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MOTHER & CHILD
GROUP OF COMPANIES



FY 2014 IFRS RESULTS

March 23, 2015

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KEY COMPANY RESULTS FOR FY 2014

FINANCIAL & OPERATING RESULTS FOR FY 2014

Financial results

7,201 mln RUB
REVENUE +27%

- 27% revenue increase to 7,201 mln RUB (2013: 5,673mln)
- EBITDA increased by 31% to 2,083 mln RUB versus 1,586 mln RUB for FY 2013
- EBITDA margin grew by 1 p.p. to 29% versus FY2013
- Net income for the period boosted by 73% y-o-y and amounted to 1,320 mln RUB

Operational results

7,654 IVF CYCLES +40%
4,550 DELIVERIES +19%

- Total number of **deliveries** increased by 19% to 4,550 deliveries vs. FY2013
- Total number of **IVF cycles** grew by 40% y-o-y, amounting to 7,654 cycles
- Total number of **in-patient treatments** increased 24% to 35,900 patient-days
- Total number of **out-patient treatments** increased 30% to 818,636 admissions

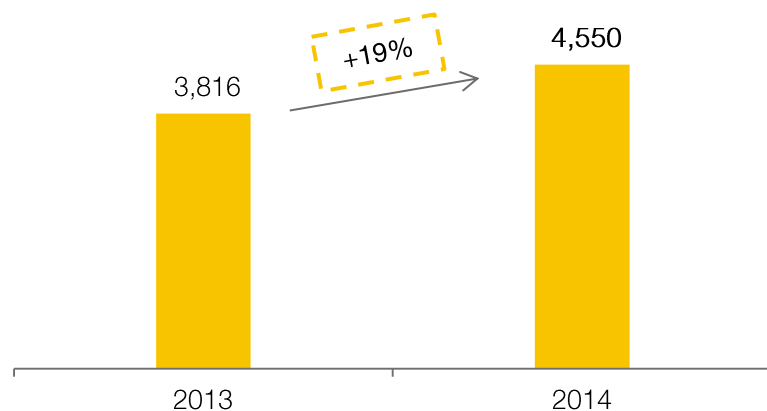
Key events

1. UFA HOSPITAL OPENING
2. ACQUISITION OF AVICENNA MEDICAL CENTRE

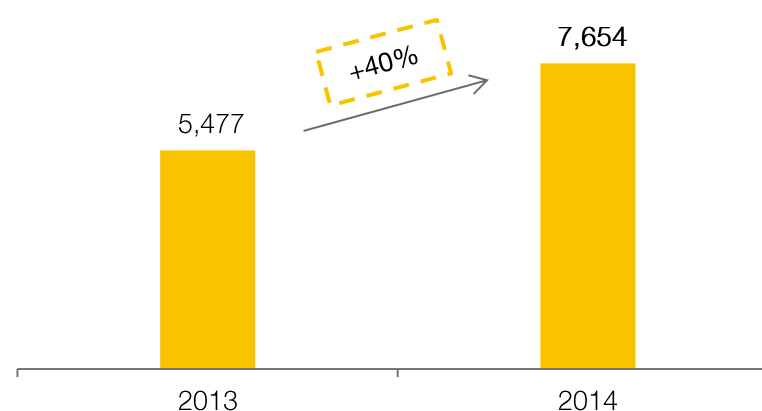
- Ufa hospital, the first Group's regional self-constructed hospital that was financed out of proceeds from the IPO, was opened in October 2014
- MDMG acquired Avicenna (Novosibirsk) the largest private healthcare Company outside Moscow and St Petersburg. With this acquisition Company entered 3rd largest city of Russia and a new region for the Group and added significant volumes to its capacity. Cash consideration was 1.8 bn RUB
- Significant growth of financial and operational metrics at Lapino hospital: number of deliveries increased by 50% y-o-y to 1,836 against 1,220 deliveries in 2013
- **Events after the reporting date:** Change of the Board of Directors composition – 3 new members, incl. Vitaly Ustimenko (CFO), Liubov Malyarevskaya and Vladimir Mekler (pls. see slide 17)

OPERATING RESULTS: CONTINUED STRENGTH ACROSS ALL INDICATORS

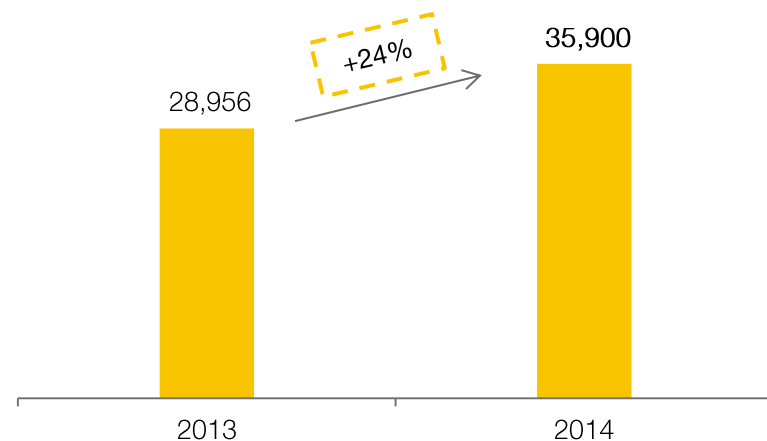
Deliveries



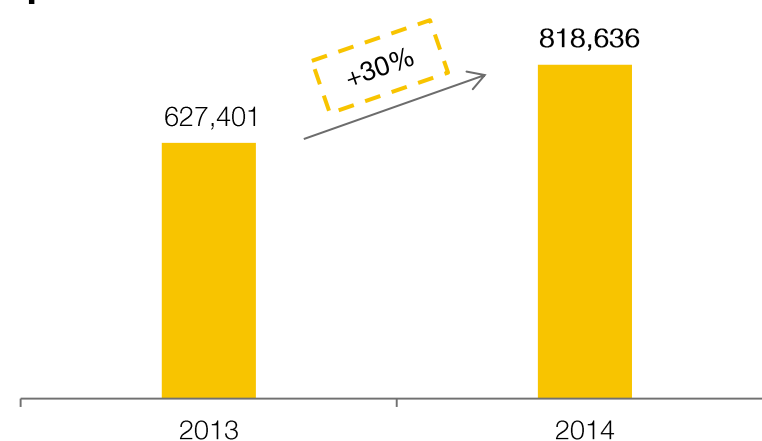
IVF



In-patient treatments



Out-patient treatments



Key growth drivers were continued ramp-up at Lapino, effect of consolidation of Avicenna results for 4Q as well as further enhanced performance of existing clinics.

