

MD MEDICAL GROUP

FY 2012 IFRS Results



Moscow

08 April 2013



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Key 2012 events update

Strong operating results

- Strong growth across all operational indicators as a result of successful integration of acquired outpatient clinics, continuous demand growth for IVF, OBGYN and pediatric services
- Record high deliveries at PMC in 2012, representing 13% growth y-o-y
- Expansion of service range provided by the Group

Successful and timely launch of new facilities

- The Company's second 42,000 sq.m. hospital, Lapino, opened on schedule on 24 November 2012
- Lapino Hospital is the only well equipped medical facility in the western suburbs of Moscow: strong market potential for polyclinic, trauma, and rehabilitation services
- Opened a Mother & Child outpatient clinic in the new regional market of Perm

Corporate development and corporate governance

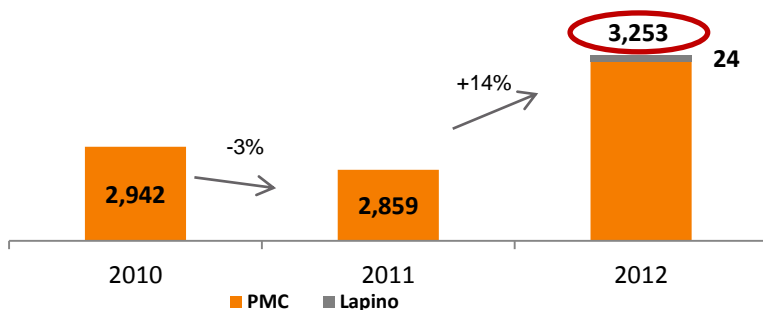
- Completed a successful IPO of Global Depositary Receipts on the London Stock Exchange, raising \$150 million to fund future growth
- Simon Rowlands and Kirill Dmitriev joined the BoD as non-executive directors, bringing along a wealth of sector-specific experience, as well as extensive knowledge
- Board of Directors proposed a dividend for 2012 of 0.13USD per share. Record date, payment date as well as AGM date will be set at the upcoming BoD meeting on 23 April 2013



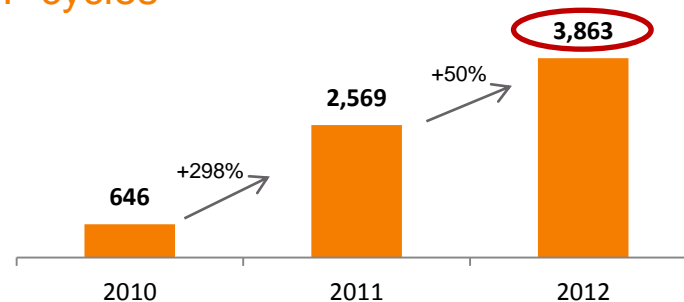


2012 operating results

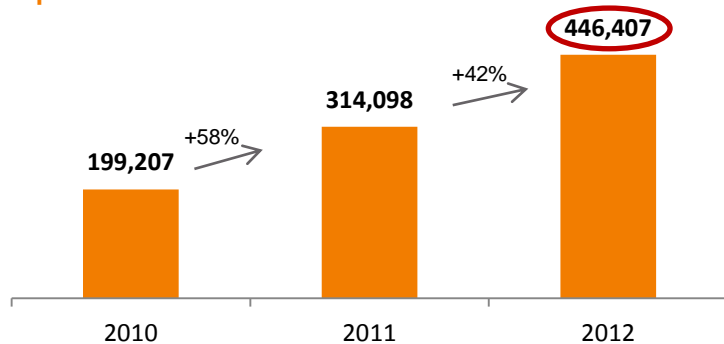
Deliveries



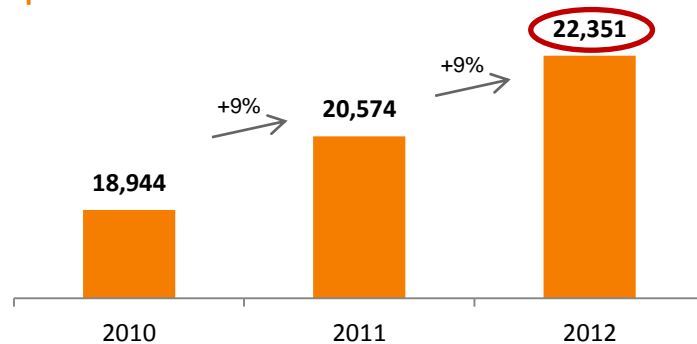
IVF cycles



Out-patient visits



In-patient treatments



Strong growth across all key performance indicators as a result of:

