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MOTHER & CHILD
GROUP OF COMPANIES

MD MEDICAL GROUP

FY 2017
IFRS RESULTS

March 19, 2018
Moscow

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COMPANY'S RESULTS FOR FY 2017

KEY FIGURES FOR FY 2017

Financial results

13,755 mln RUB
(+13%)
REVENUE

- **13% revenue increase to RUB 13,755** mln (FY 2016: RUB 12,179 mln)
- **EBITDA increased 13% to RUB 4,165** mln vs RUB 3,670 mln y-o-y
- **EBITDA margin - 30.3%**: +0.2 p.p. vs 2016
- **Net profit for the period grew up by +19%** y-o-y and amounted **to RUB 2,704 mln**
- **Net debt amounted to RUB 2,065 mln**

Operational results

6,808 DELIVERIES (+2%)
16,806 IVF CYCLES (+20%)

- Total number of **deliveries increased** by **2%** to **6,808** vs FY2016
- Total number of **IVF cycles grew** by **20%** y-o-y to **16,806** cycles
- Total number of **in-patient treatments increased 15%** to **61,344** patient-days
- Total number of **out-patient treatments increased 9%** to **1,516,001**

Key events

- OPENING OF NEW HOSPITAL IN NOVOSIBIRSK
- CONSTRUCTION OF HOSPITAL IN SAMARA
- START OF CONSTRUCTION OF HOSPITAL IN TYUMEN
- OPENING OF 3 NEW CLINICS

- **January:** opening of new clinic in Vladimir
- **February:** expansion and modernisation of out-patient clinic in St. Petersburg, extra 351 sq m added
- **February:** opening of a new wing at M&C hospital in Novosibirsk, with extra 7,000 sq m and 48 beds
- **June:** opening of the Miscarriage Treatment Centre at PMC in Moscow
- **June:** opening of a new out-patient clinic in Tyumen with total area 350 sq m
- **June:** groundbreaking ceremony for a new multi-disciplinary hospital in Tyumen with an area of 15,000 sq m
- **October:** opening of a new out-patient clinic in Voronezh with total area 343 sq m
- Events after the reporting date: Board of Directors made a recommendation for dividends payment of RUB 451mln. Total amount of dividends paid out for 2017 (incl. H1 2017 RUB 351 mln payment) equals to RUB 802 mln or 29.7% of net profit for the year. Payment will be in US dollars based on rate of the Central Bank of Russia as of 16 March 2018
- Opening of new clinic in Vladimir with total area 354 sq m. New clinic is now replacing the initial one
- Opening of a new multi-disciplinary hospital in Samara ("IDK Hospital"), with total area 15,000 sq m
- Opening of a new clinic in Nizhny Novgorod

FINANCIAL & OPERATIONAL RESULTS FOR FY 2017

OPERATIONAL RESULTS

6,808
DELIVERIES

+ 2% (2017/2016)

16,806
IVF
CYCLES
+ 20% (2017/2016)

61,344
IN-PATIENT DAYS

+ 15% (2017/2016)

1,516,001
OUT-PATIENT
ADMISSIONS
+ 9% (2017/2016)

FINANCIAL RESULTS

13,755
mln RUB
REVENUE
+ 13% (2017/2016)

4,165
mln RUB
EBITDA
+ 13% (2017/2016)

30.3%
EBITDA
MARGIN
+ 0.2 p.p. (2017/2016)

34
CLINICS & HOSPITALS
30 CLINICS
4 HOSPITALS
18 REGIONS

2,704
mln RUB
NET PROFIT
+ 19% (2017/2016)

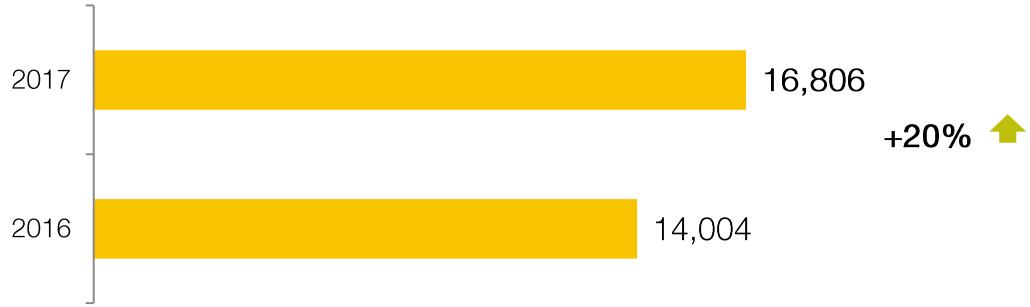
33.23
RUB
EPS
+ 20% (2017/2016)

