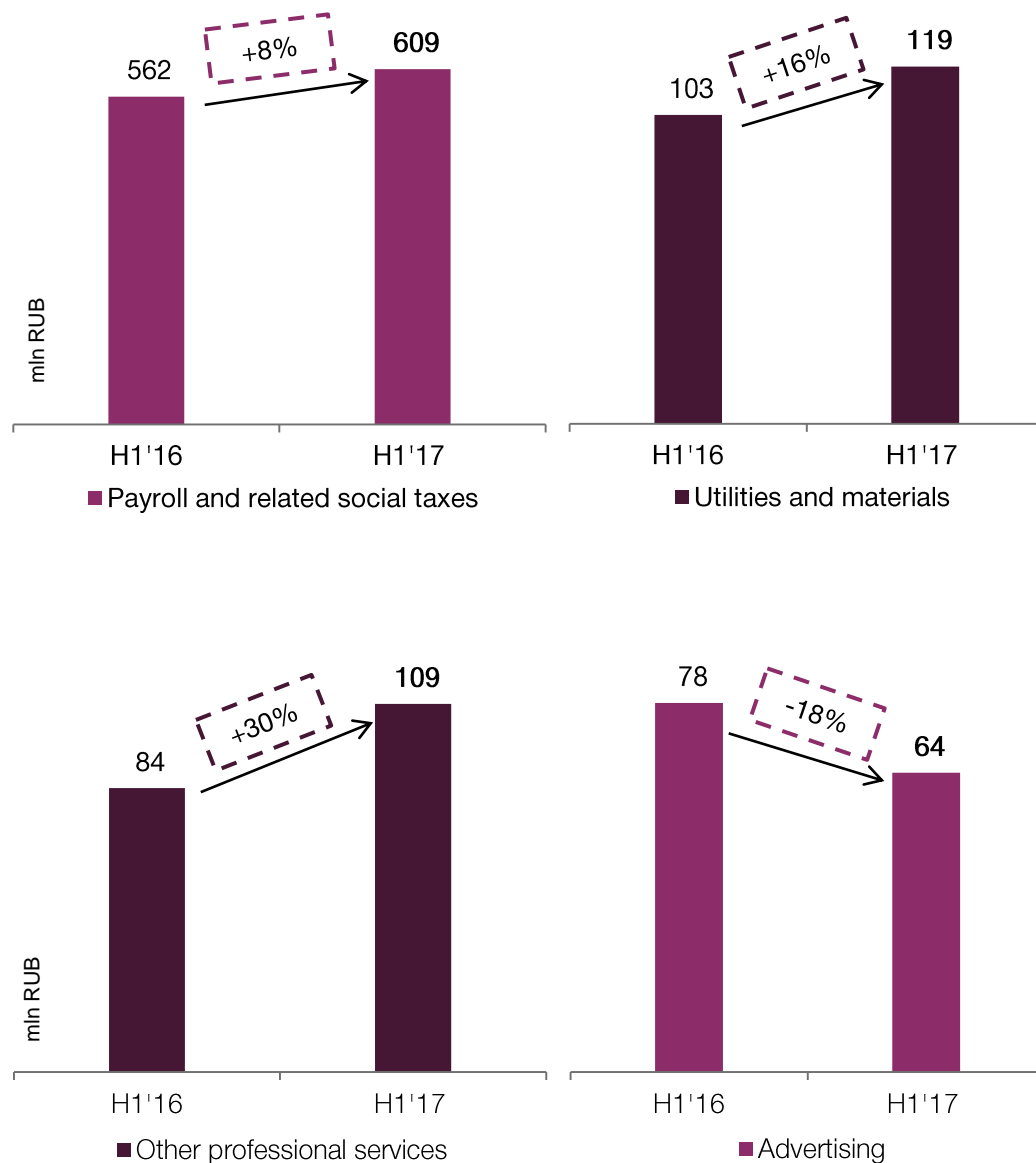
## Revenue and CoS, RUB mln

Indicator	H1'17	H1'16	Change y-o-y, %
LFL Revenue	6,463	5,814	+12%
LFL CoS (ex.D&A)	3,663	3,240	+13%
Revenue	6,618	5,814	+14%
CoS (ex. D&A)	3,752	3,240	+16%