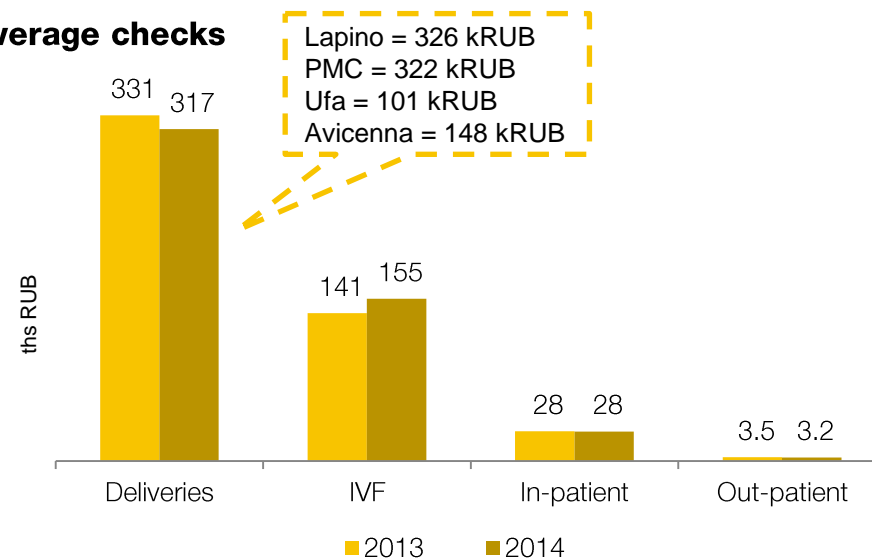
Successful ramp-up at Lapino demonstrated through growing capacity utilisation rates:

- Deliveries - 61%, IVF - 37%
- OBGYN out-patient - 57%, in-patient - 61%
- Paediatrics out-patient - 56%, in-patient - 50%

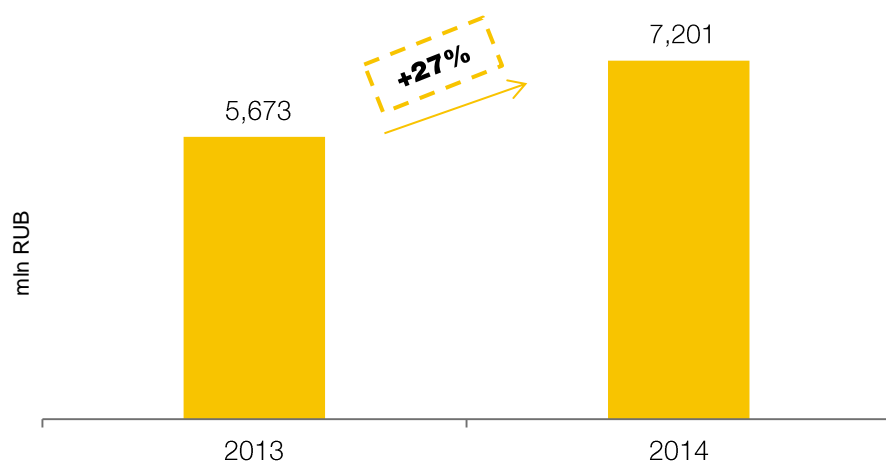
KEY FINANCIAL INDICATORS FOR 2014

- Company increased its revenue and EBITDA in FY2014 by 27% and 31% respectively vs. FY 2013
- EBITDA margin accounted to 29%
- Average check for deliveries at PMC remained flat y-o-y, average numbers for Lapino decreased by 5% due to slightly diluted share of VIP contracts in overall growing volumes (+50% y-o-y)
- Average check for out-patient services was slightly diluted by regional clinics integrated to the Group due to discounted prices in the regions
- Group's average price increase was 3-7%, since management is focused on increase of capacity utilisation.

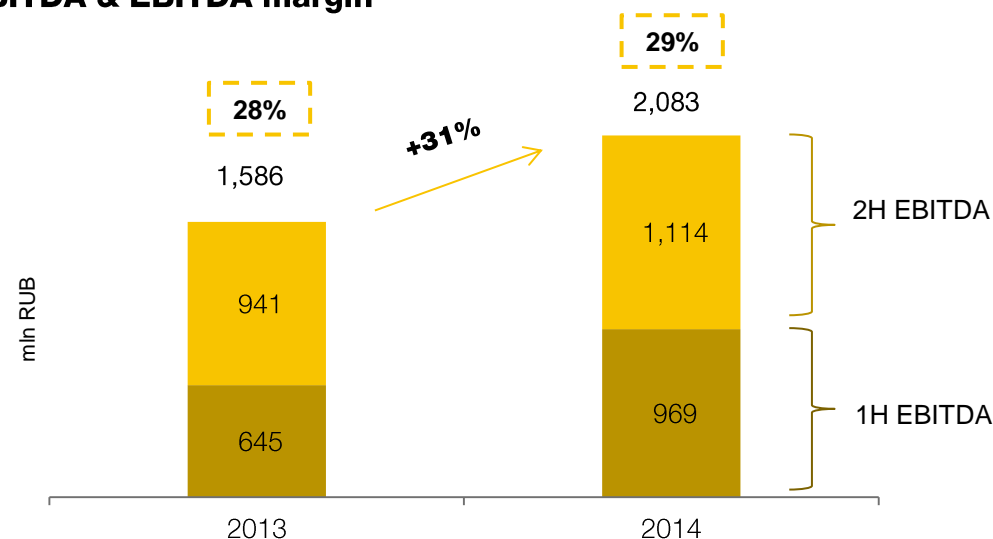
Average checks



Revenue



EBITDA & EBITDA margin



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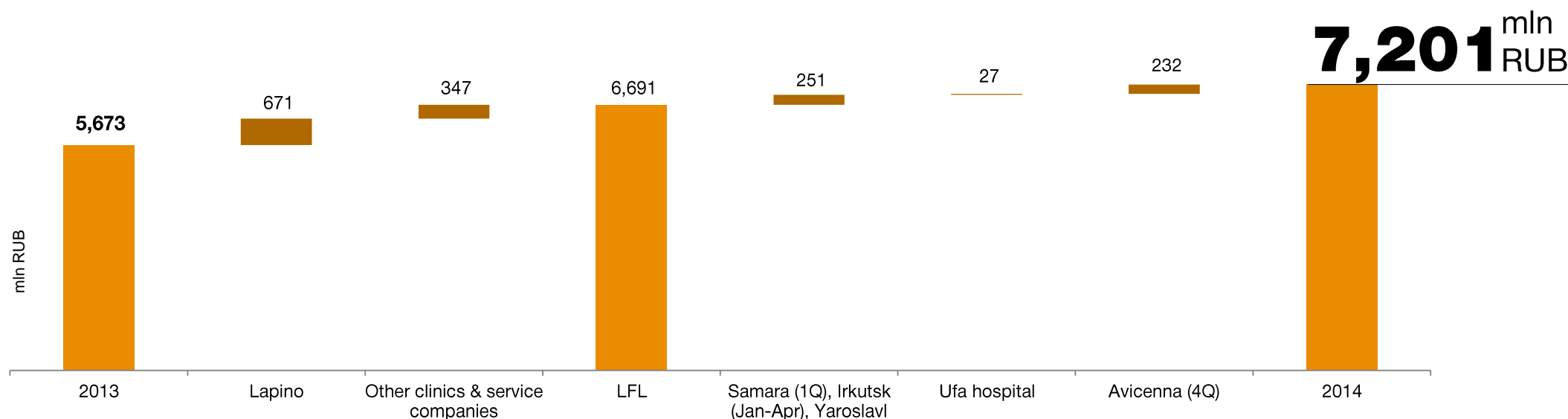
FY2014 FINANCIAL RESULTS ANALYSIS

REVENUE BRIDGE ANALYSIS

Revenue increased 27% y-o-y accounting for 7,201 mln RUB

- LFL revenue increased by 18% or by 1,018 mln RUB:
 - Lapino again was the largest contributor to revenue growth as a result of increasing capacity utilisation, adding 671 mln RUB or 12% y-o-y to Group Revenue
 - Other clinics of the Group contributed a further 6% or 347 mln RUB
- FY 2014 top-line results were also significantly influenced by clinics in Samara and Irkutsk that were consolidated in April and May 2013 respectively. Their operating results for the same months of 2014 are included in the LFL figure. However, clinics in Samara, Irkutsk and the new clinic in Yaroslavl added a further 251 mln RUB on top of the LFL growth
- Newly acquired Avicenna Medical company was consolidated since 4Q, however made a noticeable impact on full year revenue adding extra 232 mln RUB

