MOTHER & CHILD
GROUP OF COMPANIES

MD MEDICAL GROUP POSTS 10% REVENUE GROWTH, 15% EBITDA GROWTH IN H1 2019

9 September 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 6 months ended 30 June 2019 under International Financial Reporting Standards ("IFRS").

H1 2019 Financial Highlights

- **Revenue** increased 10% year-on-year (y-o-y) to RUB 7,825 mln vs. RUB 7,130 mln in H1 2018, mainly driven by the continued growth in capacity utilisation at the regional hospitals in Samara, Novosibirsk and Lapino, as well as at the out-patient clinics. Like-for-like revenue increased by 6% y-o-y.
- **EBITDA** increased 15% y-o-y to RUB 2,148 mln, while like-for-like EBITDA increased 17% y-o-y. **Like-for-like EBITDA margin** for H1 2019 amounted to 28.8% (up 2.6 p.p. y-o-y) and the EBITDA margin for the Group as a whole stood at 27.5% (up 1.3 p.p. y-o-y). Significant factors in EBITDA growth were the first application of IFRS 16 Leases, cost optimisation and increased business management efficiency.
- **Net profit** increased 1% y-o-y to RUB 1,238 mln. This slight growth was due to the increase in depreciation and interest costs related to the commissioning of new hospitals.
- **Capex** amounted to RUB 2,212 mln, including compounded interest. Key investments included the completion of construction and purchase of equipment for the Tyumen hospital (RUB 1,058 mln), construction of Lapino-2 (RUB 788 mln), as well as renovation of the Perinatal Medical Center (PMC) aimed at expanding the range of services offered (RUB 151 mln).
- **Debt** increased 12% from 31 December 2018 to RUB 6,345 mln, while **net debt** increased 39% from the end of 2018 to RUB 4,106 mln following the drawdown of credit lines to fund the construction of the Tyumen and Lapino-2 hospitals. The increase in net debt is also tied to the payment of dividends for FY 2018. The net debt to EBITDA ratio amounted to 0.8x.
- **Net working capital** remained negative at RUB (1,761) mln and represented 10.8% of revenue.

Commenting on the H1 2019 financial results, Mark Kurtser, CEO of MD Medical Group, said:

"In the first half of 2019, we continued to demonstrate growth in financial results against the backdrop of further improvements to our operational performance and the expansion of our network.

“In the first 6 months of this year, our revenue grew 10% y-o-y to RUB 7,825 mln, largely thanks to continued growth in capacity utilisation in our regional hospitals. In particular, capacity utilisation in our Novosibirsk hospital amounted to 84% for deliveries and 68% for IVF. EBITDA for the Group increased to RUB 2,148 mln, or by 15% y-o-y, while like-for-like EBITDA grew by 17% y-o-y, which provided for an EBITDA margin of 27.5% and a like-for-like EBITDA margin of 28.8%. Net profit amounted to RUB 1,238 mln, an increase of 1% y-o-y.

“This financial performance was mainly driven by our strong operational results for the first half of 2019, among which I want to highlight an increase of 18% y-o-y in the number of in-patient treatments.

“With the aim to sustain future growth, we continued to actively work on expanding our footprint in Russia during the reporting period. Since the beginning of 2019, we opened a clinical hospital in Tyumen and our first clinic in Vladivostok, while continuing renovations at the PMC and the construction of Lapino-2.

“The efforts of our team across all of Russia have brought visible results, as we continue to carry out the systematic implementation of our development strategy.”

H1 2019 Business Highlights

Operational results

The Company continued to develop its business and demonstrated strong operational results in H1 2019:

- Total deliveries increased 6% y-o-y to 3,679. Revenue from deliveries increased 5% y-o-y to RUB 1,129 mln;
- Total IVF cycles increased 8% y-o-y to 8,505. Revenue from IVF increased 12% y-o-y to RUB 1,789 mln;
- Total in-patient treatments increased 18% y-o-y to 39,623. Revenue from in-patient treatments increased 19% y-o-y to RUB 1,494 mln;
- Total out-patient treatments increased 9% y-o-y to 856,436. Revenue from out-patient treatments increased 8% y-o-y to RUB 2,481 mln.

Expansion of our hospital network

- *Opening of a multi-disciplinary hospital in Tyumen* as part of the Group’s strategy to construct multi-functional medical centres on the basis of a standard model in the Russian regions. The six-storey hospital has 164 beds and an annual capacity of up to 2,500 deliveries, 1,200 IVF cycles and 8,500 surgical procedures, in addition to 220,000 out-patient visits per year.
- *Construction of Lapino*-2. The new seven-storey surgery building with 18,500 sq m of space will have an annual capacity of 15,000 surgical procedures, more than 27,000 in-patient days, and more than 200,000 out-patient visits. Lapino-2 will offer the following services that are new for the Group: neurosurgery, 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 summer 2020.