Source: management accounts
FY2017 audited financial statements under IFRS

OPERATING RESULTS FY 2017

Deliveries

IVF cycles



In-patient treatments

Out-patient treatments

Deliveries: Number of births in Russia decreased by 10.7% in 2017, nevertheless deliveries in MDMG increased by 2% y-o-y

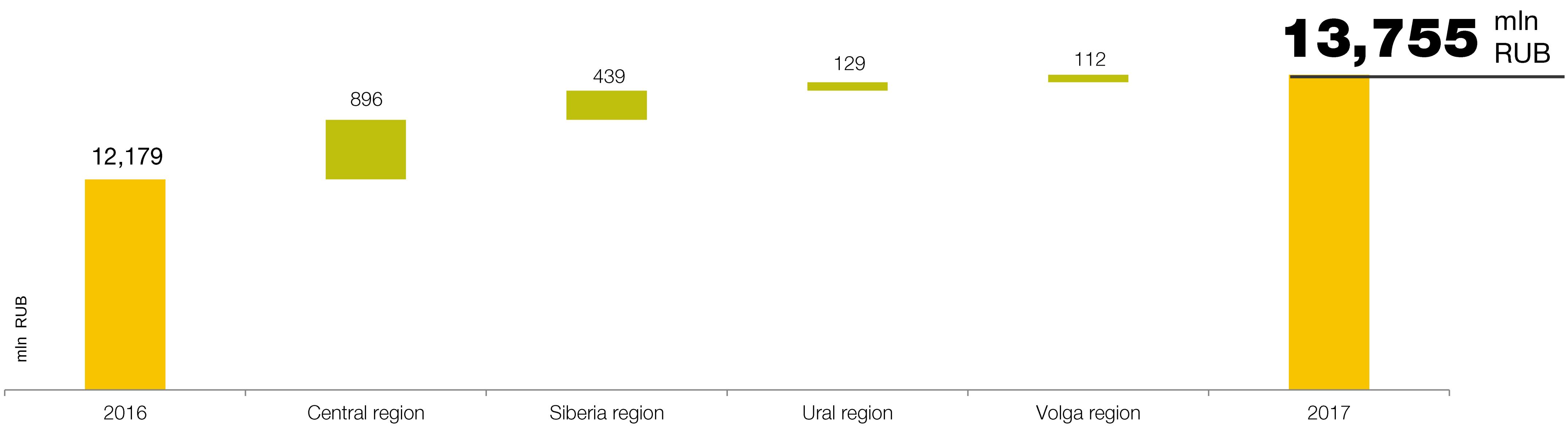
IVF: Increase of IVF cycles by 20% y-o-y was strongly supported by significant growth of IVF MHI (+86% y-o-y)

In-patient treatments: The share of other medical services increased as a result of general surgery growth (+ 89% y–o-y)

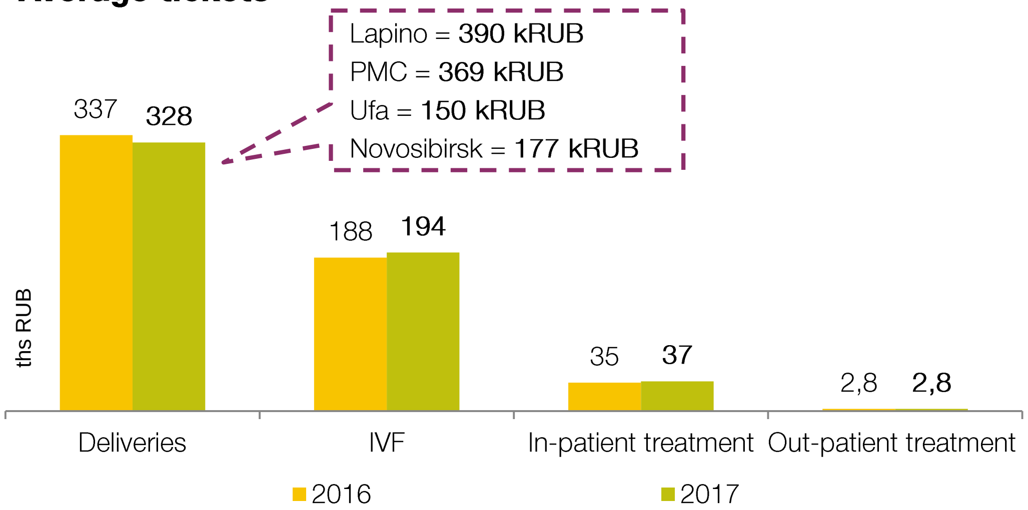
Source: management accounts

REVENUE STRUCTURE

Revenue bridge analysis



Average tickets



Revenue dynamics by type of revenue, RUB mln

Type of revenue	2016	2017	Changes, %
OBGYN (excl. deliveries)	2,634	2,733	+4%
Deliveries	2,245	2,236	0%
IVF	2,628	3,258	+24%
Paediatrics	1,610	1,738	+8%
Other medical services	3,062	3,790	+24%
	12,179	**13,755**	**+13%**