- **Footprint expansion:** Continuous expansion through acquisition and launch of new clinics: Moscow, Perm, Ufa, Saint Petersburg
- **Service range expansion:** Move from core women's health services to "full-cycle" women's health and paediatrics model. Updated treatment methods (including ART, foetal surgery, MRI, endovascular surgery)
- **Leadership in innovative technologies in women's health and pediatrics:** first company to offer non-invasive prenatal testing
- **Comprehensive integration of acquired outpatient clinics:** Continued growth in operational efficiency by applying group standards



Financial Highlights

| RUB mln* | FY2012 | FY2011 | Change |
|-------------------------------------|--------------|--------------|------------|
| Revenue | 4,061 | 2,908 | 40% |
| Cost of sales | (2,013) | (1,464) | 38% |
| Gross profit | 2,048 | 1,444 | 42% |
| Administrative expenses | (484) | (246) | 97% |
| Operating profit | 1,560 | 1,193 | 31% |
| EBITDA* | 1,694 | 1,292 | 31% |
| EBITDA margin | 42% | 44% | -2 p.p. |
| Net profit for the period | 1,538 | 924 | 66% |
| Net profit margin | 38% | 32% | 6 p.p. |
| Earnings per share** | 21.46 | 13.76 | 56% |
| Dividends per share*** | 3.95 | - | - |
| Dividends per share (USD)*** | 0.13 | - | - |

Results primarily driven by:

Revenue + 40%

- Solid operating performance
- Annual price indexation across all services

EBITDA + 31%

- Slight decrease of margin compared to 2011 due to integration of acquired clinics

Net profit +66%

- 0% corporate profit tax rate applicable to most MDMG companies starting in 2012

* - EBITDA calculated as operating profit before depreciation and amortization

** - Basic and fully diluted earnings per share calculated as profit for the year attributable to owners of the company divided by weighted average number of ordinary shares in issue during the year

*** - Proposed by Board of Directors, to be approved at AGM

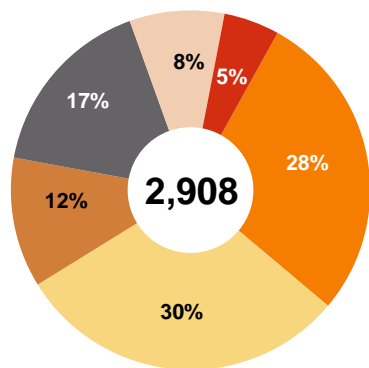


Revenue analysis (1/3)

| (RUB mIn) | 2012 | 2011 | change, % |
|---|--------------|--------------|------------|
| Obstetrics and Gynaecology (excl. deliveries) | 1,208 | 816 | 48% |
| Deliveries | 1,057 | 874 | 21% |
| IVF | 542 | 341 | 59% |
| Paediatrics | 693 | 483 | 44% |
| Other medical services | 387 | 248 | 56% |
| Sales of goods and other revenue | 175 | 146 | 20% |
| Total Revenue | 4,061 | 2,908 | 40% |

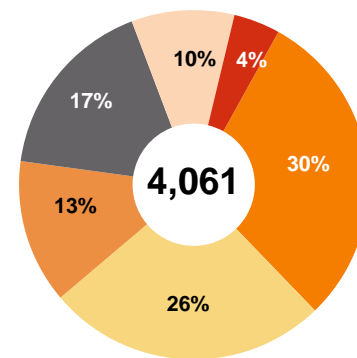
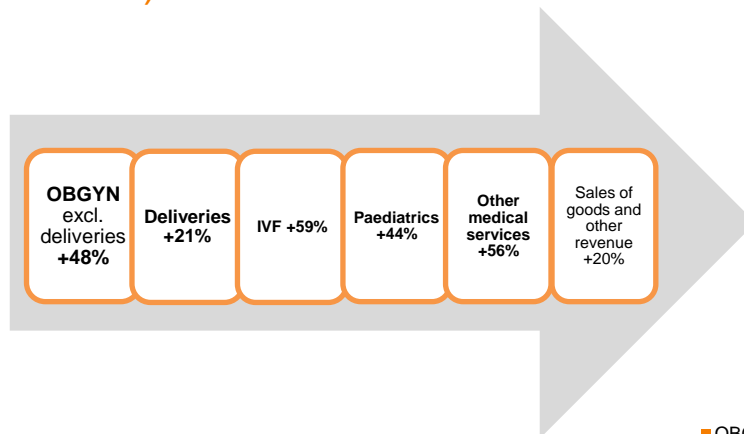
- **Record high number of deliveries** in 2012 on the back of growth rate outpacing that in Moscow
- **Solid growth of IVF segment:** a 50% increase in number of IVF cycles due to demand growth and launch of new clinics
- **Continuing increase of outpatient visits** as a result of expansion of the range of services provided by the Group and integration of new clinics
- **Other medical services grew by 56%**, mostly driven by expansion of service offering (including diagnostic centre at PMC)
- **Annual price indexation** by 6-7% in line with CPI

