



**MOTHER & CHILD**  
GROUP OF COMPANIES

## **MD MEDICAL GROUP POSTS 9% REVENUE GROWTH IN FY 2018**

**25 March 2019, 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 12 months ended 31 December 2018 under International Financial Reporting Standards (“IFRS”).

### **FY 2018 Financial Highlights**

- **Revenue** increased by 9% year-on-year (y-o-y) to RUB 14,937 mln vs. RUB 13,755 mln in FY 2017, mainly driven by the continued ramp-up in Ufa and Novosibirsk, as well as the opening of a hospital in Samara.
- **EBITDA** grew 4% y-o-y to RUB 4,314 mln with **EBITDA margin** at 29%. EBITDA growth was significantly driven by the continued ramp-up in Novosibirsk and Ufa.
- **Net profit** grew 5% y-o-y to RUB 2,831 mln.
- **Operational cash flow** amounted to RUB 4,171 mln, nearly flat y-o-y.
- **Capex** amounted to RUB 3,694 mln. Key investments included the completion of construction of the Samara hospital (RUB 676 mln), the construction and purchase of equipment for Tyumen hospital (RUB 1,733 mln), the construction of Lapino-2 (RUB 474 mln), as well as renovation at PMC aimed at expanding the range of services offered (RUB 167 mln).
- **Debt** increased by 24% from 31 December 2017 to RUB 5,665 mln, while **net debt** increased by 43% from the end of 2017 to RUB 2,950 mln following the drawdown of credit lines to fund the continued construction of the Tyumen hospital and the completion of construction of the Samara hospital. The net debt to EBITDA ratio amounted to 0.7x.
- **Working capital** remained negative at RUB (1,391) mln and represented 9.3% of revenue.

**Commenting on the FY 2018 financial results, Mark Kurtser, CEO of MD Medical Group, said:**

*“In 2018, we delivered strong financial results, with further increases across key indicators driven by improved operational performance and the successful implementation of our investment programme.*

*“We increased revenue for the sixth year in a row since our IPO in 2012. In 2018, revenue grew 9% y-o-y to RUB 14,937 mln. Our EBITDA was also up for the sixth year, growing by 4% to RUB 4,314 mln, with the EBITDA margin at a strong 29%. Net profit increased by 5% to RUB 2,831 mln. While debt at the end of the year was higher as we funded the construction of new hospitals, we have maintained a solid financial position, with our net debt to EBITDA ratio remaining at a comfortable 0.7x.*

*“This growth was mainly due to our strong operational results in 2018. I would like to highlight the 7% increase in deliveries, amid an overall decline in deliveries in Russia, this is thanks to the contribution of our regional hospitals. Key factors for stronger operational results included further capacity utilisation growth at our regional hospitals, as well as trends at our Moscow clinics and the Lapino hospital and the opening of our new hospital in Samara. Our commitment to expanding the range of medical services we offer continues to pay dividends – revenue from the Other Medical Services line grew by 22% y-o-y and accounted for 28% of the overall top line for the year.*

*“As well as posting strong results in key areas of our business, we also had a very productive year in terms of the further execution of our investment programme. We delivered on our development strategy with the opening of a multi-disciplinary hospital in Samara, the start of construction of new hospitals in St Petersburg and Lapino-2, and the ongoing construction of the Tyumen hospital, which we plan to open in April 2019. In 2018, we also opened six new clinics and modernised two existing ones. In 2019, we have already opened our first clinic in the Russian Far East. As a result, our network now comprises 41 medical facilities, including five hospitals and 36 clinics, in 23 Russian regions.*

*“Our continued growth, underpinned by the further expansion of our network of modern hospitals and clinics in Russia, reflects the sustainable development of our business, and we believe that there is significant potential for further growth in the years to come.”*

**FY 2018 Business Highlights**

*Operational results*

The Company continued to develop its business and demonstrated strong operational results in FY 2018:

- *Total deliveries* increased 7% y-o-y to 7,277.
- *Total IVF cycles* were nearly flat y-o-y and amounted to 16,636. The average check in this segment grew 8% y-o-y, mainly due to the expansion of the range of IVF services on a commercial basis.
- *Total in-patient treatments* increased 18% y-o-y to 72,371.
- *Total out-patient treatments* increased 6% y-o-y to 1,618,149.