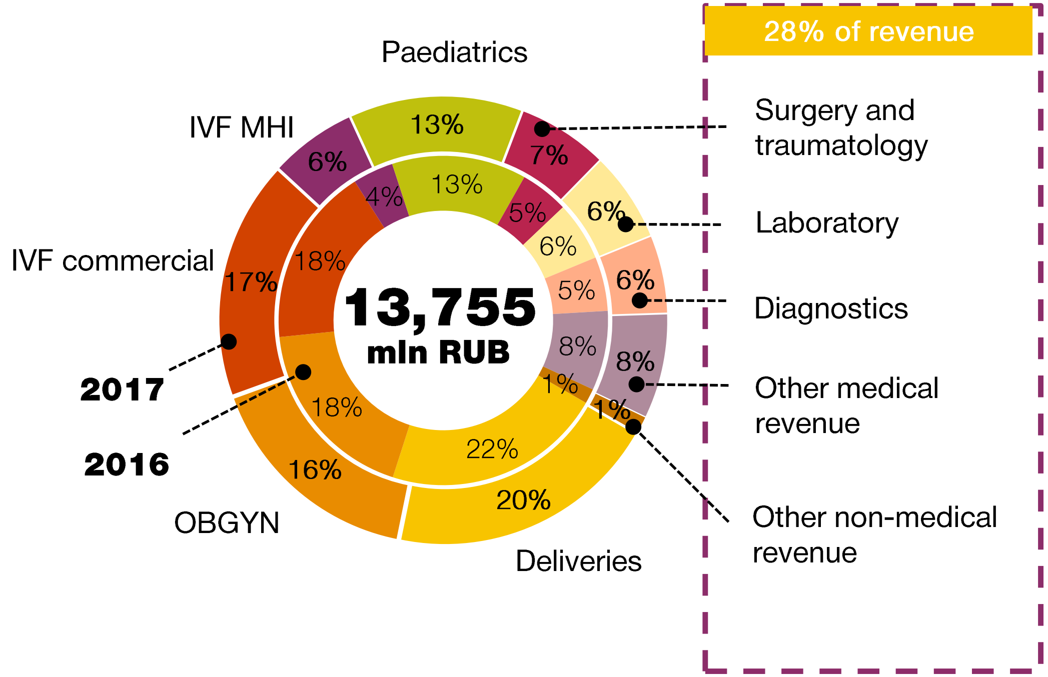
Source: FY2017 audited financial statements under IFRS

REVENUE DYNAMICS STRUCTURE BY TYPES

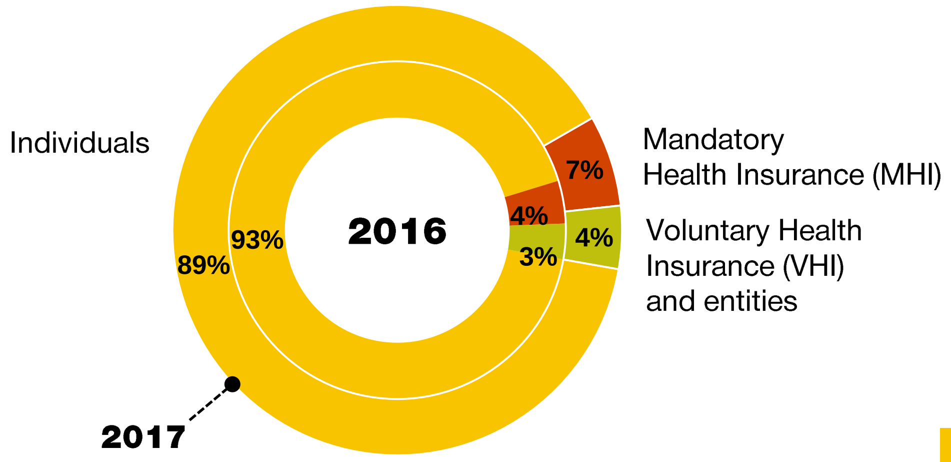
Revenue change by type of services 2017/2016