Total Revenue 2011 (mIn RUB)



- OBGYN excl. deliveries
- Deliveries
- IVF
- Paediatrics
- Other medical services
- Sales of goods and other revenue

Total Revenue 2012 (mIn RUB)



- OBGYN excl. deliveries
- Deliveries
- IVF
- Paediatrics
- Other medical services
- Sales of goods and other revenue



Revenue analysis: OBGYN and deliveries (2/3)

| | | 2012 | 2011 | change, % |
|---|--------------------------|--------------|------------|------------|
| Obstetrics and Gynaecology (except deliveries) | RUB mln | 1,208 | 816 | 48% |
| | RUB mln | 417 | 309 | 35% |
| Inpatient treatments (except deliveries) | Patient-days | 14,309 | 12,354 | 16% |
| | RUB ths. per patient-day | 29.1 | 25.1 | 16% |
| | % of total* | 35% | 38% | -3p.p |
| Outpatient treatments | RUB mln | 791 | 507 | 56% |
| | Admissions | 239,367 | 164,196 | 46% |
| | RUB ths. per admission | 3.3 | 3.1 | 7% |
| | % of total ¹ | 65% | 62% | 3 p.p |
| Deliveries | RUB mln | 1,057 | 874 | 21% |
| | Deliveries | 3,253 | 2,859 | 14% |
| | RUB ths. per delivery | 325 | 306 | 6% |

- The 35% growth in revenue from inpatient treatments (excluding deliveries) was driven by an increase in the number of inpatient treatments, price indexation as well as by changes in the composition of services towards more expensive services
- The outpatient treatments subgroup was the fastest growing group of services in 2012, primarily driven by the integration of outpatient clinics acquired earlier
- The number of deliveries increased by 14% y-o-y due to growth of newborns in Moscow on the back of favorable demographic environment, improved efficiency of patient-day utilization and increasing referrals from own network of clinics

* Share in Obstetrics and Gynaecology (value terms)



Revenue analysis: IVF and paediatrics (3/3)

| | | 2012 | 2011 | change, % |
|-----------------------------------|-----------------------------|------------|------------|------------|
| IVF | RUB mln | 542 | 341 | 59% |
| | Cycles | 3,863 | 2,569 | 50% |
| | RUB ths. per cycle | 140.3 | 132.6 | 6% |
| Paediatrics | RUB mln | 693 | 483 | 44% |
| | RUB mln | 137 | 101 | 35% |
| | Patient-days | 8,042 | 8,220 | -2% |
| Inpatient treatments | RUB ths. per patient-day | 17.0 | 12.3 | 38% |
| | % of total* | 20% | 21% | -1 p.p. |
| | RUB mln | 557 | 382 | 46% |
| | Admissions | 166,405 | 111,133 | 50% |
| Outpatient treatments | RUB ths. per admission | 3.3 | 3.4 | -2% |
| | % of total* | 80% | 79% | 1 p.p. |
| Other medical services | RUB mln | 387 | 248 | 56% |
| | Admissions | 40,635 | 38,769 | 5% |