# G&A, EXCL. D&A

## G&A comparison



- G&A (excl. D&A) expenses grew up by 7% y-o-y to RUB 977 mln while revenue increased by 14% y-o-y
- LFL G&A (excl. D&A) increased 3% up to RUB 939 mln vs. LFL revenue growth of 11%
- The following expenses increased y-o-y mostly due to different specific reasons different for every line:
  - Payroll expenses (including social tax expenses) increased by 8% and amounted to RUB 609 mln
  - Utilities and materials grew up by RUB 16 mln y-o-y or 16%
- Other professional services grew by 30% y-o-y or by RUB 25 mln
- Advertising expenses went down by 18% y-o-y up to RUB 64 mln mostly due to the optimisation of marketing expenses

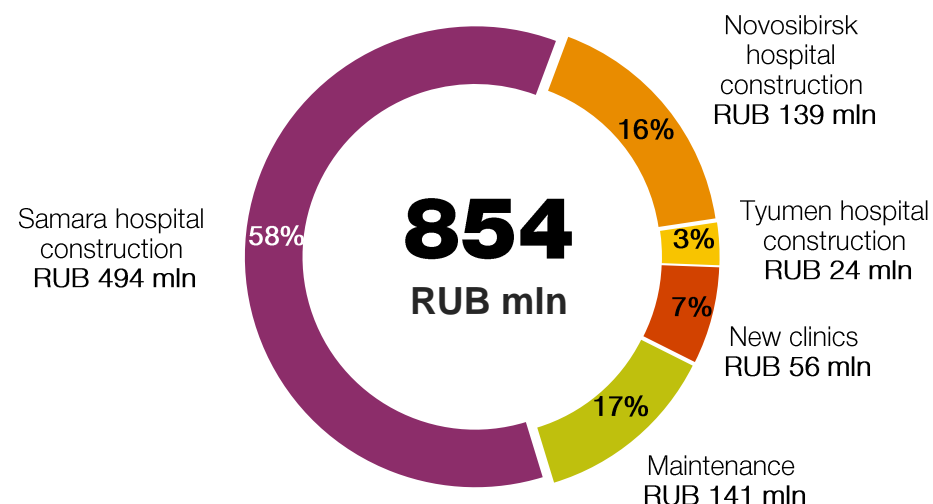
## Revenue and G&A, RUB mln

Indicator	H1'17	H1'16	Change y-o-y, %
LFL Revenue	6,463	5,814	+12%
LFL G&A(ex.D&A)	939	913	+3%
Revenue	6,618	5,814	+14%
G&A (ex. D&A)	977	913	+7%