Change, mln RUB	Type	Change, %
1,576	Group	**13%**
377	IVF MHI	**78%**
323	Surgery and traumatology	**56%**
253	IVF commercial	**12%**
187	Laboratory examinations	**26%**
131	Diagnostics	**20%**
101	Paediatrics outpatient	**8%**
86	Other medical revenue	**16%**
63	OBGYN outpatient	**4%**
36	OBGYN inpatient	**4%**
27	Paediatrics inpatient	**7%**
19	Rehabilitation and physiotherapy	**14%**
(7)	Drug store	**-3%**
(9)	Deliveries	**0%**
(10)	Other revenue	**-6%**

Revenue structure by type of revenue



Revenue structure by type of payers



Highlights

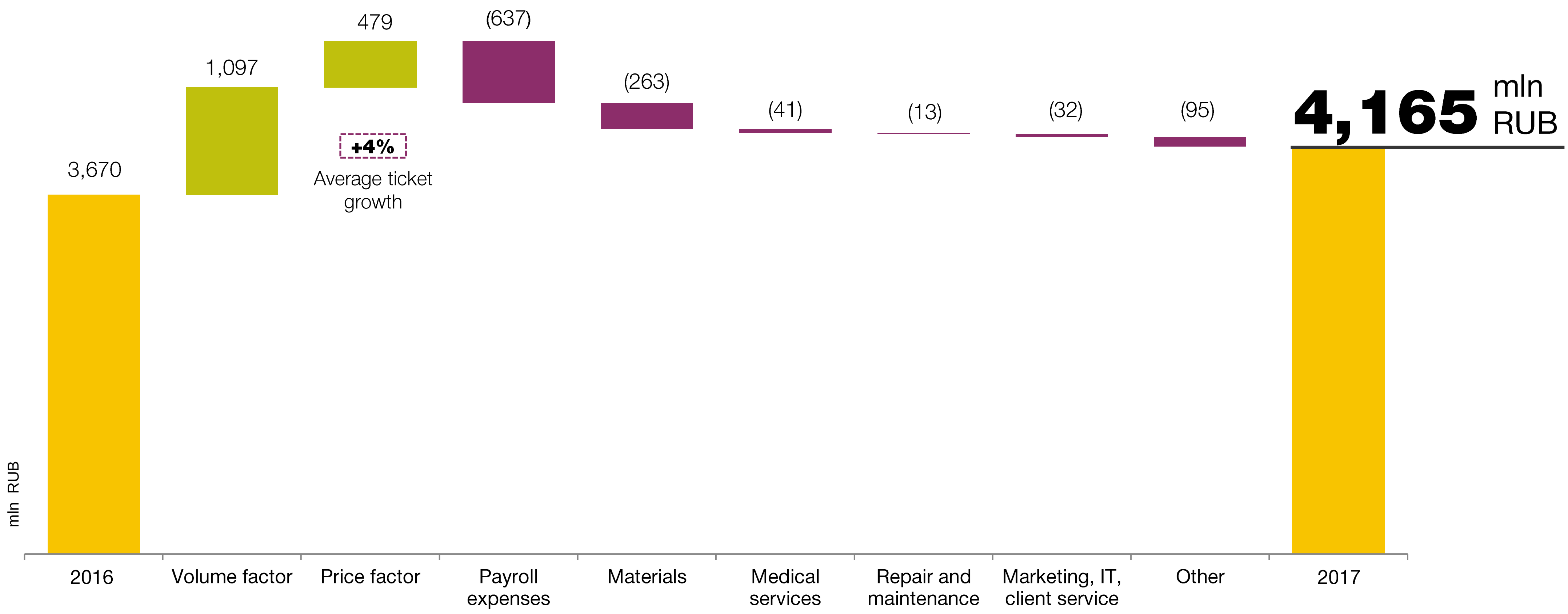
- Significant increase in IVF occured due to growth of operating results in the Volga region, at new Siberian clinics and the opening of IVF departments in M&C Yugo-Zapad, M&C Khodynskoe pole
- Surgery and traumatology: the opening of a new hospital building in Novosibirsk and a cardiology department in Lapino became the main factors of growth
- Laboratory admissions increased mainly due to the opening of the liqud cytology department in the Lapino hospital and increase of the share of genetic tests in overall laboratory examinations
- Deliveries: decrease in average ticket in the Moscow region