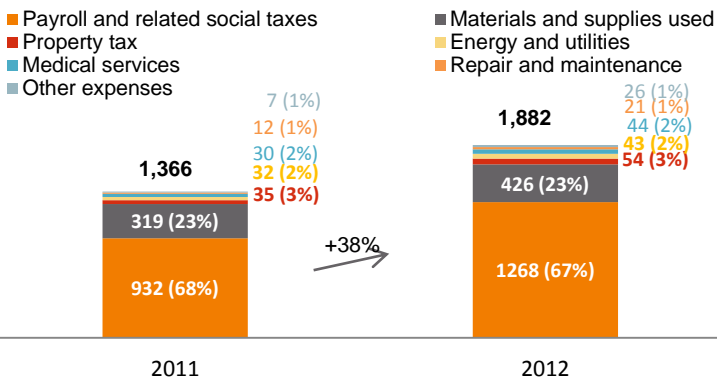
- Increase in average price per IVF cycle in 2012 was driven by annual price indexation implemented in line with the Group's pricing policy
- Revenue from paediatric outpatient treatments grew substantially by 46% driven by the acquisition of outpatient clinics, as well as by organic growth at PMC
- Revenue growth in inpatient paediatric treatments was mainly driven by increase of average check due to changes in the composition of services towards more expensive services
- Revenue from other medical services includes dental care and medical diagnostic services, stem cells storage bank, laboratory examinations

* - Share in Paediatrics (value terms)

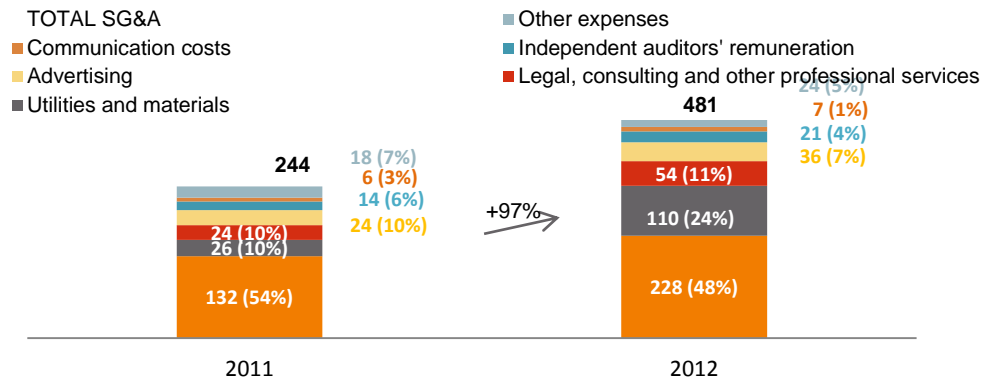


COGS, SG&A and EBITDA analysis

Cost of sales (excl. D&A)

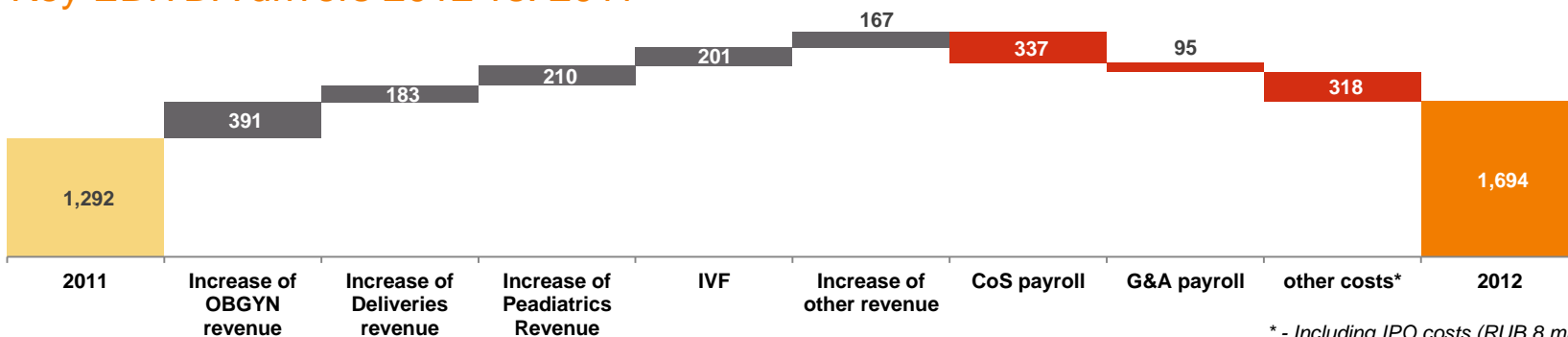


Administrative expenses (excl. D&A)



