



MOTHER & CHILD
GROUP OF COMPANIES

MD MEDICAL GROUP POSTS 2% REVENUE GROWTH, 6% EBITDA GROWTH IN H1 2020

7 September 2020, 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 audited consolidated financial statements for the six months ended 30 June 2020 under International Financial Reporting Standards (“IFRS”).

H1 2020 Financial Highlights

- **Revenue** increased 2% year-on-year (y-o-y) to RUB 7,974 mln vs. RUB 7,825 mln in H1 2019, mainly driven by the Internal medicine, as well as Oncology, Trauma and Surgery segments. Like-for-like revenue remained nearly flat y-o-y.
- **EBITDA** increased 6% y-o-y to RUB 2,270 mln, while **like-for-like EBITDA** also grew 6% y-o-y. **Like-for-like EBITDA margin** amounted to 29.4%, up 1.7 p.p. y-o-y, while **EBITDA margin** for the Group amounted to 28.5%, up 1.0 p.p. y-o-y.
- **Net profit** grew 19% y-o-y to RUB 1,471 mln. This growth was mainly due to the positive impact of FX gains and lower interest expenses.
- **Capex** amounted to RUB 1,294 mln, including capitalised interest. Key investments included the completion of construction and purchase of equipment for Lapino-2 (RUB 1,030 mln).
- **Debt** decreased 1% from 31 December 2019 to RUB 7,013 mln at the end of H1 2020, while **net debt** decreased 35% from the end of 2019 to RUB 2,309 mln. The net debt to EBITDA ratio declined to 0.5x.
- **Net working capital** remained negative at RUB (1,857) mln and represented 11.3% of revenue.

Commenting on the H1 2020 financial results, Mark Kurtser, CEO of MD Medical Group, said:

"In the first half of 2020, MD Medical Group once again achieved financial growth despite the changes in operational conditions caused by the COVID-19 pandemic. This continued growth was due to the efficient management system, strong efforts by our management team and the entire medical personnel, thanks to which the Group was able to quickly and successfully adapt to the new environment and deliver solid operational and financial results.

"Our revenue grew 2% year-on-year to RUB 7,974 mln in the first half of 2020. The fastest growth was demonstrated by the internal medicine, surgery and other medical services segment, mainly driven by the strong performance at Lapino. Within this segment, we saw significant revenue growth from Oncology services – by 351% year-on-year. The Group's EBITDA grew by 6% year-on-year to RUB 2,270 mln, delivering growth in EBITDA margin by 1 p.p. to 28.5%. Net profit grew 19% year-on-year to RUB 1,471 mln. In H1 2020, the Company strengthened its financial position, with the net debt/EBITDA ratio declining to 0.5x.

"Speaking of our recent achievements, I want to highlight the completion of the construction of the second stage of Lapino clinical hospital. The opening of the new 6-storey surgical building Lapino-2 strengthens our status as a leading private medical institution in Russia.

"We continue to share our success with shareholders, and the Board has recommended to pay interim dividends for H1 2020 in the amount of RUB 736,225 thsd, or RUB 9.8 per share.

"Summarising our performance in H1 2020, I can confidently say that MD Medical Group demonstrated its ability to sustainably grow and develop not only amid favourable conditions, but also against the backdrop of an unprecedentedly challenging situation."

H1 2020 Highlights

Operational results

- Total deliveries in H1 2020 were nearly flat y-o-y and amounted to 3,668.
- Total IVF cycles decreased by 32% y-o-y to 5,799. This decline was mainly due to the temporary ban on IVF in a number of the regions where the Group operates amid the COVID-19 pandemic. Cycles completed under the Mandatory Health Insurance (MHI) programme accounted for 49% of the total number of cycles for H1 2020.
- Total in-patient treatments grew by 23% y-o-y to 48,603.
- Total out-patient treatments decreased by 15% y-o-y to 729,121 amid the temporary ban on a number of elective medical services by the local authorities and changes in consumer behaviour amid self-isolation measures.

Expansion of our hospital network

- *Completion of Lapino-2 construction.* The new six-storey surgery building with 18,500 sq m of space will have an annual capacity of 12,000 surgical procedures, more than 40,000 in-patient days, and more than 180,000 out-patient visits. Lapino-2 will offer the following services that are new for the Group in the area of oncology: oncohematology, thoracoabdominal oncology, coloproctology, oncurology, and head and neck tumour treatment. It will also include a stomatology department offering maxillofacial surgery, as well as a state-of-the-art microbiological laboratory offering a full range of diagnostic testing.
- *Renovation of Perinatal Medical Centre (PMC).* The Group has continued to implement its strategy to diversify its service offering and open multi-disciplinary hospitals with the January 2020 completion of the renovation of its first hospital, opened in 2006. The hospital originally specialised in the Company's primary offering of medical services: deliveries, gynaecology, paediatrics and IVF. After substantial renovation works, the hospital – rebranded as MD Group Clinical Hospital – acquired 5 new units: general surgery, urology, traumatology, cardiology and endovascular surgery departments. The total capacity of the surgical departments has now reached 3,250 operations per year (including services offered under the Mandatory Health Insurance (MHI) programme). The hospital also has a new IVF department with a capacity of 1,000 cycles per year, offered solely on a commercial basis and equipped with unique innovative equipment.
- The successful conversion of the Lapino hospital to treat a large inflow of patients of all ages for COVID-19, and the achievement of strong medical results in such treatments.