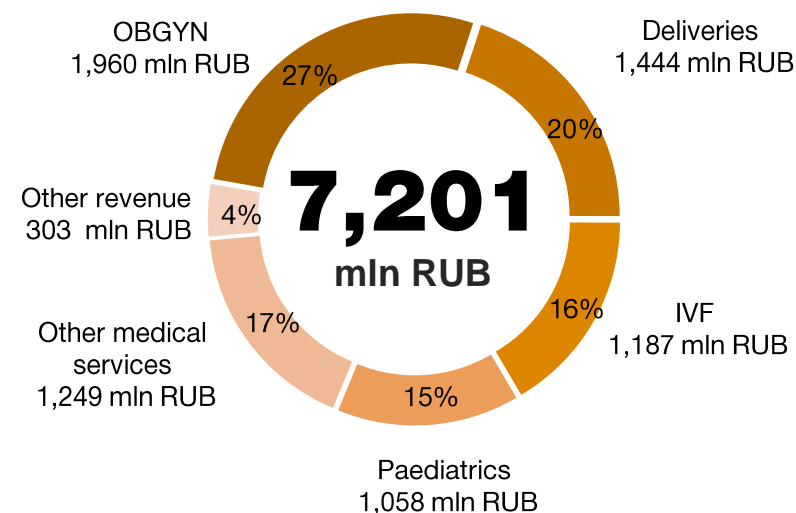
Revenue bridge FY2014 vs FY2013



REVENUE STRUCTURE

- Total revenue increased by 27% y-o-y and amounted to 7,201 mln RUB
- The growth was provided within three revenue lines:
 - OBGYN increased by 204 mln RUB, 12% y-o-y
 - IVF grew by 387 mln RUB, 48% y-o-y
 - Other Medical Services increased by 73%, 528 mln RUB y-o-y
- OBGYN services and deliveries accounted for 47% of the Group's revenue. IVF, paediatrics and other medical services contributed to Group revenue in relatively equal proportions (c.16%)

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, mln RUB

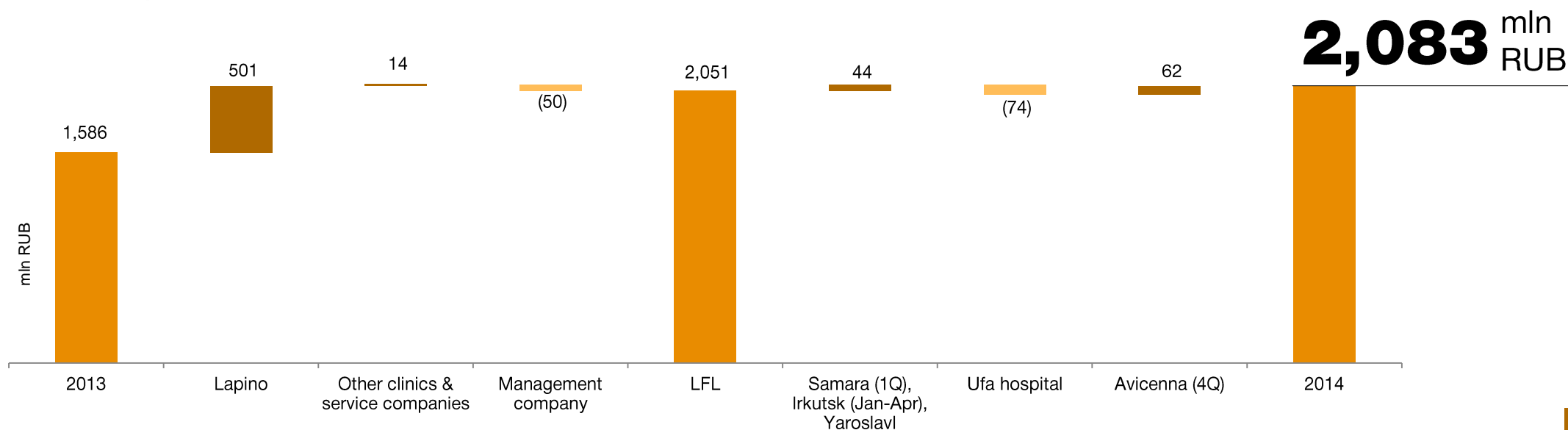
2013	2014	Change, %	Type of revenue	LFL 2013	LFL 2014	Change, %
1,757	1,960	12% ↑	OBGYN (excl. deliveries)	1,757	1,859	6% ↑
1,261	1,444	14% ↑	Deliveries	1,261	1,424	13% ↑
800	1,187	48% ↑	IVF	800	1,053	32% ↑
892	1,058	19% ↑	Paediatrics	892	1,028	15% ↑
721	1,249	73% ↑	Other medical services	721	1,036	44% ↑
241	303	25% ↑	Other revenue	241	291	20% ↑
5,673	7,201	27%		5,673	6,691	18%

EBITDA BRIDGE ANALYSIS

EBITDA increased 31% y-o-y accounting for 2,083 mln RUB with EBITDA margin reaching 29%

- Lapino again was the crucial factor for EBITDA growth during 2014, boosting EBITDA by 31% or by 501 mln RUB
- LFL EBITDA for the year grew by 30% or by 482 mln RUB
- Avicenna added to group EBITDA extra 62 mln RUB during 4Q 2014
- Ufa hospital made negative effect on 2014 EBITDA amounting to 74 mln RUB due to its early opening in October 2014. Thank to early opening of the hospital CAPEX in RUB terms remained in line with budget: average USD rate for the project was ca 35 RUB.
- The increase in management company costs slowed down compared to FY2013 and had marginal negative effect of 50 mln RUB.