- Payroll (incl. related social taxes) and materials and supplies used account for the majority of MDMG's COGS (excl. D&A): 67% and 23% in 2012 respectively. Absolute growth in these two key cost items by 35% is driven by the acquisition of outpatient clinics as well as by organic expansion at PMC. In absolute terms, direct costs (excl. D&A) grew by 38% in 2012 (vs. Revenue growth of 40%)
- A 36% growth in payroll was primarily driven by a 11% increase in the number of the Group's medical personnel, as well as due to growth of variable wages in line with revenue growth
- SG&A expenses excl. D&A increased by RUB 237 million – or by 97% - in 2012 on the back of the acquisition of outpatient clinics. A significant part of this growth (RUB 180 million) came from an increase in payroll, as well as in utilities and materials

Key EBITDA drivers 2012 vs. 2011



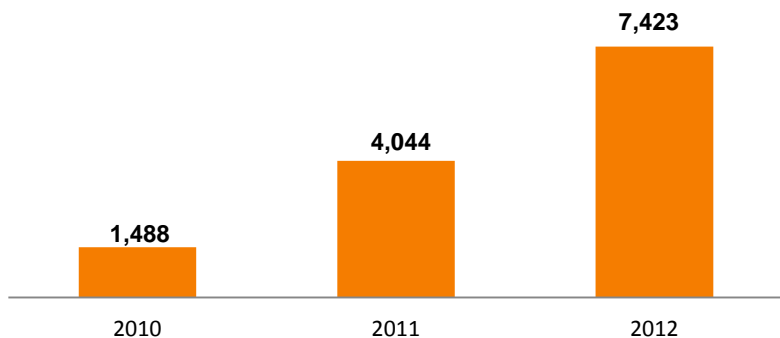
* - Including IPO costs (RUB 8 mln)



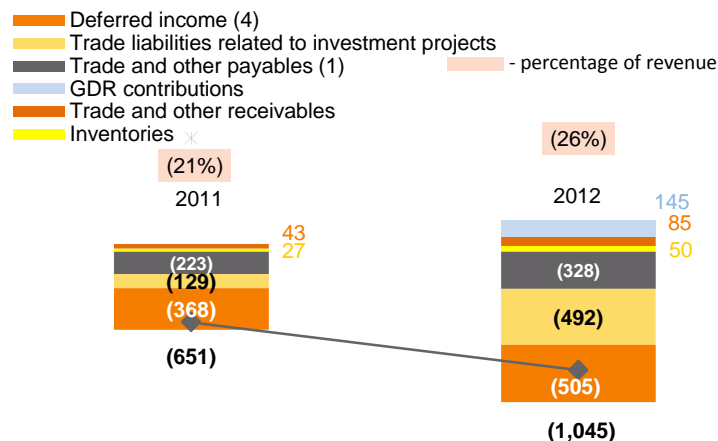
Balance sheet overview

- Continued solid growth of PP&E assets due to new CAPEX spend
- Approximately 90% of revenue comes from direct paying customers; most of them are serviced on a pre-payment basis
- As a result, MDMG primarily operates with a negative working capital providing additional source of financing for MDMG
- Long-term debt amounted to more than 90% of total financial liabilities, 100% - RUB denominated

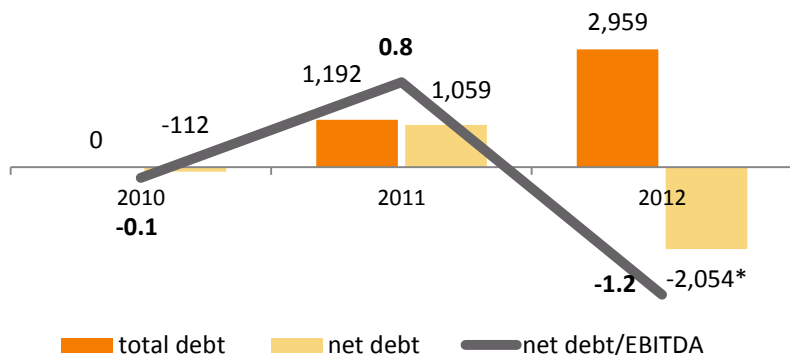
PP&E



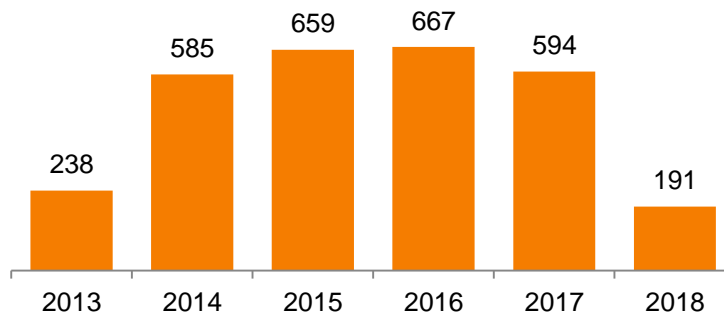
Working Capital (RUB mln)