Source: IFRS reporting and management accounts

EBITDA DECOMPOSITION BRIDGE

Sustainable and attractive EBITDA margin of more than 30%

EBITDA decomposition bridge

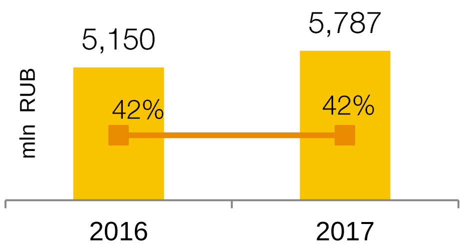


Source: FY2017 audited financial statements under IFRS

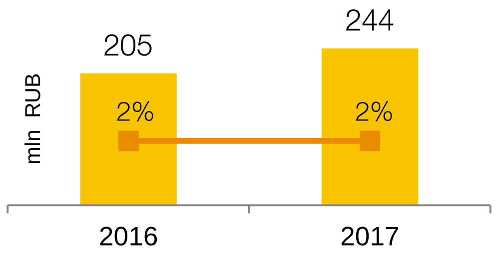
KEY EXPENSES DYNAMICS

Dynamics of major expenses, % of revenue

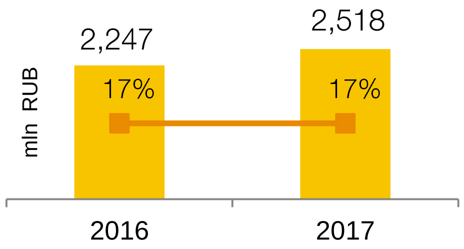
Payroll + Social contributions



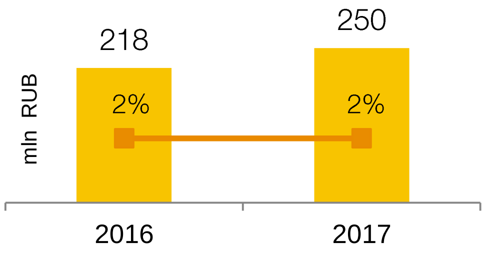
Medical services



Material expenses

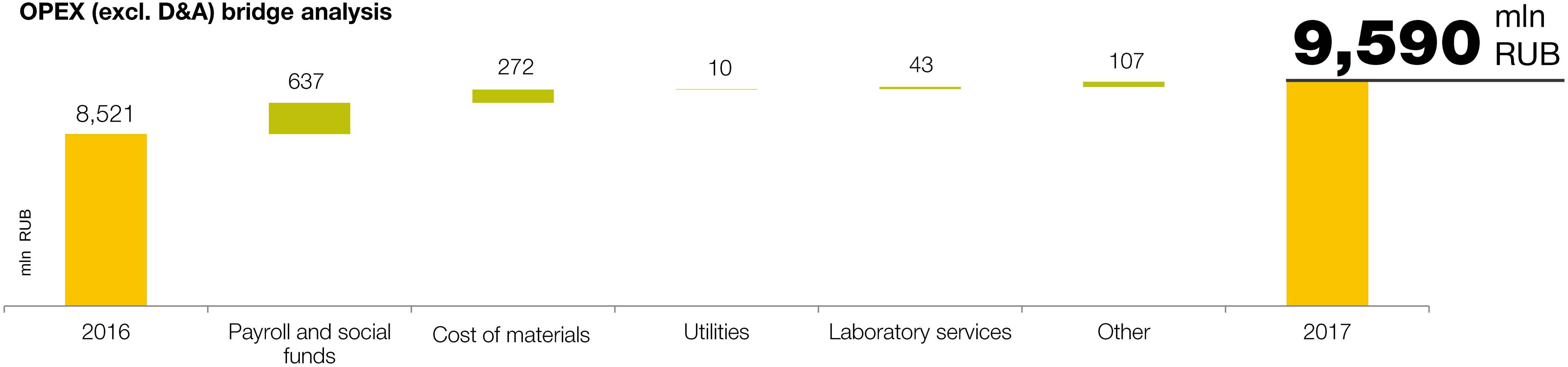


Functional expenses*



- Share of payroll expenses didn't change compared to 2016. Salaries indexations were in line with increase of selling prices
- Effective purchasing procedures and finding competitive alternatives in timely manner helped to sustain share of material costs on the same level as in 2016
- Other types of expenses also remained at the same level as in 2016

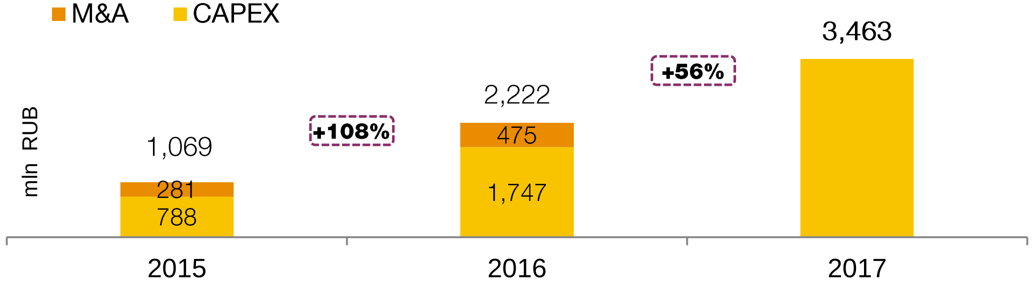
OPEX (excl. D&A) bridge analysis



Source: FY2017 audited financial statements under IFRS
* Marketing, IT, client service