- Regional hospitals have demonstrated solid operating results despite the COVID-19 pandemic:
 - Capacity utilisation at Mother&Child Avicenna in Novosibirsk amounted to 92% for deliveries, 33% for IVF, 59% for in-patient days and 37% for out-patient treatments.
 - Capacity utilisation at Mother&Child Ufa amounted to 57% for deliveries, 64% for IVF, 39% for in-patient days and 52% for out-patient treatments.
 - Capacity utilisation at Mother&Child IDK Samara amounted to 24% for deliveries, 25% for IVF, 35% for in-patient days and 52% for out-patient treatments.
 - Capacity utilisation at Mother&Child Tyumen amounted to 14% for deliveries, 55% for IVF, 27% for in-patient days and 36% for out-patient treatments.

Opening and expansion of clinics

- *Opening of a new Mother&Child clinic in Rostov-on-Don with an area of 442 sq m in January 2020.*
The clinic offers a wide range of medical services for women, including IVF, ultrasound, gynaecological treatments and antenatal care. Patients are offered medical consultations with highly qualified obstetricians/gynaecologists, reproductologists, endocrinologists, urologists, andrologists and other specialists. The clinic has annual capacities of up to 400 minor gynaecological operations; around 1,000 IVF cycles, including under the Mandatory Health Insurance (MHI) programme; and more than 26,000 out-patient treatments per year. Total investment in the project amounted to around RUB 50 mln.
- *Opening of a new Mother&Child Novaya Riga clinic in the Moscow Region with an area of 117 sq m in March 2020.*
The clinic focuses on providing high-quality paediatric care to patients ranging from birth to 18 years of age. The new clinic has a capacity of more than 20,000 out-patient visits per year. Total investment in the project amounted to around RUB 2 mln.

H1 2020 Financial Highlights (RUB mln)

| | H1 2020 | H1 2019 | Change y-o-y, % |
|--------------------------------|----------|----------|-----------------|
| Revenue | 7,974 | 7,825 | +2% |
| Gross profit | 2,663 | 2,669 | +0% |
| EBITDA | 2,270 | 2,148 | +6% |
| EBITDA margin, % | 28.5% | 27.5% | +1.0 p.p. |
| Net profit | 1,471 | 1,238 | +19% |
| CAPEX | 1,294 | 2,212 | -42% |
| Net operating cash flow | 2,474 | 2,440 | +1% |
| Net working capital | (-1,857) | (-1,761) | -5% |
| Net debt | 2,309 | 4,106 | -44% |

Revenue structure

The Group's revenue in H1 2020 amounted to RUB 7,974 mln, up 2% y-o-y.

Revenue from the Group's key areas of medical service – OBGYN, deliveries, IVF and paediatrics – accounted for 58% of total revenue. Internal medicine, Surgery and Other medical services, primarily Oncology, were the fastest-growing service lines. The growth of this segment was primarily driven by the Lapino hospital.

Revenue structure in H1 2020 (RUB mln)

| | H1 2020 | H1 2019 | Change y-o-y, % |
|---------------------------------|---------|---------|-----------------|
| OBGYN (excl. deliveries) | 1,376 | 1,523 | -10% |
| Deliveries | 1,148 | 1,129 | +2% |
| IVF | 1,346 | 1,789 | -25% |

| | | | |
|---|--------------|--------------|------------|
| Paediatrics | 810 | 952 | -15% |
| Internal medicine, Surgery and Other in-patient medical services | 1,645 | 683 | +141% |
| Other revenue | 1,476 | 1,530 | -4% |
| OBGYN (excl. deliveries) | 173 | 219 | -21% |
| TOTAL | 7,974 | 7,825 | +2% |

Operating expenses, excl. D&A

Operating expenses (excl. D&A) in H1 2020 remained nearly flat y-o-y and amounted to RUB 5,704 mln.

Capex and financial position

Total Capex amounted to RUB 1,294 mln compared to RUB 2,212 mln in H1 2019. Key investments in H1 2020 included the completed construction and purchase of equipment for Lapino-2 (RUB 1,030 mln).

Debt decreased 1% from 31 December 2019 to RUB 7,013 mln as of 30 June 2020, while **net debt** decreased 35% from the end of 2019 to RUB 2,309 mln. The net debt to EBITDA ratio amounted to 0.5x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative at RUB (1,857) mln and amounted to 11.3% of revenue.

Events occurring after the reporting period

On 11 August 2020, the Board of Directors recommended a dividend for 2019 of RUB 1,389,813 thsd, or RUB 18.5 per share. The dividends were approved by the Annual General Meeting of shareholders (AGM) on 3 September 2020. The dividend record date is set as 16 September 2020. The Group's GDRs will be marked as ex-dividend on 15 September 2020. The pay date for GDR holders is set for 13 October 2020 in US dollars based on the Central Bank of Russia rate as of 11 August 2020, which corresponds to RUB 73.775 per USD.

On 4 September 2020, the Board of Directors recommended an interim dividend for H1 2020 of RUB 736.225 mln, or RUB 9.8 per share. The dividend record date is set as 18 September 2020. The Group's GDRs will be marked as ex-dividend on 17 September 2020. The pay date for GDR holders is set for 20 October 2020 in US dollars based on the Central Bank of Russia rate as of 4 September 2020, which corresponds to RUB 75.4680 per USD.

On 31 August 2020, the Group released its block of fixed assets from pledge.

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

Conference call:

On 7 September 2020, 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://us02web.zoom.us/j/82700554001>

Please note that this call is only intended for investors and analysts.

This announcement contains inside information.

For further information please contact:

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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 Depository 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.