Total and Net Debt Dynamics, RUB mln*



Debt repayment schedule

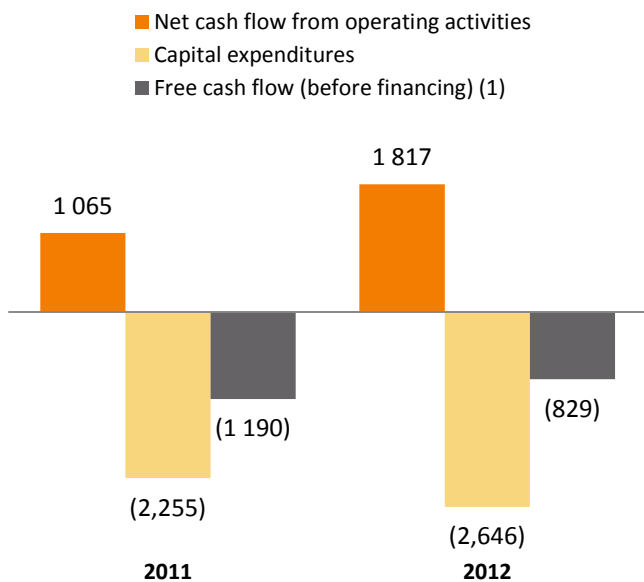


* Including bank deposits with maturity in May 2013, classified as short-term investments

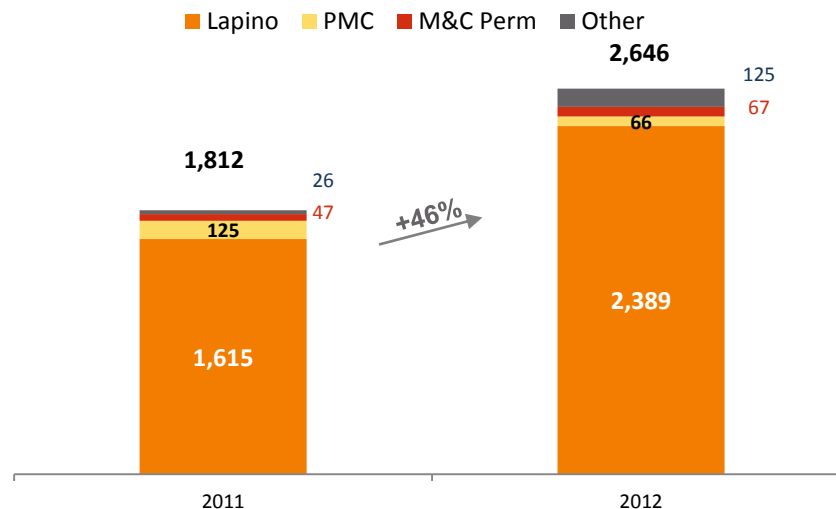


Cashflow metrics and Capex

Cash flow metrics (RUB mln)



2012 Capex breakdown (RUB mln)



- High cash flow generation and low debt level provide for ample capacity to fund future growth
- Continued investments in Lapino Hospital, “Mother and Child Perm” and “Clinic of Health” (refurbishment of additional premises)

- Total CAPEX increased by 46% and amounted to RUB 2,646 mln in 2012
- The dominant share of CAPEX went on the construction of Lapino Hospital

Note: ¹ Calculated as Net cash flow from operating activities less Capital expenditures



Pipeline of existing projects: Ufa, Bashkortostan

Disciplined execution

- Construction started on schedule. Ground breaking ceremony was held on 11 March 2013
- Project design and construction permits completed
- Opening scheduled for late 2014 /beginning of 2015

Favourable market environment

- Total regional population, of 4.1 million people of which 1.1 million live in capital city Ufa
- Among top-10 Russian regions in terms of gross regional product
- Around 57,000 deliveries per annum
- Birth rate of 13.7 is higher than country average of 13.3

Well established existing outpatient clinic

- MDMG has an experienced and highly motivated team in Ufa
- The existing outpatient clinic is very successful
- The local authorities are supportive of the Company's plans in the region