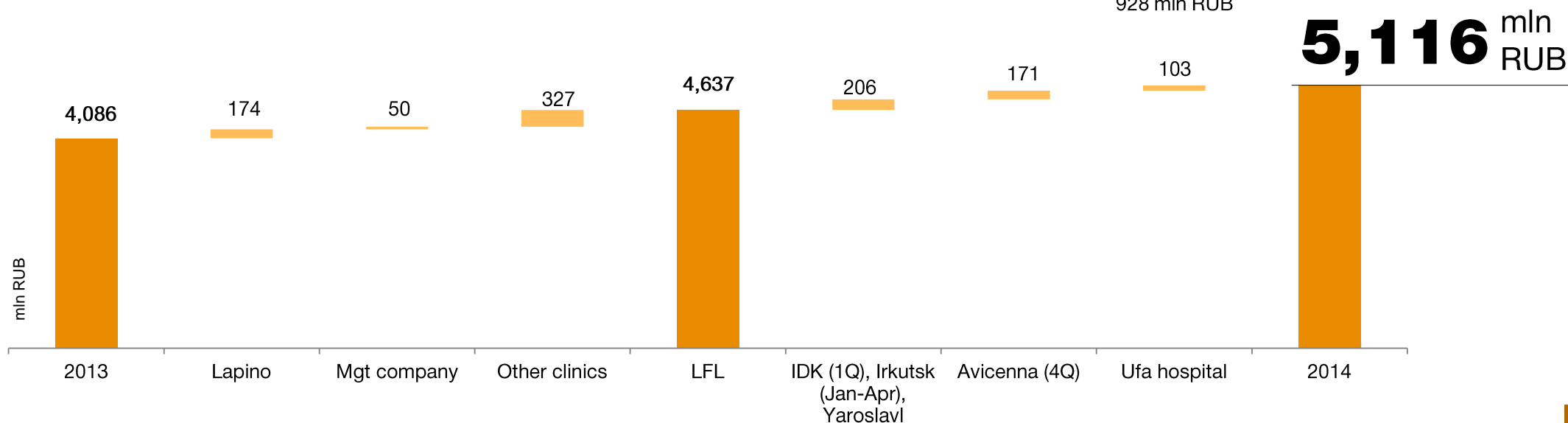
EBITDA bridge FY2014 vs FY2013



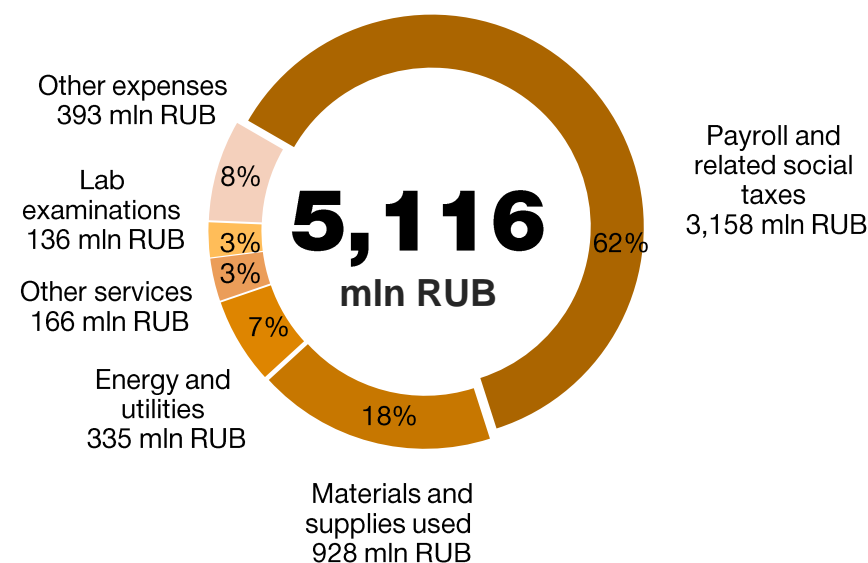
OPERATING EXPENSES, EXCL. D&A

- In 2014 revenue grew faster than operating expenses (excl. D&A) by 2 p.p.
- OPEX (excl. depreciation & amortization) increased by 25% and amounted to 5,116 mln RUB
- LFL OPEX (excl. D&A) increased 13% y-o-y or 551 mln RUB
- LFL operating expenses were influenced by growing volumes of services provided as well as depreciation of RUB and related growth of materials costs
- Effect of operations of clinics in Samara, Irkutsk and Yaroslavl above LFL period* is shown separately and adds extra 206 mln RUB
- Ufa added extra 103 mln RUB to OPEX with the largest numbers coming from 1) recruited staff; 2) property tax (14 mln RUB) was paid in Nov-Dec 2014 in order to save tax holidays for upcoming five full years

OPEX (excl. D&A) bridge analysis



OPEX ex. D&A structure

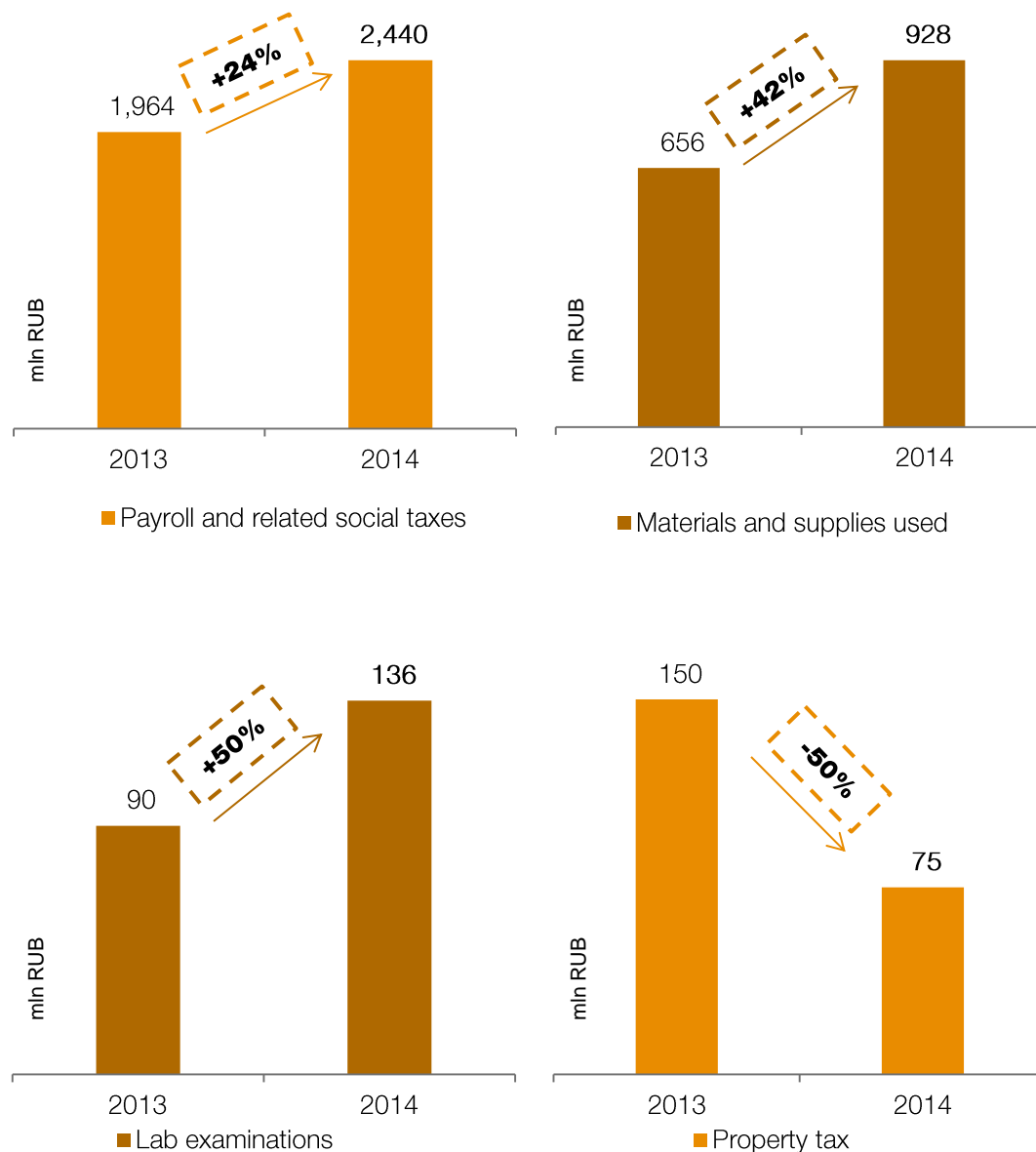


Source: 1H 2014 audited financial statements under IFRS

*- LFL period includes 2Q-4Q'14 of operations for Samara clinics, May – June 2014 for Irkutsk. Results from operations from the rest of the months are shown above LFL