### *Expansion of our hospital network*

- *Opening of multi-disciplinary Samara hospital* – the largest facility of its kind in the Volga region. Mother&Child Samara is a six-storey facility with 15,000 sq m of space. The hospital has 164 beds and annual capacity of up to 2,500 deliveries, up to 1,200 IVF cycles, 220,000 out-patient visits and 8,000 surgical operations. Total investment in the project amounted to 3.2 billion roubles. The hospital has demonstrated fast ramp-up across all segments and thus not only reached breakeven in 10 months since opening, but also started to generate cash.
- *Launch of construction of Lapino-2*. The new seven-storey surgery building with 18,500 sq m of space has annual capacity of 15,000 surgical procedures, more than 27,000 in-patient treatments, and more than 200,000 out-patient visits. Lapino-2 will offer the following services which are new for the Group – neurosurgery, cardiovascular surgery, chemotherapy, stomatology and oral and maxillofacial surgery. It will also include a state-of-the-art microbiological laboratory offering a full range of diagnostic testing. The opening of the new building is scheduled for 2020.
- *Launch of construction of St Petersburg hospital* with a total area of 22,000 sq m. The hospital will include a number of integrated hybrid operating rooms capable of offering highly complex and high-tech surgical services. The new 178-bed hospital is expected to have an annual capacity of approximately 2,500 deliveries, 1,200 IVF cycles, more than 35,000 in-patient days, 350,000 out-patient visits and 12,000 surgical procedures per year. The opening is scheduled for 2021.
- *Final stage of construction of a new hospital in Tyumen* with an area of 15,000 sq m. The new 164-bed hospital will offer high-tech medical services. The in-patient hospital is expected to have annual capacity of approximately 2,500 deliveries, 1,200 IVF cycles, more than 220,000 out-patient visits and 8,500 surgical procedures per year. The opening is scheduled for April 2019.
- Regional hospitals have demonstrated high operating results by growing capacity utilisation:
  - Capacity utilisation at Mother&Child Avicenna amounted to 67% for deliveries, 68% for IVF, 58% at the in-patient department and 38% at the out-patient department.
  - Capacity utilisation at Mother&Child Ufa continued to grow in 2018 and amounted to 67% for deliveries, 88% for IVF, 47% at the in-patient department and 63% at the out-patient department.
  - Capacity utilisation at Mother&Child Samara during the first 10 months of operation (from March to December 2018) amounted to 20% for deliveries, 46% for IVF, 40% at the in-patient department and 38% at the out-patient department. The ramp-up at the hospital is ahead of schedule.

### *Openings and expansions of clinics*

- *Opening of a new Mother&Child clinic in Vladimir* with an area of 354 sq m. The clinic has an annual capacity of 400 minor gynaecological surgical operations, 500 IVF cycles, including under the Mandatory Health Insurance (MHI) programme, and 15,000 out-patient visits.
- *Opening of a new Mother&Child clinic in Nizhny Novgorod* with an area of 600 sq m. The clinic offers a wide range the Group's core services, including OBGYN, prenatal care, infertility treatment, as well as services for all family members.
- *Opening of Mother&Child Lefortovo in Moscow* with an area of 392 sq m. The new clinic is capable of carrying out up to 1,000 IVF cycles and up to 20,000 doctor's appointments.
- *Opening of Mother&Child clinic in Volgograd* with an area of 380 sq m. The clinic offers a wide range of the Group's core services for women and foetal medicine consultations. In addition, the clinic offers services in endocrinology, urology, andrology, ophthalmology, etc. The new clinic is

able to carry out up to 500 IVF cycles, including under the Mandatory Health Insurance (MHI) programme, and up to 20,000 doctor's appointments as well as up to 1,000 minor gynaecological operations per year.

- *Opening of a new Mother&Child clinic in Tula* with an area of 401 sq m. The clinic offers a wide range of the Group's core services, as well as medical services for all family members including gastroenterology, endocrinology, neurology, urology and andrology services. The clinic has annual capacities of up to 400 minor gynaecological operations; up to 1,000 IVF cycles, including under the Mandatory Health Insurance (MHI) programme; and more than 26,000 out-patient treatments per year.
- *Opening of a new Mother&Child clinic in Kazan*. The 677 sq m clinic offers a wide range of services for women, as well as medical services for all family members including cardiology, genetics, urology, endocrinology, neurology, etc. The clinic has annual capacity for up to 400 minor gynaecological operations; up to 1,000 IVF cycles, including under the Mandatory Health Insurance (MHI) programme; and more than 50,000 out-patient treatments per year.
- *Expansion of Mother&Child Yugo-Zapad clinic in Moscow* to increase the area by 1.5x to 801 sq m. The upgraded clinic is capable of carrying out up to 350 minor gynaecological operations in the day-patient centre and up to 26,800 out-patient treatments in gynaecology per year.
- *Expansion of Mother&Child clinic in Kostroma*. The expanded clinic with an area of 209 sq m now offers the following new services: urology, endocrinology, gastroenterology, internal medicine, and anaesthesiology. The clinic is now able to offer a full-cycle IVF treatment. The upgraded clinic can carry out up to 500 IVF cycles, up to 400 minor gynaecological operations in the day-patient centre and up to 13,500 out-patient treatments per year.

#### **FY 2018 Financial Highlights (RUB mln)**

	<b>2018</b>	<b>2017</b>	<b>Changes y-o-y, %</b>
<b>Revenue</b>	14,937	13,755	+9%
<b>Gross profit</b>	5,550	5,397	+3%
<b>EBITDA</b>	4,314	4,165	+4%
<b>EBITDA margin, %</b>	29%	30%	-1 p.p.
<b>Net profit</b>	2,831	2,704	+5%
<b>CAPEX incl. M&amp;A</b>	3,694	3,463	+7%
<b>Operating cash flow (net)</b>	4,171	4,186	0%
<b>Working capital</b>	-1,391	-1,476	-6%
<b>Net debt</b>	2,950	2,065	+43%

#### **Revenue**

Revenue grew by 9% y-o-y to RUB 14,937 mln in FY 2018 thanks to the Group's performance in the Central, Volga, and Urals regions.