Key figures

- **Deliveries** – 3,000 units
- **Gynecology** – 18,250 patient days
- **IVF** – 1100 IVF cycles
- **Pediatrics** – 13,500 patient days
- **Outpatient services capacity** - c245k admissions
- **Total CAPEX** - 3.5 bln

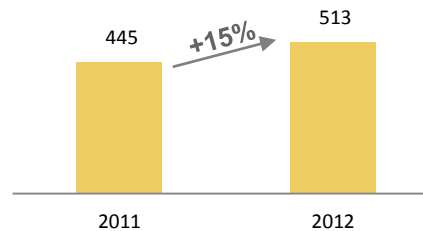


Subsequent events: Acquisition of IDK clinics

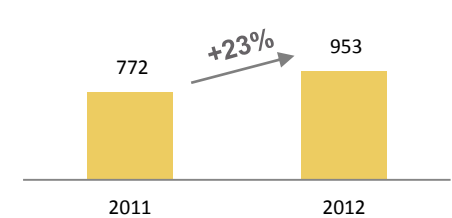
Overview and rationale

- IDK is Samara based chain of clinics, focused on IVF, out-patient obstetrics and gynaecology and paediatrics and is an ideal fit for MDMG's expanding network across Russia
- Acquisition of IDK will enhance MDMG's market position in terms of number of IVF and other out-patient treatments:
 - Number of IVF treatments in IDK in 2012 was 953, which represents 25% of MDMG's 3,863 cycles
 - Total number of out-patient treatments in IDK in 2012 was 152,900 representing 34% of total outpatient treatments for MDMG
- The acquisition is consistent with MDMG's strategy of regional expansion and development of a high quality network of out-patient clinics (along with construction of large hospitals) focusing on IVF, obstetrics and gynecology and paediatrics
- IDK operates a similar model to existing Mother and Child clinics and will be integrated into the Mother and Child network

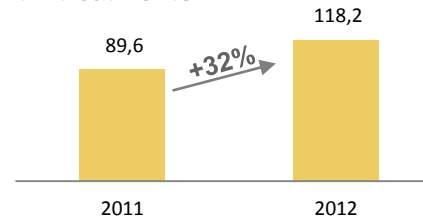
Revenue, mln RUB



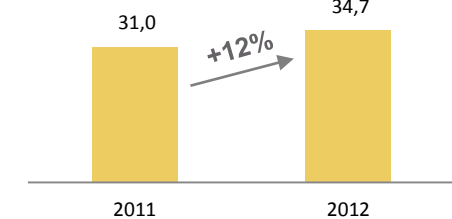
IVF, cycles



Other out-patient services, th. treatments



Out-patient paediatrics, th. treatments



Key terms of the transaction

Closing

The transaction is expected to be completed in the first half of 2013 after receipt of regulatory approvals

Consideration

USD 16.1 mln to be paid in cash

Financing

Own funds



2013 outlook and key priorities

Disciplined execution of new projects

- Construction at Ufa on schedule
- Complete refurbishment of additional premises at Clinic of Health in Moscow in April
- Obtaining construction permits at Yekaterinburg and Nizhniy Novgorod by the end of the year

Operational efficiency improvement

- Integration of acquired chain of clinics in Samara, introducing Group's corporate standards
- New services to increase capacity utilization at Lapino and PMC: rehabilitation, "natural birthing environment", new technologies (intercellular DNA recognition, genetic spectrum)

Strongly placed for further growth

- Outstanding results for 2012 along with solid financial position provide excellent springboard for further growth
- MDMG is considering greenfield project in Yaroslavl, representing an out-patient, IFV and gynecology clinic
- MDMG will seek for efficient clinics, specializing on women's and children's healthcare services in economically developed regions of Russia





Contacts

Maxim Novikov

Head of Investor Relations

24/1 Sevastopolsky prospect,
Moscow, Russia, 117209
+7 (495) 331-16-50
www.mcclinics.com
ir@mospmc.ru