COST OF SALES, EXCL. D&A

CoS comparison



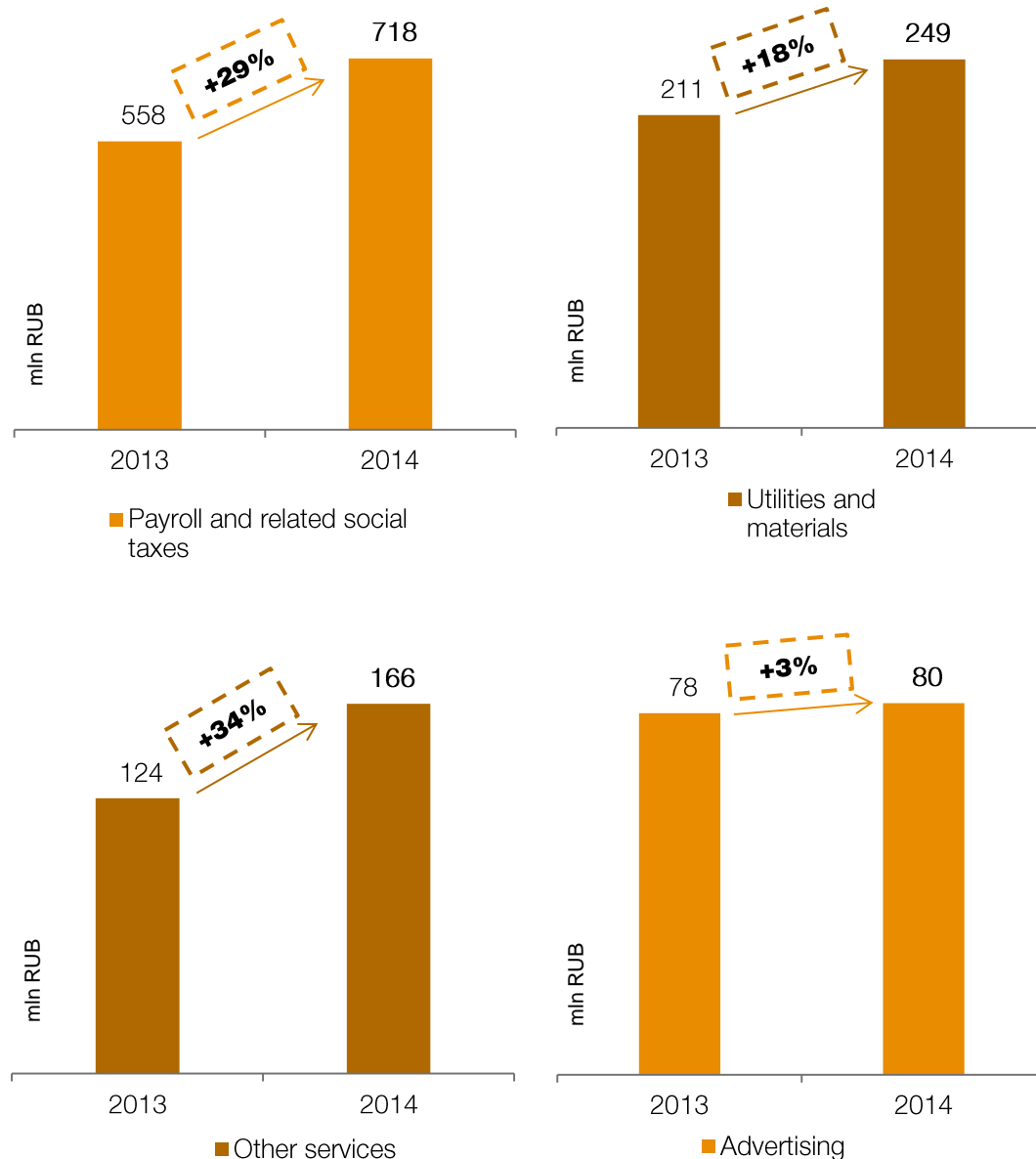
- CoS growth rate of 25% was lower than revenue growth 27%.
- LFL CoS (excl. D&A) increased by 13% or 434 mln RUB, vs. LFL revenue growth of 18%
- The following costs were mostly affected by growing capacity utilisation at Lapino, consolidation of Avicenna, opening of Ufa hospital and full year of operations of Samara clinics
 - Payroll costs increased 24% y-o-y or 475 mln
 - Materials grew up by 273 mln RUB or 42%. Growth of materials costs outstripping revenue rates is related to ca 20% growth of average 2014 FX rate for USD and Euro
- Laboratory examinations expenses increased by 50% y-o-y or by 46 mln RUB on the back of growing volumes of analysis with the corresponding revenue outstripping costs growth
- Lapino and the local government agreed a 50% rebate on property tax starting from April 2014. During FY2013 tax was 100% paid, since April Lapino was exempted from tax payments until tax accruals exceed previous payments.

Revenue and CoS growth rate, mln RUB

Indicator	2013	2014	Change %
Revenue	5,673	7,201	+27%
CoS (excl. D&A)	3,034	3,789	+25%

G&A, EXCL. D&A

G&A comparison



- LFL G&A (excl. D&A) increased 12% or by 135 mln RUB vs. LFL revenue growth of 18%
- The following expenses increased in FY2014 y-o-y mostly due to growing capacity utilisation at Lapino, opening of Ufa hospital, consolidation of Avicenna and effect from full year of operations of Samara clinics:
 - Payroll expenses (including social tax expenses) increased by 29% and amounted to 718 mln RUB. Growth of payroll was partially affected by the management company.
 - Utilities and materials grew up by 18% or 38 mln RUB y-o-y
- Other services that comprises 12% of total G&A (excl. D&A) grew by 42 mln RUB mostly on the back of RUB depreciation during the period since most of contracts for audit and consulting were in foreign currency.
- Advertising expenses in FY2014 were almost flat y-o-y due to the fact that the Federal Law on advertising of medical services (was in force during the 1H 2014) restrained advertising opportunities and there were no big marketing campaigns for start-ups.

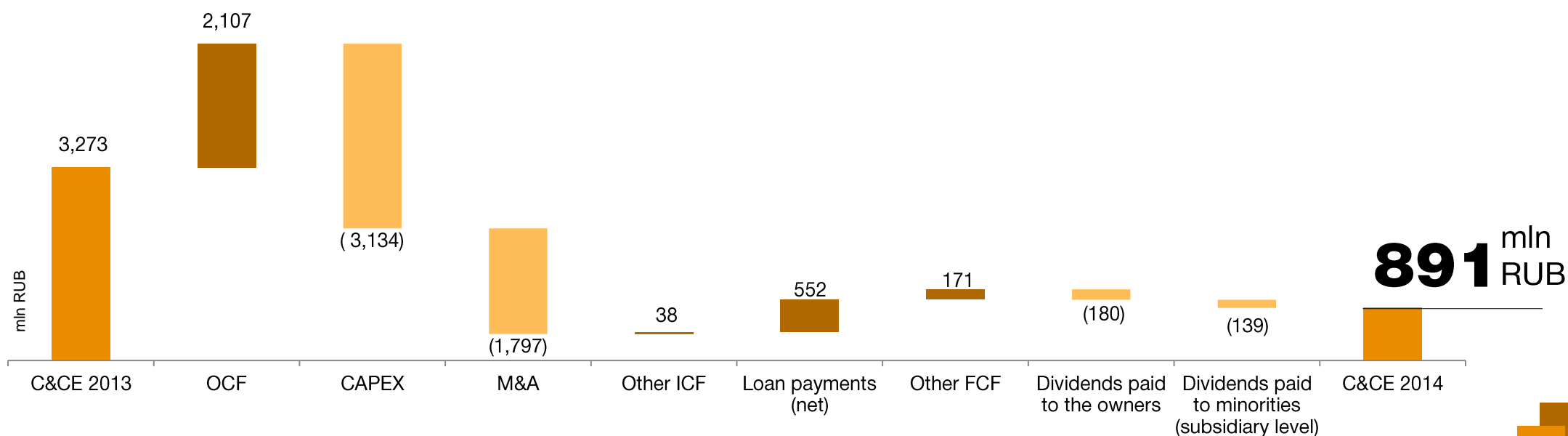
Revenue and G&A growth rate, mln RUB

Indicator	2013	2014	Change %
Revenue	5,673	7,201	+27%
G&A (excl. D&A)	1,052	1,328	+26%