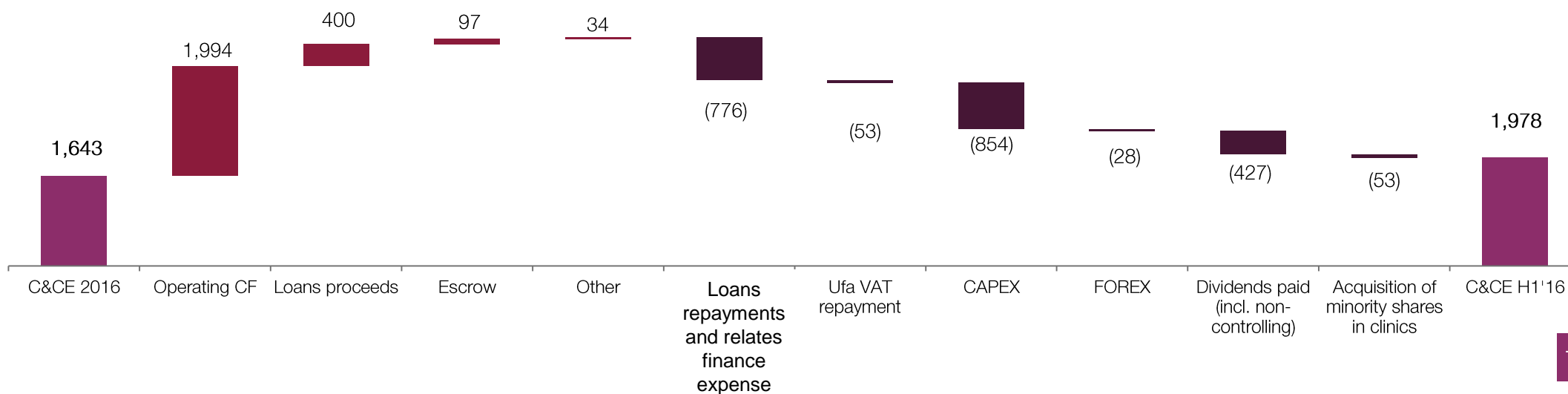
# CAPEX & CASH FLOW

- Group had solid liquidity position with RUB 1,978mln in cash & cash equivalents as of June 30, 2017
- OCF amounted to RUB 1,994 mln and increased 12% vs. H1'16
- CAPEX cash outflow amounted to RUB 854 mln and was mostly related to construction of a new hospital in Samara and maintenance. Part of CAPEX spending related to Tyumen and Samara hospitals construction are postponed to 2018
- Proceeds from escrow agent in amount of RUB 97 mln are related to M&A deal
- Redemption of bank loans and related finance expenses amounted to RUB 776 mln and RUB 53 mln were spent on Ufa VAT repayment

## CAPEX structure, incl. M&A



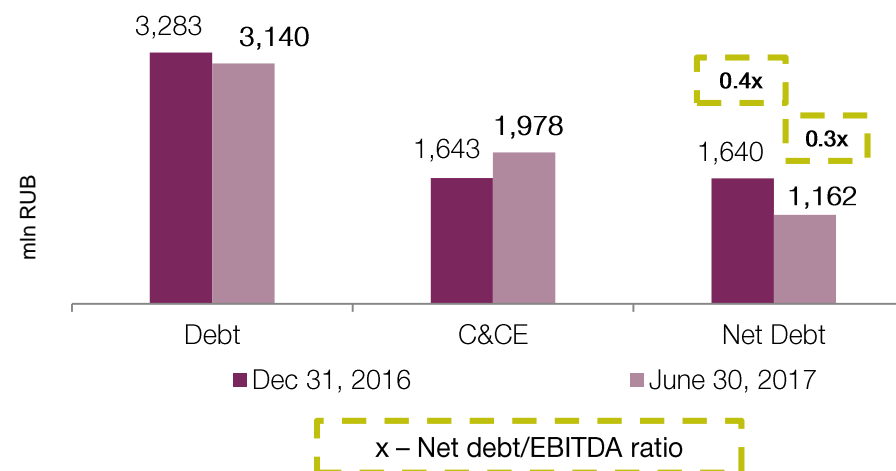
## Cash Flow waterfall



# WORKING CAPITAL AND NET DEBT

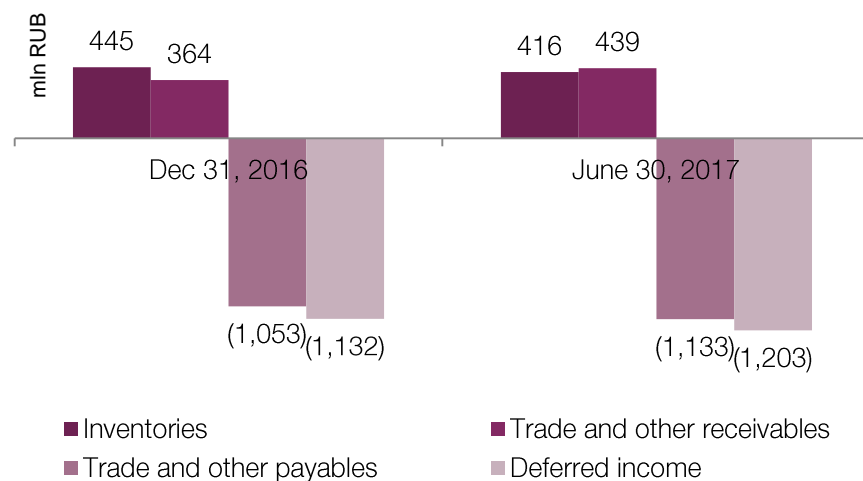
- The Group's debt decreased by 4% year-to-date to RUB 3,140 mln
- The Company's cash & cash equivalents grew up by 20% and amounted to RUB 1,978 mln
- The net debt position as of June 30, 2017 was RUB 1,162 mln with net debt to EBITDA ratio of 0.3x
- The company works with negative working capital as a source of additional financing. Working capital decreased 8% to RUB (1,481) mln from the beginning of the year