Appendix





MDMG's profit and loss statement

| (RUB mln) | 2012 | 2011 | 2010 |
|------------------------------|--------------|--------------|--------------|
| Revenue | 4,061 | 2,908 | 2,044 |
| Cost of sales | (2,013) | (1,464) | (956) |
| Gross Profit | 2,048 | 1,444 | 1,088 |
| <i>% of revenue</i> | <i>50%</i> | <i>50%</i> | <i>53%</i> |
| Other income | 0.8 | 1 | 6 |
| Administrative expenses | (484) | (246) | (135) |
| Other expenses | (4) | (6) | (2) |
| EBITDA | 1,694 | 1,292 | 1,089 |
| <i>% of revenue</i> | <i>42%</i> | <i>44%</i> | <i>53%</i> |
| Operating profit | 1,560 | 1,193 | 957 |
| Profit before tax | 1,519 | 1,195 | 921 |
| Tax | 19 | (271) | (187) |
| Profit for the period | 1,538 | 924 | 735 |
| <i>% of revenue</i> | <i>38%</i> | <i>32%</i> | <i>36%</i> |



MDMG's balance sheet

| (RUB mln) | 2012 | 2011 | 2010 |
|--|----------------|--------------|--------------|
| Cash and cash equivalents | 2,583 | 133 | 112 |
| Short-term investments | 2,430 | - | - |
| Current trade, other receivables and deferred expenses | 229 | 43 | 23 |
| Inventories | 50 | 27 | 14 |
| Current tax asset | 17 | 29 | 2 |
| Property, plant and equipment | 7,423 | 4,044 | 1,488 |
| Loans receivable | - | - | 269 |
| CAPEX prepayments | 150 | 462 | - |
| Other non-current assets | 31 | 31 | 40 |
| TOTAL ASSETS | 12,914 | 4,769 | 1,947 |
| Current trade and other payables | 756 | 352 | 91 |
| Short-term portion of long-term loans and obligations under finance leases | 263 | 132 | - |
| Other current liabilities | 450 | 338 | 236 |
| Long term loans and borrowings | 2,695 | 1,060 | - |
| Other non-current liabilities | 127 | 80 | 374 |
| Equity | 8,623 | 2,807 | 1,246 |
| TOTAL EQUITY AND LIABILITIES | 12,914 | 4,769 | 1,947 |
| Net Debt* | (2,054) | 1,059 | (112) |

* Including banking deposits with maturity in May 2013, classified as short-term investments



MDMG's cash flow statement

| (RUB mln) | 2012 | 2011 | 2010 |
|--|----------------|----------------|--------------|
| Cash flow from operating activities | | | |
| Profit for the period | 1,538 | 924 | 735 |
| Adjustments for: | | | |
| D&A | 134 | 99 | 132 |
| Excess of Group's interest in the net fair value of the subsidiaries' assets | 0 | (46) | 0 |
| Income tax expense | (19) | 271 | 187 |
| Other adjustments | 3 | 17 | 23 |
| Cash flow from operations before working capital changes | 1,656 | 1,265 | 1,077 |
| Increase in inventories | (23) | (4) | (0) |
| Increase in trade and other receivables | (41) | (135) | (4) |
| Increase in trade and other payables | 100 | 54 | 19 |
| Increase in deferred income | 136 | 139 | 40 |
| Cash flow from operations | 1,828 | 1,319 | 1,131 |
| Tax paid | (11) | (254) | (193) |
| Net cash flow from operating activities | 1,817 | 1,065 | 938 |
| Cash flow from investing activities | | | |
| Payment for acquisition of PP&E | (2,646) | (1,812) | (32) |
| Short-term investments | (2,509) | 0 | 0 |
| Payment for acquisition of investments in subsidiaries | 0 | (443) | 0 |
| Payment for acquisition of investments in subsidiaries under common control | (9) | (331) | (336) |
| Other proceeds and payments | 10 | 1 | (265) |
| Net cash flow used in investing activities | (5,155) | (2,585) | (633) |
| Cash flow from financing activities | | | |
| Proceeds from issue of share capital and share premium | 4,374 | 552 | 269 |
| Repayment of borrowings | (60) | 0 | (576) |
| Repayments of obligations under finance leases | (107) | (71) | 0 |
| Proceeds from borrowings | 1,903 | 1,085 | 0 |
| Interest paid | (179) | (0) | (23) |
| Dividends paid to the owners of the Company | (154) | (1) | 0 |
| Dividends paid to non-controlling interests | (11) | (22) | 0 |
| Other proceeds | 0 | 0 | 132 |
| Net cash flow from financing activities | 5,768 | 1,542 | (198) |
| Net increase/(decrease) in cash and cash equivalents | 2,429 | 22 | 108 |
| Cash and cash equivalents at the beginning of the period | 133 | 112 | 4 |
| Effect due to exchange rate changes | 20 | - | - |
| Cash and cash equivalents at the end of the period | 2,583 | 133 | 112 |