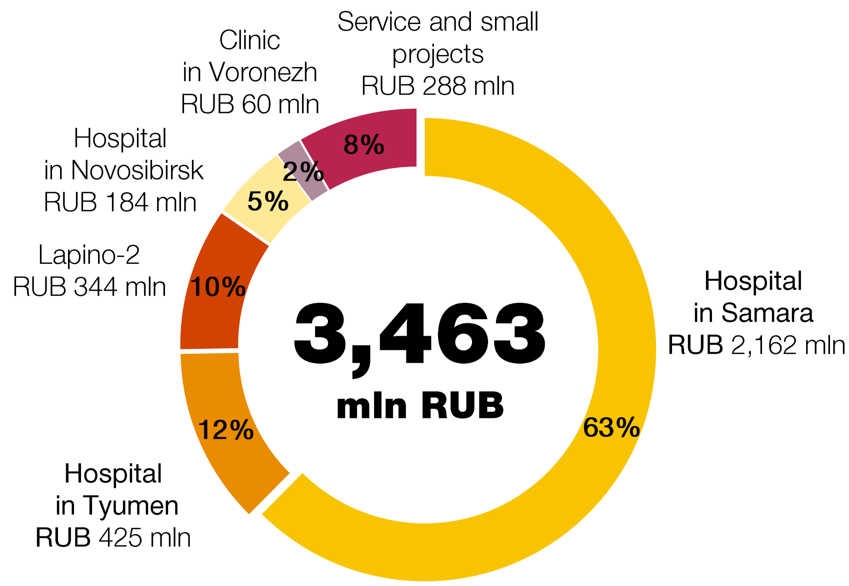
CAPEX HIGHLIGHTS AND CASH FLOW

CAPEX dynamics

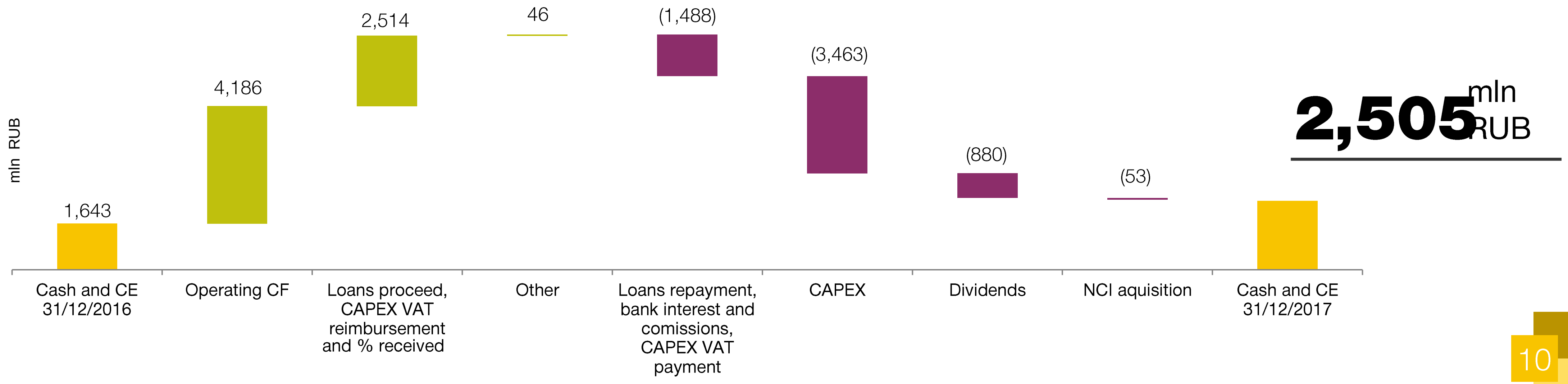


Capital expenditures for 2017 amounted to 3,463 mln RUB and were mainly related to construction of hospitals in Samara, Tyumen, Novosibirsk