## Debt

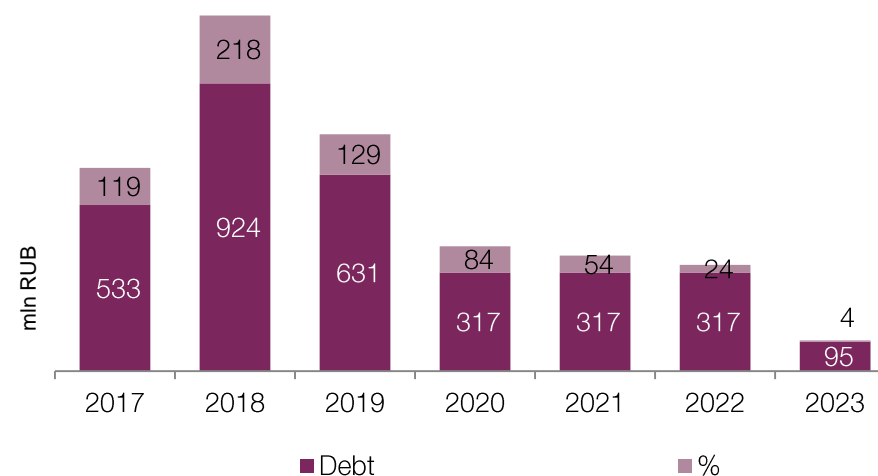


## Net working capital

2016 = (1,376) mln RUB    June 30, 2017 = (1,481) mln RUB



## Debt repayment schedule

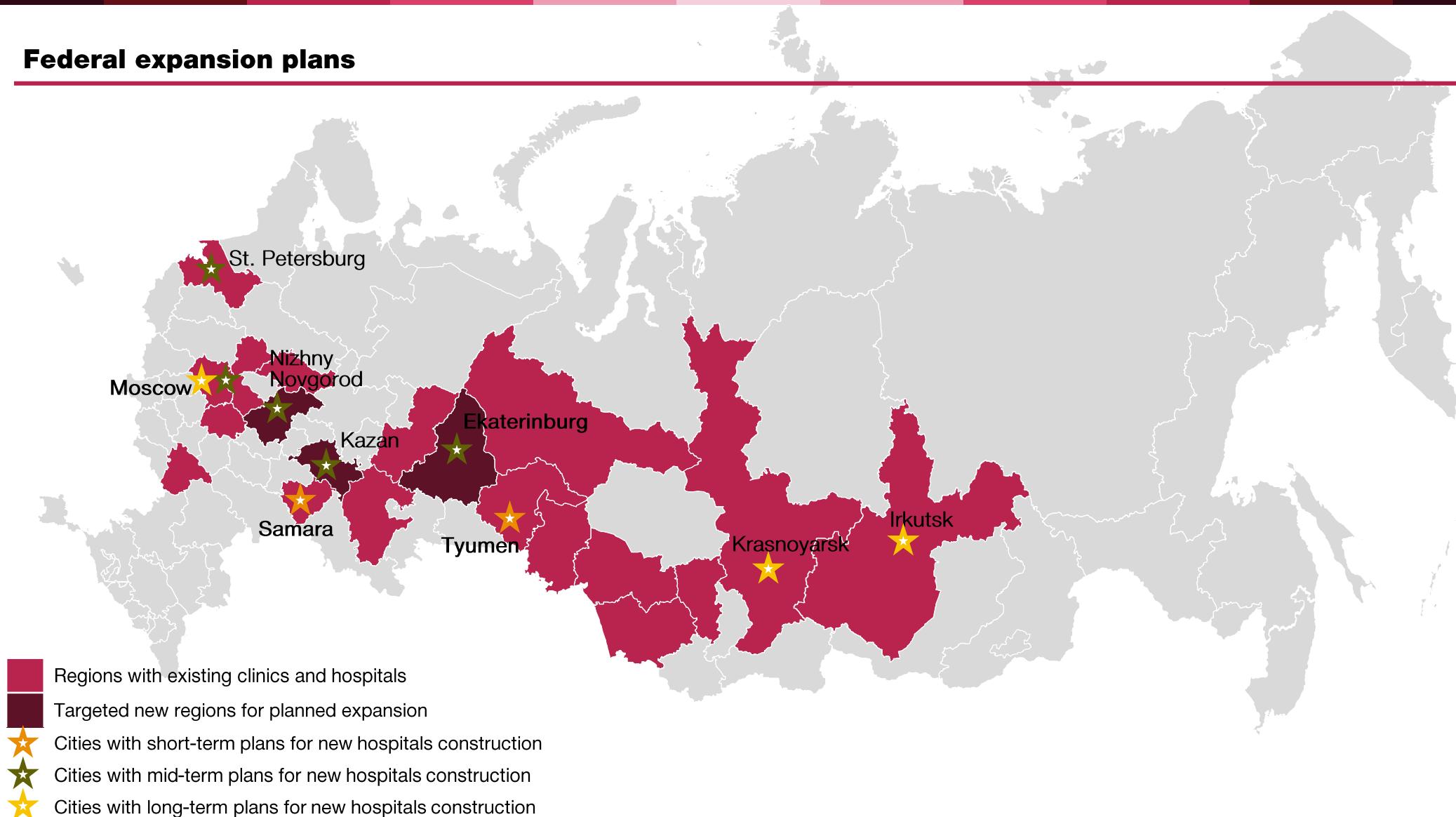


3

OUR STRATEGY

# REGIONAL EXPANSION: BACKBONE OF OUR 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 9 new hospitals by 2021**

# STATUS OF HOSPITAL PROJECTS

	CURRENT		PROJECTS IN DEVELOPMENT							
	Samara	Tyumen	Lapino-2	Kazan	Nizhny Novgorod	Ekaterinburg	St. Petersburg	Moscow - 3	Krasnoyarsk	Irkutsk
Obtaining land for construction										N/A