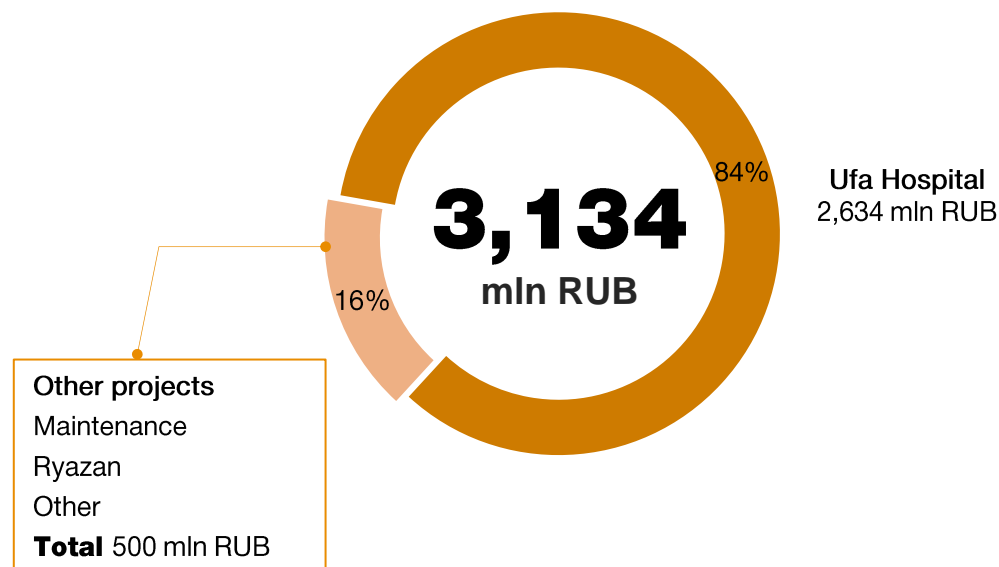
CAPEX & CASH FLOW

- The company's cash and cash equivalents amounted to 891 mln RUB as of 31 December 2014
- OCF amounted to 2,107 mln RUB and increased 27% vs. 2013
- The main cash outflow was for investing activity (4,931 mln RUB) owing to significant investments in Ufa hospital and financing of Avicenna M&A deal
- Investment cash inflow (38 mln RUB) was mostly related to interest received
- Net raised bank loans and finance expenses amounted to 552 mln RUB
- Dividends payment amounted to 319 mln RUB

Cash Flow waterfall



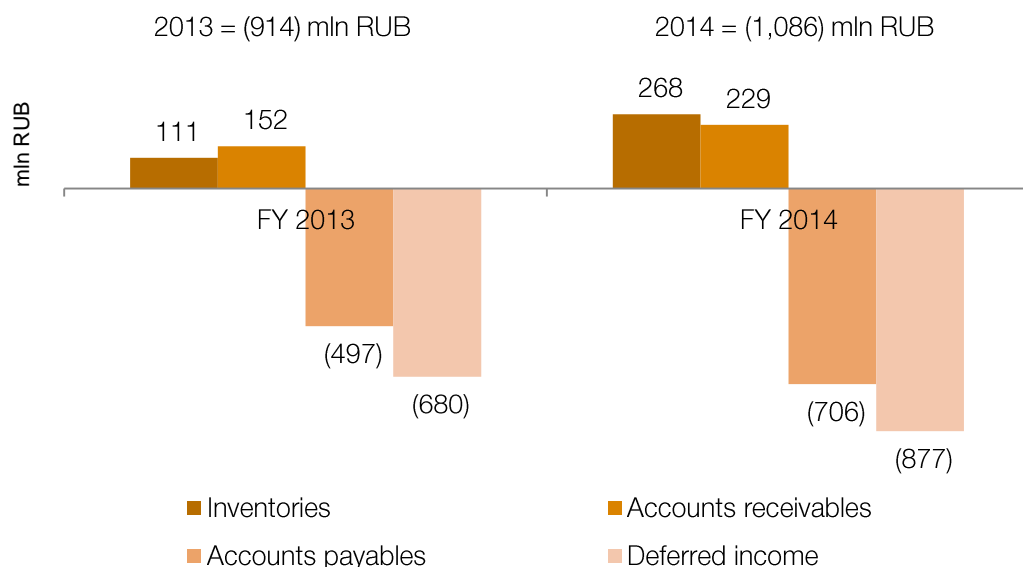
CAPEX Structure



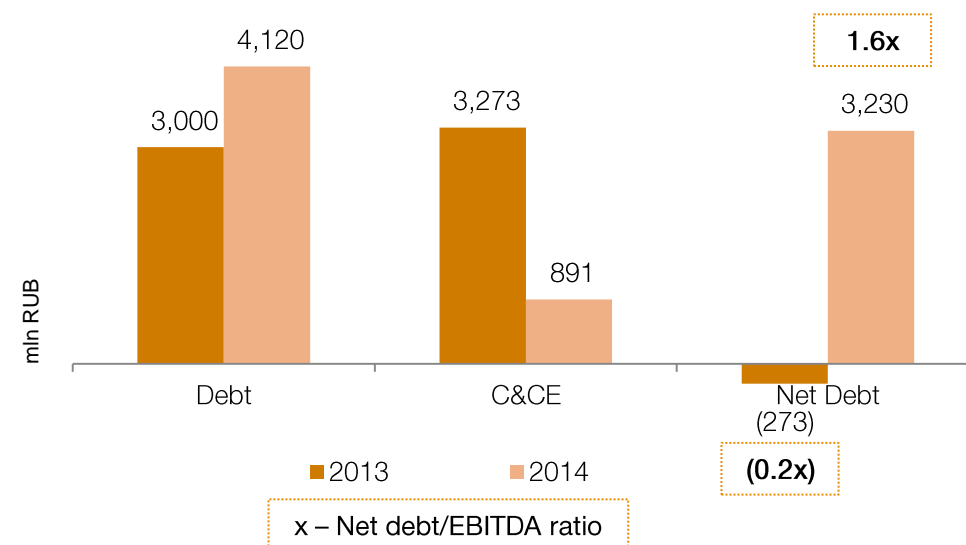
WORKING CAPITAL AND NET DEBT

- The Company's debt increased by 37% to 4,120 mln RUB for FY 2014 due to new debt raised for Avicenna M&A
- 100% of debt is RUB nominated; 80% of the debt is long-term with maturity years - 2018-2019. 55% of existing loans will be repaid in 2016-2017
- Company's cash & cash equivalents amounted to 891 mln RUB. The decrease of cash & cash equivalents position is mostly related to payments for Ufa project
- Net debt to EBITDA ratio equals 1.6x
- The company works with negative working capital as a source of additional financing. Working capital increased 19% y-o-y to (1,086) mln RUB