CAPEX structure



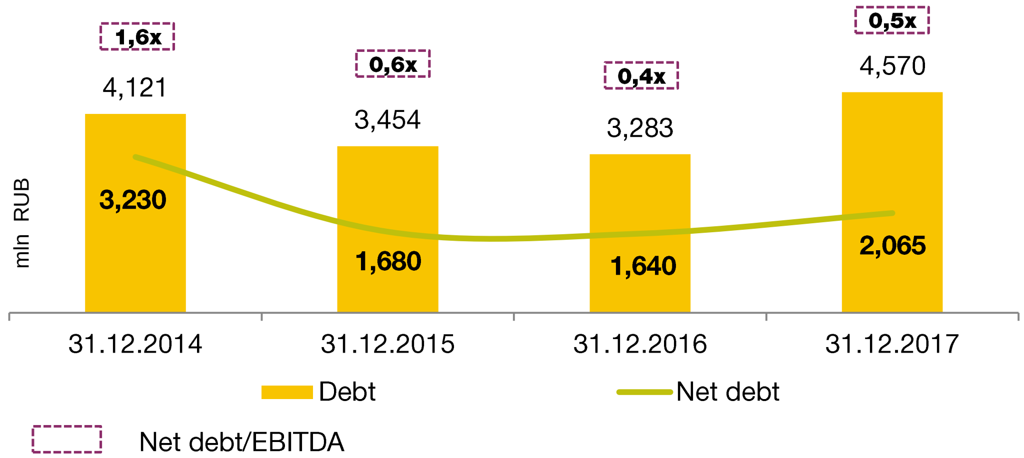
Cashflow bridge analysis



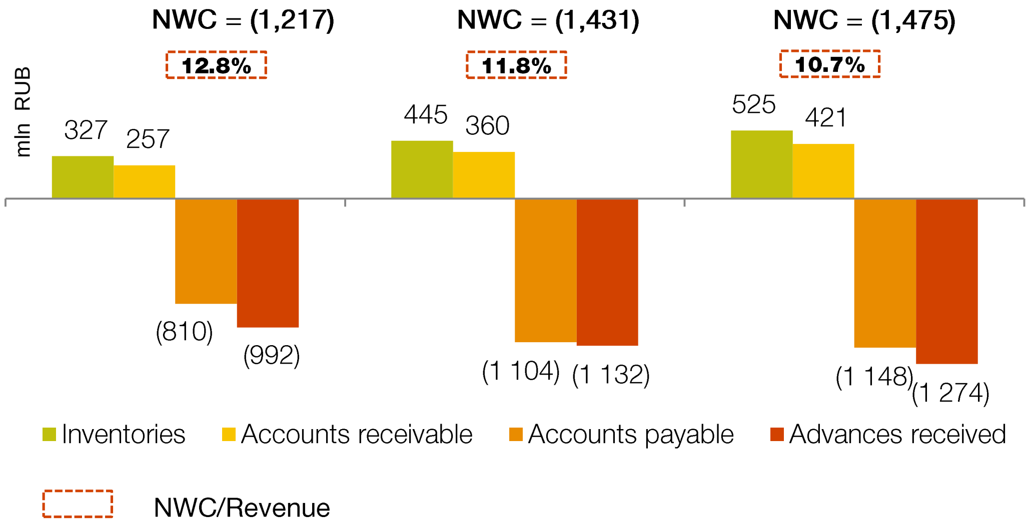
DEBT & NET WORKING CAPITAL (NWC)

- The Group's debt increased by 39% year-to-date to RUB 4,570 mln
- The Company's cash & cash equivalents grew up by 52% and amounted to RUB 2,505 mln
- The net debt position as of Dec 31/12/2017 was RUB 2,065 mln higher by 26% y-o-y with net debt / EBITDA ratio of 0.5x (increased from 0.4x)
- The company has negative working capital as a source of additional financing. Working capital decreased 3% to RUB 1,475 mln at 31 December 2017

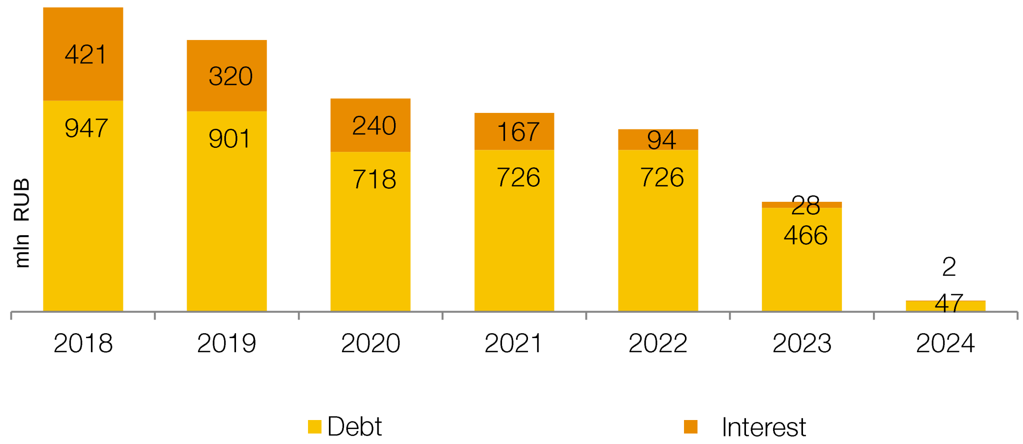
Debt and net debt dynamics



Net working capital (NWC)