Building permits										N/A
Preporation of the designing documentation										
Construction										
Equipment										
Launch	Q1'18									



# STANDARDIZED MODEL FOR DEVELOPMENT OF REGIONAL HOSPITALS

## 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 serves to establish demand and hire required personnel

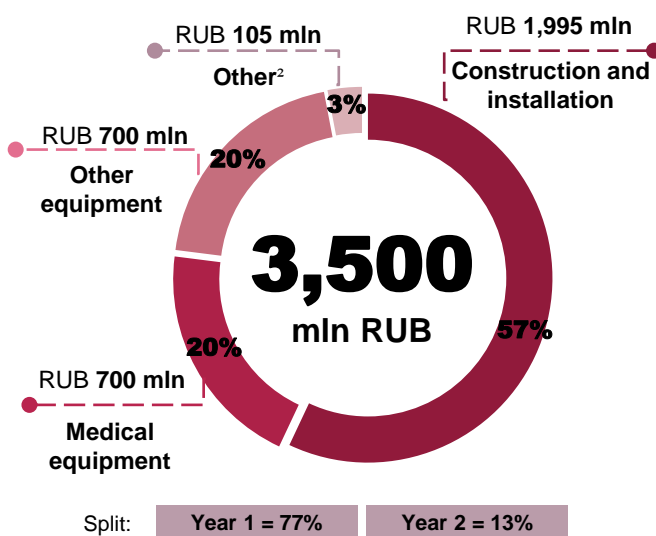
## Key parameters

<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>

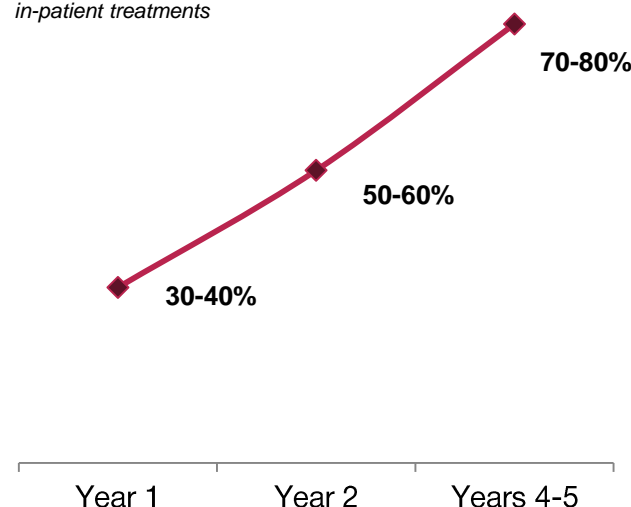
<b>3,000</b> deliveries	<b>1,200</b> IVF cycles
<b>397k</b> out-patient treatments	<b>29.5k</b> in-patient days