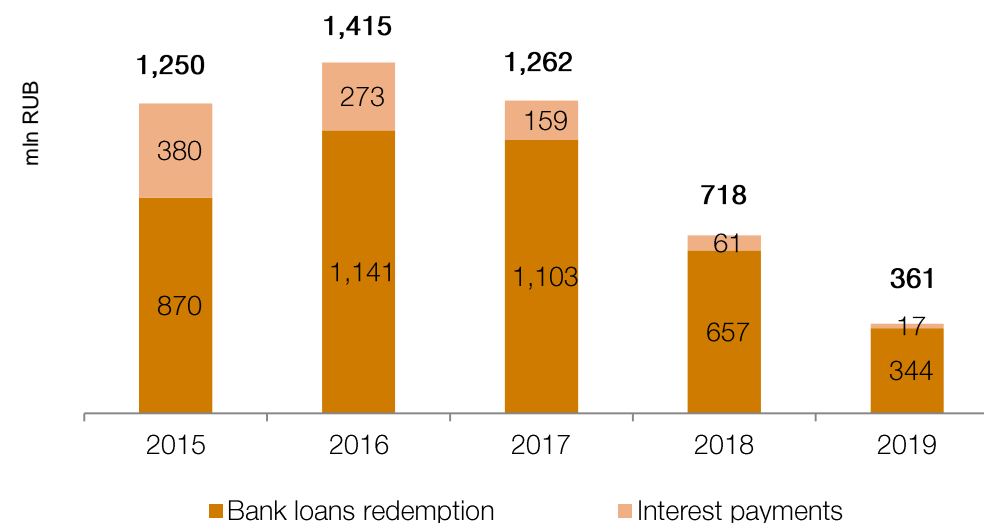
Net working capital



Debt



Well-balanced and sustainable debt structure



Source: FY 2014 audited financial statements under IFRS

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RECENT CHANGES

DE-OFFSHORISATION LEGISLATION

LEGAL CHANGES

- In November 2014, new Federal Law that **introduces** in the legislation a **package of measures aimed at ensuring a "deoffshorisation" of the Russian economy** and, as such, new rules regarding the taxation of income derived by foreign companies was signed.
- **New legal conceptions** introduced into Russian laws: Controlled foreign companies (CFC) and Russian tax residence for foreign legal entities
- **Status:** Came into force since Jan 1, 2015
- **What does it mean:** Any off-shore registered company that meets ANY of the following criteria considered to be CFC:

1. The majority of the Board of Directors meetings are held on the territory of Russia	4. Bookkeeping or managerial accounting of the organisation is carried out in Russia
2. Executive body activities are regularly exercised in Russia	5. Work paper management is carried out in Russia
3. Top management functions are exercised by key organisation officials from Russia	6. Operational personnel management is conducted from Russia
- **Management believes** that declaring Company as Cypriot tax resident under the new law is value dilutive for the business, since in that case Group should, i.e. move top and operational management to Cyprus, run all the accounting from Cyprus etc.
- The abovementioned changes concern ONLY the tax residence of MDMG and do not affect the corporate residence the company's jurisdiction, do not follow the changes to the charter, and do not change the rights of any company's shareholders, the powers of the general shareholders meeting or of the board of directors.

CHANGES WITHIN THE COMPANY

- **Plan:** to register MDMG as Russian tax resident during 1H 2015
- **Subsequent changes for investors and the Company:**
 - Movement of the Group's **Board of Directors to Russia** and further strengthening of the Board with new highly regarded experts
 - **Reduction of tax cost** on distribution of dividends to the level of MDMG from 5% down to 0% which will improve the tax efficiency of reinvesting the funds back into the operational business
 - Withholding **tax on dividends** distributed by MDMG to minority shareholders will increase from current 0% up to 5-15% (standard rate is 15%). *A reduced rate may be available for shareholders tax resident in certain states with which Russia has a double tax treaty allowing for a special rate with no additional requirements (e.g. treaties with USA, UK, Ireland and some other states allow a 10% rate with no additional criteria to meet)*
- **Company's dividend tax burden will not increase** despite the change of dividend tax rate up to 15% due to different tax base. Previously dividend tax was paid based on 100% amount of dividends distributed to MDMG, while after moving to Russian residence Company will pay dividend tax based only on the part of net profit which will be paid out as dividend.

NEW BOARD OF DIRECTORS

Changes

- Composition of the Company's Board of Directors has changed as of February 19, 2015.
- Mr Apollon Athanasiades, Ms Elia Nicolaou, Mr Marios Tofaros, Mr Angelos Paphitis and Mr Andreas Petrides resigned from their posts of non-executive directors with effect from 18 February 2015.

Current Board composition

1. Dr Mark Kurtser, Chairman – Non-executive director
2. Mr Kirill Dmitriev - Non-executive director
3. Mr Simon Rowlands – Independent non-executive director
4. Dr Elena Mladova, CEO – Executive Director
5. **Mr Vitaly Ustimenko, CFO - Executive Director**
6. **Mrs Liubov Malyarevskaya - Independent non-executive director**
7. **Mr Vladimir Mekler - Non-executive director**

New directors

Bios of new Board members



Mrs Liubov Malyarevskaya (chairman of the Audit committee)

- Since 2014 - Director in the Finance department of JSC "Sberbank"
- 2011 – 2014 - Partner and head of the Corporate Finance Department of JSC "BDO Russia".
- 2001 - 2010 – various positions at PwC and Deloitte.
- Mrs Malyarevskaya holds a Russian Statutory Accountant Certificate as well as a certificate from ACCA



Mr Vladimir Mekler (member of the Nomination committee)

- Since 1995 - Senior and managing partner of the "Mekler & Partners"
- Mr Mekler specializes in corporate law, incl. support and structuring of complex contracts, systems of corporate governance and legal structuring development and optimization with regards to criminal and antitrust legislation; legal support of mergers and acquisitions etc.



Q&A session



Appendix



Revenue analysis

	2014	2013
Obstetrics and Gynaecology		
<u>In-patient treatments</u>		
RUB mln	685	618
patient days	20,331	18,577
kRUB per day	33.7	33.3
% of total*	35%	35%
<u>Out-patient treatments</u>		
RUB mln	1,276	1,138
Admissions	382,430	306,822
kRUB per admission	3.3	3.7
% of total*	65%	65%
<u>Deliveries</u>		
RUB mln	1,444	1,261
Deliveries	4,550	3,816
kRUB per delivery	317.3	330.5
<u>IVF</u>		
RUB mln	1,187	800
Cycles	7,654	5,477
kRUB per cycles	155.1	146.1
Paediatrics		
<u>In-patient treatments</u>		
RUB mln	205	162
Patient-days	11,454	8,991
kRUB per patient day	17.9	18.0
% of total*	19%	18%
<u>Out-patient treatments</u>		
RUB mln	853	730
Admissions	272,693	225,720
kRUB per admissions	3.1	3.2
% of total*	81%	82%

- Increase of revenue from OBGYN in-patient treatments by 11% y-o-y up to 685 mln RUB is explained by continued successful ramp-up at Lapino, effect of FY of operations and better results of Samara clinics and consolidation of Avicenna.
- Revenue from OBGYN out-patient treatments increased 12% y-o-y and reached 1,276 mln RUB. Number of out-patient admissions increased by 25% y-o-y since Lapino is gaining momentum and due to full period of operations of new clinics in Samara and Irkutsk as well as their better operating results vs. corresponding period of last year. However, since prices in the regions of Russia are lower than in Moscow average check for out-patient services was slightly diluted by larger share of regional clinics in Group's revenue.
- Revenue from deliveries increased 15% y-o-y and amounted to 1,444 mln RUB on the back of Lapino continued ramp-up, consolidation of newly acquired Avicenna Medical Centre and first results of Ufa hospital. Average check for deliveries at PMC remained flat y-o-y, average numbers for Lapino decreased by 5% due to slightly diluted share of VIP contracts in overall growing volumes (+50% y-o-y). Group's average ticket for delivery was also affected by lower prices for deliveries in Novosibirsk and Ufa.
- Revenue from IVF service line amounted to 1,187 mln RUB with 48% y-o-y growth. The overall growth in IVF cycles in FY 2014 was primarily due to strong performance of Lapino IVF department, clinics in Samara, Saint-Petersburg, Perm as well as positive effect of consolidation of Avicenna. Average check increased by 6% due to price indexation, regions do not affect average ticket since prices for IVF cycles are more or less equal through the country.
- Revenue from paediatrics in-patient treatments increased 27% y-o-y and amounted to 205 mln RUB. The growth of patient-days by 27% was supported by better performance of Lapino, PMC and consolidation of Avicenna.
- Revenue from paediatrics out-patient segment grew up by 17% reaching to 853 mln RUB. The total increase in out-patient treatments was mostly driven by Lapino gaining momentum, IDK clinics (Samara) that improved its operations as well as effect from consolidation of Avicenna.