Key areas of focus – OBGYN, deliveries, IVF and paediatrics – represent 69% of the Group's revenue. IVF and Other medical services were the fastest-growing service lines (up 7% and 22% y-o-y, respectively). The growth of the latter segment was primarily driven by the performance at the Group's regional hospitals. The slight decline in revenue from deliveries was due to the development of our regional hospitals, where the average check is lower than in Moscow, and a growing

contribution of such hospitals to the overall growth in deliveries by 7% y-o-y for the Group in FY 2018.

### Revenue structure in FY 2018 (RUB mln)

Type of revenue	2018	2017	Change, %
<b>OBGYN (excl. deliveries)</b>	2,854	2,733	+4%
Deliveries	2,211	2,236	-1%
IVF	3,488	3,258	+7%
Paediatrics	1,808	1,738	+4%
Other medical services	4,105	3,352	+22%
Other revenue	471	438	+7%
<b>TOTAL</b>	<b>14,937</b>	<b>13,755</b>	<b>+9%</b>

### Operating expenses, excl. D&A

Operating expenses (excluding D&A) amounted to RUB 10,623 mln in FY 2018 (up 11% y-o-y).

This growth was linked to the higher number of patient visits, payroll indexation in the Group's Moscow hospitals, and the opening of Samara hospital.

### Capex and Balance Sheet

Total capex amounted to RUB 3,694 mln (vs. RUB 3,463 mln in FY 2017). Major investments included the completion of construction of the Samara hospital (RUB 676 mln), construction and purchase of equipment for Tyumen hospital (RUB 1,733 mln), construction of Lapino-2 (RUB 474 mln), as well as renovation at PMC aimed at expanding its range of services (RUB 167 mln).

As of 31 December 2018, the Group's debt increased by 24% as compared to 31 December 2017 and amounted to RUB 5,665 mln, while net debt amounted to RUB 2,950 mln, up 43% compared to 31 December 2017, following the drawdown of credit lines to fund the continued construction of Tyumen hospital and the completion of construction of Samara hospital. The net debt to EBITDA ratio stood at 0.7x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative at RUB (1,391) mln and amounted to 9.3% of revenue.

### Events occurring after the reporting period

In March 2019, the Group opened a new clinic in Vladivostok with a total area of 358 sq m.

The Board of Directors recommended a dividend for 2018 of RUB 800 mln, which corresponds to 28% of IFRS net profit for 2018. Total dividend for 2018 would amount to RUB 10.65 per share. Approval of dividends will be discussed at the Annual General Meeting of shareholders (AGM) scheduled for 23 April 2019. The record date for participation in the AGM is 22 March 2019. The deadline for GDR holders to vote is 18 April 2019.

Subject to shareholder approval of the dividend at the AGM, the preliminary dividend record date is set as 24 May 2019. The Group's Global Depositary Receipts will be marked as ex-dividend on 23

May 2019. The pay date for GDR holders is set for 25 June 2019 in US dollars based on the Central Bank of Russia rate as of 22 March 2019.

Under the Russian Tax Code, dividends paid by Russian companies are subject to the following tax rates:

- 1) 15% as a general rule;
- 2) At a reduced rate in the case of Russian tax residents and residents of foreign jurisdictions whose Governments have signed a double taxation treaty (“DTT”) with the Government of Russia.

Detailed information regarding dividend taxation and applicable reduction according to the Russian Tax Code is listed in Appendix 1.

**Consolidated financial statements are available on the Company’s web site:**

<http://www.mcclinics.com/reports/financialreports/>

**Conference call:**

The Company will host a conference call and webcast for investors and analysts today at 4.00 pm Moscow time (1.00 pm London; 9.00 am New York).

MD Medical Group will be represented by:

- Dr Mark Kurtser, CEO and Member of 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>

The dial-in and online viewing details are below:

**Webcast-Link:**

<https://digital.vevent.com/index.jsp?eid=8492&seid=13>

Conference-call details:

- Russia, Moscow: +7 495 249 98 49
- UK: +44 20 71 92 8000
- US: +1 631 510 7495
- All other locations: +44 20 71 92 8000

Participants need to quote call ID: **7217459**

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

This announcement contains inside information.

**For further information please contact:**

## **Investors**

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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 41 modern healthcare facilities, including 5 hospitals and 36 out-patient clinics in Moscow and the Moscow Region, St. Petersburg, Ufa, Perm, Samara and the Samara Region, Irkutsk, Novosibirsk, Irkutsk, Yaroslavl, Ryazan, Kostroma, Novokuznetsk, Krasnoyarsk, Omsk, Barnaul, Vladimir, Tyumen, Voronezh, Nizhny Novgorod, Volgograd, Tula, Kazan, and Vladivostok.

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.

## **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.