## Estimated capex split



## 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

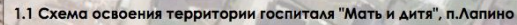
Note: <sup>1</sup> Rounded numbers according to design project ; <sup>2</sup> Project documentation in the amount of RUB 35 mln and connection to utilities network in the amount of RUB 70 mln; <sup>3</sup> In 2016 terms



## Construction of Lapino-3 (oncology building)

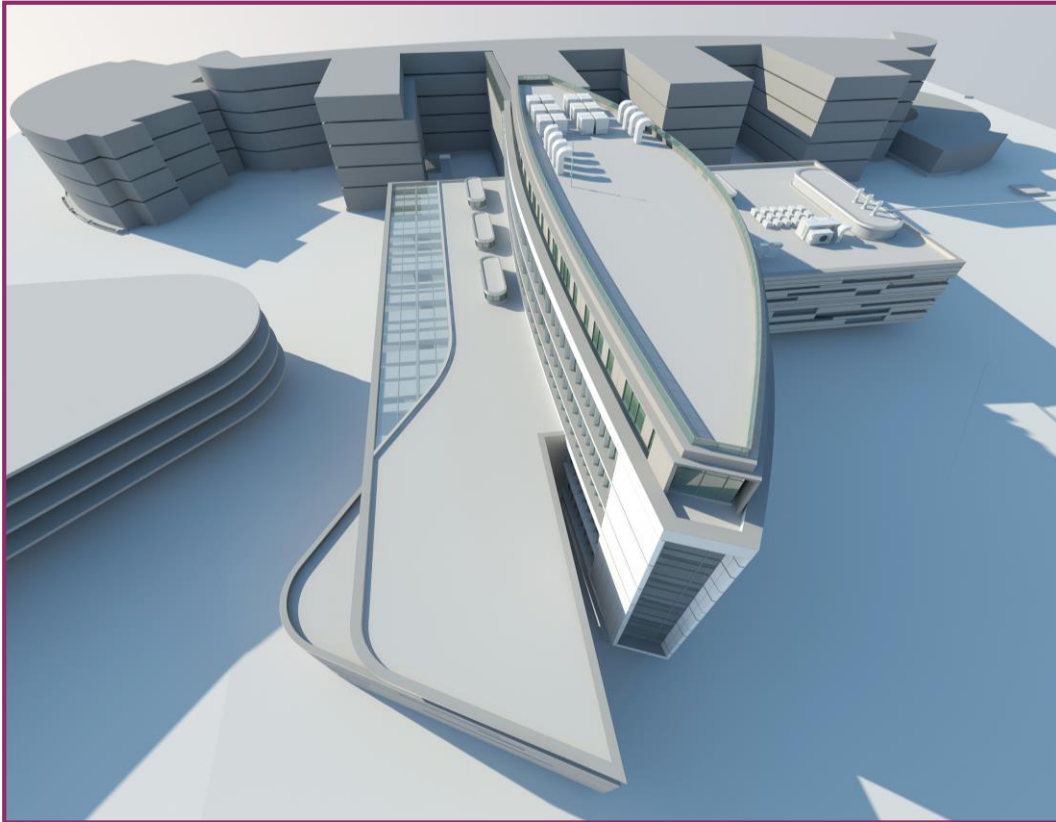
**Construction of Lapino-2-  
Surgical building  
(size of 2 landplots is  
more than 4 ha)**