- *Renovation of the Perinatal Medical Center (PMC)*. In pursuit of the Group's strategy to diversify its services and open new multi-disciplinary hospitals, renovations began in 2018 to the Company's first hospital, which opened in 2006. Originally the hospital specialized in the Company's primary offering of medical services: deliveries, gynaecology, paediatrics and IVF. After the renovation, the hospital will have four new surgical units: general surgery, urology, traumatology, and cardiology. These surgical units will have a total capacity of 3,250 surgeries, including surgeries carried out under the Mandatory Health Insurance (MHI) policy. The hospital will also have a new IVF department, equipped with innovative equipment which will ensure a new level of quality of the offering. The new department will have a capacity of 1,000 IVF cycles per year and will operate on a purely commercial basis.
- Regional hospitals have demonstrated high operating results and continued to see an increase in capacity utilisation:
    - Capacity utilisation at Mother&Child Avicenna in Novosibirsk amounted to 84% for deliveries, 68% for IVF, 62% for in-patient days and 42% for out-patient treatments.
    - Capacity utilisation at Mother&Child Ufa amounted to 62% for deliveries, 74% for IVF, 47% for in-patient days and 66% for out-patient treatments.
    - Capacity utilisation at Mother&Child Samara during the first 6 months of 2019 amounted to 22% for deliveries, 51% for both IVF and in-patient days and 55% for out-patient treatments. The ramp-up at the hospital is proceeding ahead of schedule.

Opening and expansion of clinics

- *Opening of a new Mother&Child clinic in Vladivostok* with an area of 358 sq m. The clinic has the capacity to carry out 500 IVF cycles, including cycles conducted under MHI, as well as more than 20,000 doctor's visits per year.

H1 2019 Financial Highlights (RUB mln)

	H1 2019	H1 2018[1]	Change y-o-y, %
Revenue	7,825	7,130	+10%
Gross profit	2,669	2,522	+6%
EBITDA	2,148	1,865	+15%
EBITDA margin, %	27.5%	26.2%	+1.3 p.p.
Net profit	1,238	1,230	+1%
CAPEX	2,212	1,676	+32%
Operating cash flow (net)[2]	2,440	1,865	+31%
Working capital	(1,761)	(1,391)	-27%
Net debt	4,106	2,950	+39%

[1] Results for H1 2018 were reevaluated due to changes in accounting policy on acquiring that place the latter in operational rather than financial expenditures, where it had been before.
[2] Net operating cash flow was significantly affected by the implementation of IFRS 16 Leases, which amounted to RUB 86 mln in H1 2019.

Revenue structure

The Group's revenue in H1 2019 amounted to RUB 7,825 mln, up 10% y-o-y. The main drivers of growth were increases in revenue in the Volga, Ural and Central regions.

Revenue from the Group's key areas of medical service – OBGYN, deliveries, IVF and paediatrics – accounted for 69% of total revenue. IVF and Other medical services were the fastest-growing service lines (up 12% and 14% y-o-y, respectively). The growth of the latter segment was primarily driven by the Group's regional hospitals.

Revenue structure in H1 2019 (RUB mln)

	H1 2019	H1 2018	Change y-o-y, %
OBGYN (excl. deliveries)	1,523	1,394	+9%
Deliveries	1,129	1,071	+5%
IVF	1,789	1,592	+12%
Paediatrics	952	907	+5%
Other medical services	2,213	1,942	+14%
Other revenue	219	224	-2%
TOTAL	**7,825**	**7,130**	**+10%**

Operating expenses, excl. D&A

Operating expenses (excl. D&A) in H1 2019 grew 8% compared to H1 2018 and amounted to RUB 5,677 mln.

This growth was linked to the higher number of patient visits to the Group's medical centres, as well as to the opening of the hospital in Tyumen.

Capex and Balance Sheet

Total Capex amounted to RUB 2,212 mln (compared to RUB 1,676 mln in H1 2018). Major investments included the completion of construction and purchase of equipment for the Tyumen hospital (RUB 1,058 mln), the construction of Lapino-2 (RUB 788 mln), as well as renovation of the Perinatal Medical Center (PMC) aimed at expanding the range of services offered (RUB 151 mln).

As of 30 June 2019, the Group's debt increased 12% as compared to 31 December 2018 and amounted to RUB 6,345 mln, while net debt increased 39% compared to 31 December 2018 and amounted to RUB 4,106 mln, following the drawdown of credit lines to fund the construction of the Tyumen hospital and the construction of Lapino-2. The increase in net debt is also tied to the payment of dividends on FY 2018 results and the effect of the adoption of IFRS 16 Leases in the amount of RUB 357 mln. The net debt to EBITDA ratio amounted to 0.8x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative at RUB (1,761) mln and amounted to 10.8% of revenue.

Events occurring after the reporting period

On 26 July 2019, changes were adopted to the Russian Tax Code according to which a profit tax rate of 0% will be applied to medical companies (previously, medical organisations were granted a profit tax relief for the duration of 5 years, until 1 January 2020). These changes will have a significant positive impact on the Group's balance of deferred taxes and net profit.

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

Conference call:

On 9 September 2019, 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 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: www.mcclinics.com

Webcast link: https://digital.vevent.com/index.jsp?eid=8492&seid=281

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

Call ID: **7654675**

A recording of the conference call will be made available on the Company's website.

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 40 modern healthcare facilities, including 6 hospitals and 34 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.