Extract from MDMG's profit and loss statement

(RUB mln)	2014	2013	2012
Revenue	7,201	5,673	4,061
Cost of sales	(4,230)	(3,389)	(2,013)
Gross Profit	2,971	2,283	2,048
% of revenue	41%	40%	50%
Other income	9	4	1
Administrative expenses	(1,433)	(1,125)	(484)
Other expenses	(11)	(5)	(4)
EBITDA	2,083	1,586	1,694
% of revenue	29%	28%	42%
Operating profit	1,536	1,158	1,560
Net finance expenses	(141)	(323)	(41)
Profit before tax	1,395	835	1,519
Tax	(75)	(72)	19
Profit for the period	1,320	764	1,538
% of revenue	18%	13%	38%
Minority interest	124	127	139
Profit for the year attributable to: shareholders	1,196	636	1,399

Extract from MDMG's balance sheet

(RUB mln)	2014	2013	2012
Cash and cash equivalents	891	3,273	2,582
Investments	3	4	2,430
Current trade, other receivables and deferred expenses	229	152	229
Inventories	268	111	50
Current tax asset	8	8	17
Assets held for sale	46	-	-
Property, plant and equipment	12,540	9,210	7,423
Intangible assets	1,981	452	31
Non-current trade and other receivables and deferred expenses	105	438	150
Other non-current assets	1,985	451	31
TOTAL ASSETS	16,074	13,648	12,914
Current trade and other payables	899	748	756
Short term loans and borrowings	869	618	263
Other current liabilities	788	611	448
Long term loans and borrowings	3,251	2,379	2,695
Other non-current liabilities	131	84	128
Equity	10,137	9,209	8,623
TOTAL EQUITY AND LIABILITIES	16,074	13,649	12,914
Net Debt	3,230	(273)	(2,054)

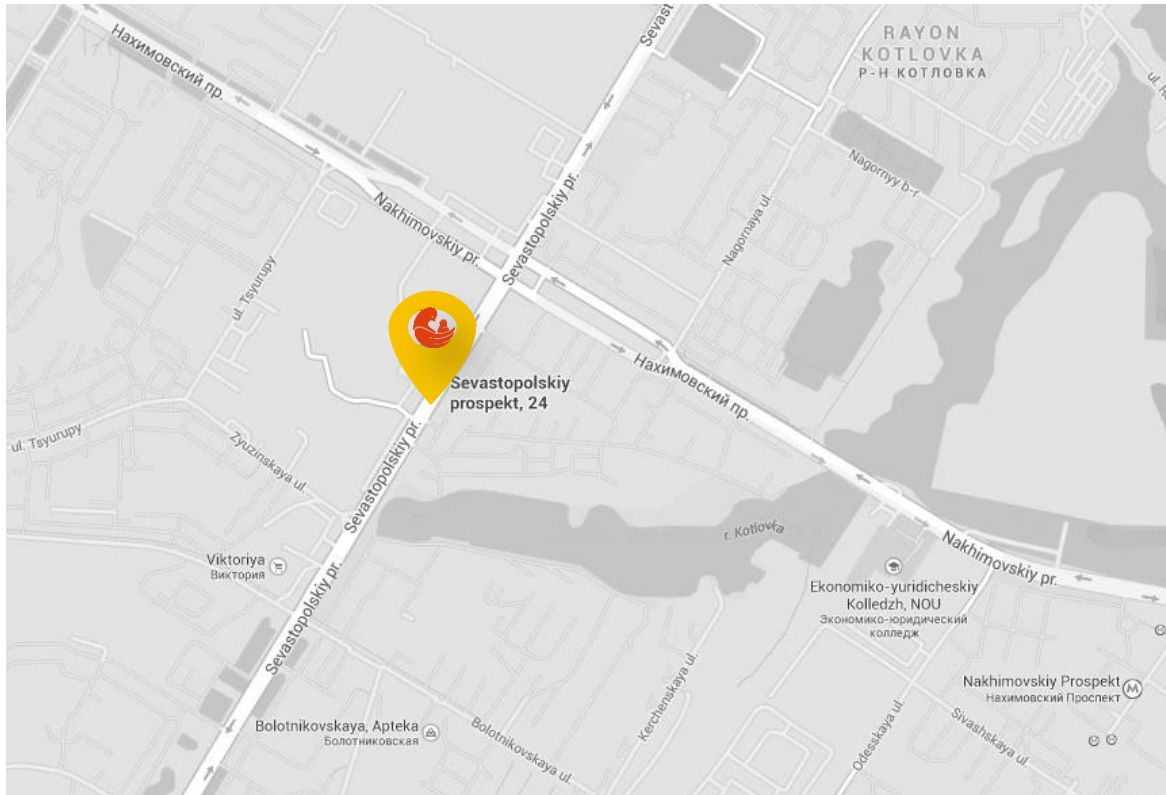
Extract from MDMG's cash flow statement

(RUB mln)	2014	2013	2012
Cash flow from operating activities			
Profit for the period	1320	764	1,538
Adjustments for:			
D&A	547	428	134
Taxation	75	72	(19)
Other adjustments	140	323	0
Cash flow from operations before working capital changes	2,082	1,587	1,656
(Increase) / decrease in inventories	(119)	(47)	(23)
Increase in trade and other receivables	(49)	(44)	(41)
Increase in trade and other payables	71	71	100
Increase in deferred income	199	159	136
Cash flow from operations	2,184	1,726	1,828
Tax paid	(78)	(64)	(11)
Net cash flow from operating activities	2,106	1,662	1,817
Cash flow from investing activities			
Payment for acquisition of PP&E	(3,126)	(2,430)	(2,646)
Withdrawal / (deposit) of investments	0	2,538	(2,509)
Acquisition of subsidiaries	(1,797)	(648)	(9)
Other proceeds and payments	29	72	9
Net cash flow used in investing activities	(4,894)	(468)	(5,155)
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	0	0	4,374
GDR Contributions received from underwriters	0	150	0
Proceeds from borrowings	1,360	341	1,903
Repayment of borrowings	(518)	(346)	(60)
Repayments of obligations under finance leases	(3)	(3)	(106)
Finance expenses paid	(362)	(356)	(179)
Other payments	(72)	(10)	(1,394)
Dividends paid to the owners of the Company	(180)	(314)	(154)
Dividends paid to non-controlling interests	(139)	(72)	(10)
Net cash flow from financing activities	86	(610)	5,726
Net increase in cash and cash equivalents	(2,702)	584	2,429
Cash and cash equivalents at the beginning of the period	3,273	2,583	133
Effect due to exchange rate changes	319	106	20
Cash and cash equivalents at the end of the period	891	3,273	2,583

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