**Existing building of  
Lapino hospital**  
(landplot size is 2 ha)



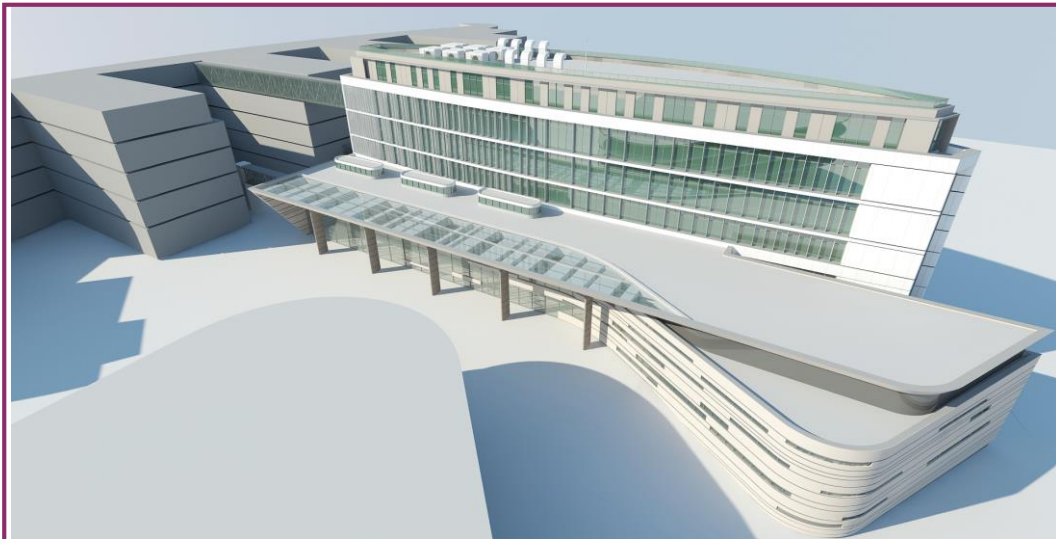


# BRIEF DESCRIPTION OF LAPINO EXPANSION




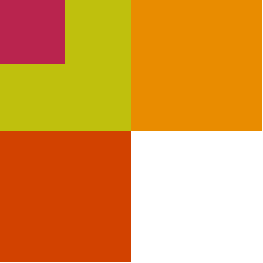
## Lapino-2

- **Construction of 5 level surgical building with total area of 17.5 ths sq m.**
- **Surgical building will include:**
  - Out-patient department with annual capacity of 216,000 – 288,000 visits
  - Diagnostic department with MRI and x-ray equipment
  - In-patient department with 75 beds
  - 4 scheduled operating theatres
  - 2 urgent operating theatres
  - ICU with 13 beds




## Lapino-3

- Oncology centre for radiology diagnostics and treatment
- Planned to be equipped with linear accelerators and SPECT



# APPENDIX



# REVENUE ANALYSIS

	H1 2017	H1 2016
<b>Obstetrics and Gynaecology</b>	<b>1,352</b>	<b>1,301</b>
<u>In-patient treatments</u>		
RUB mln	481	464
patient days	12,749	11,970
kRUB per day	37.7	38.7
% of total*	36%	36%
<u>Out-patient treatments</u>		
RUB mln	872	837
Admissions	264,378	246,929
kRUB per admission	3.3	3.4
% of total*	64%	64%
<b>Deliveries</b>	<b>1,069</b>	<b>1,086</b>
RUB mln	1,069	1,086
Deliveries	3,319	3,203
kRUB per delivery	322	339
<b>IVF</b>	<b>1,524</b>	<b>1,175</b>
RUB mln	1,524	1,175
Cycles	8,078	6,568
kRUB per cycles	189	179
<b>Paediatrics</b>	<b>859</b>	<b>763</b>
<u>In-patient treatments</u>		
RUB mln	220	195
Patient-days	9,375	9,393
kRUB per patient day	23.5	20.8
% of total*	26%	26%
<u>Out-patient treatments</u>		
RUB mln	639	568
Admissions	208,318	192,556
kRUB per admissions	3.1	2.9
% of total*	74%	74%

	H1 2017	H1 2016
<b>Other medical services</b>	<b>1,602</b>	<b>1,266</b>
<u>In-patient treatments</u>		
RUB mln	401	250
Patient days	8,187	6,787
kRUB per patient day	49.0	36.8
% of total*	25%	20%
<u>Out-patient treatments</u>		
RUB mln	575	500
Admissions	264,575	237,572
kRUB per admission	2.2	2.1
% of total*	36%	39%
<u>Other medical services</u>		
RUB mln	626	516
% of total*	39%	41%

# EXTRACT FROM MDMG'S PROFIT AND LOSS STATEMENT

(RUB mln)	H1 2017	H1 2016	H1 2015
Revenue	6,618	5,814	4,518
Cost of sales	(4,139)	(3,592)	(2,834)
Gross Profit	2,478	2,222	1,684
% of revenue	37%	38%	37%
Other income	106	3	7
Administrative expenses	(1,091)	(1,017)	(866)
Other expenses	(52)	(7)	(7)
EBITDA	1,888	1,657	1,253
% of revenue	29%	29%	28%
Operating profit	1,441	1,200	818
Net finance expenses	(228)	(268)	(35)
Profit before tax	1,214	932	783
Tax	11	55	(15)
Profit for the period	1,225	987	768
% of revenue	19%	17%	17%
Minority interest	98	90	81
Profit for the year attributable to: shareholders	1,127	897	687

# EXTRACT FROM MDMG'S BALANCE SHEET

(RUB mln)	H1 2017	2016	2015
Cash and cash equivalents	1,978	1,643	1,774
Investments	-	-	2
Current trade, other receivables and deferred expenses	440	360	258
Inventories	416	445	327
Current tax asset	10	9	7
Assets held for sale	19	46	46
Property, plant and equipment	13,556	13,410	12,364
Intangible assets	2,382	2,442	2,145
Non-current trade and other receivables and deferred expenses	421	185	184
Other non-current assets	207	176	99
<b>TOTAL ASSETS</b>	<b>19,426</b>	<b>18,716</b>	<b>17,208</b>
Current trade and other payables	1,202	1,152	873
Short-term loans and borrowings	1,141	1,084	1,161
Other current liabilities	1,085	1,024	907
Long-term loans and borrowings	1,999	2,200	2,293
Other non-current liabilities	477	487	464
Equity	13,522	12,770	11,509
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,426</b>	<b>18,716</b>	<b>17,208</b>
Net Debt	1,162	1,648	1,680

# EXTRACT FROM MDMG'S CASH FLOW STATEMENT

(RUB mln)	H1 2017	H1 2016	H1 2015
Cash flow from operating activities			
Profit for the period	1,225	987	768
Adjustments for:			
<i>D&amp;A</i>	502	457	434
<i>Taxation</i>	(11)	(55)	15
<i>Other adjustments</i>	187	281	36
Cash flow from operations before working capital changes	1,903	1,670	1,253
<i>(Increase) / decrease in inventories</i>	29	6	(16)
<i>Increase in trade and other receivables</i>	(76)	(38)	(3)
<i>Increase in trade and other payables</i>	69	106	68
<i>Increase in deferred income</i>	71	51	(3)
Cash flow from operations	1,997	1,795	1,299
Tax paid	(3)	(7)	(7)
<b>Net cash flow from operating activities</b>	<b>1,994</b>	<b>1,788</b>	<b>1,292</b>
Cash flow from investing activities			
Payment for acquisition of PP&E	(851)	(527)	(339)
Withdrawal / (deposit) of investments	-	-	-
Acquisition of subsidiaries	-	(475)	(1)
Other proceeds and payments	127	13	20
<b>Net cash flow used in investing activities</b>	<b>(723)</b>	<b>(988)</b>	<b>(320)</b>
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	-	-
GDR Contributions received from underwriters	-	-	-
Proceeds from borrowings	400	237	0.5
Repayment of borrowings	(544)	(614)	(491)
Repayments of obligations under finance leases	(0.1)	(0.7)	(0.1)
Finance expenses paid	(232)	(217)	(240)
Other payments	(106)	(60)	466
Dividends paid to the owners of the Company	(328)	(500)	-
Dividends paid to non-controlling interests	(99)	(88)	(58)
<b>Net cash flow from financing activities</b>	<b>(909)</b>	<b>(1,244)</b>	<b>(323)</b>
Net increase in cash and cash equivalents	363	(444)	649
Cash and cash equivalents at the beginning of the period	1,643	1,774	891
Effect due to exchange rate changes	(28)	(55)	(8)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,978</b>	<b>1,275</b>	<b>1,531</b>

Source: audited financial statements of MDMG for H1 2015- H1 2017