Debt repayment schedule



2

STRATEGIC OUTLOOK

REGIONAL DEVELOPMENT

Multi-disciplinary hospital in Samara ("IDK Hospital")

In March the Company opened a new multi-disciplinary hospital in Samara ("IDK Hospital"), the largest facility of its kind in the Volga region

Main indicators

- **Area:** 15 000 sq m
- **Capacity:**
  - **164** beds
  - **2,500** deliveries
  - **1,200** IVF cycles
  - **8,000** surgical operations
  - **220,000** out-patient visits
- **Services:** Deliveries, OBGYN, IVF, Paediatrics, Surgery, Diagnostics, Laboratory

Out-patient clinics in Voronezh, Vladimir, Nizhny Novgorod

	Mother&Child Voronezh	Mother&Child Vladimir	Mother&Child Nizhny Novgorod
Opening date	19 October 2017	30 January 2018	14 March 2018
Area, sq m	343	354	600
IVF cycles	1,000	500	1,000
Small operations	1,000	400	1,000
Out-patient visits	26,000	15,000	26,000
CAPEX, RUB mln	60	30	60

Regional clinics

- **Expansion in the medium term:** opening of 10-15 out-patient clinics
- **Regions of expansion:** Central Russia, the Volga region, the Far East
- **CAPEX:** RUB 45-75 mln
- **Area:** 400 - 700 sq m

PROVEN MODEL FOR DEVELOPMENT OF REGIONAL HOSPITALS

Well designed prototype

- Target size well suited to cover local demand and effectively reach target utilization rates
- Comprehensive service offering for the entire family
- Adaptable layout and departments structure allowing multidisciplinary utilization of beds
- Ufa / Avicenna expertise serves to establish demand and hire required personnel

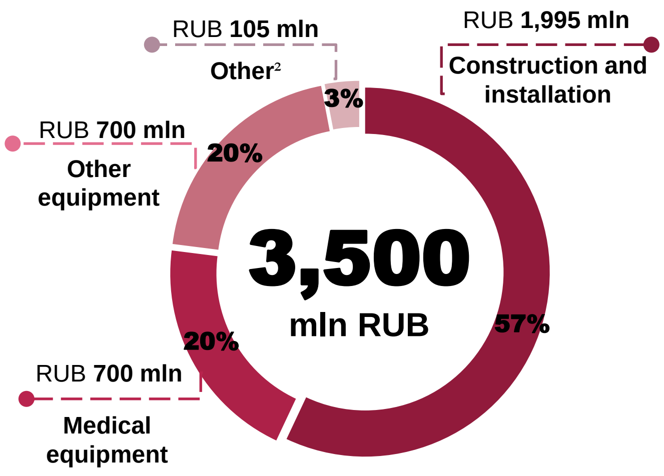
Key parameters

Construction timetable	c. 18-20 months
Building area	15,000 sq m
Beds	164
Headcount	c. 450 employees

Estimated capacity[1]

2,500 deliveries	**1,200** IVF cycles
220k out-patient treatments	**30k** in-patient days

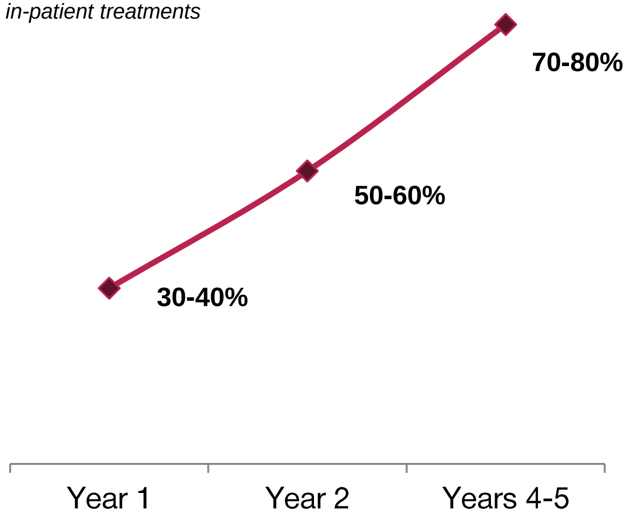
Estimated capex split



Split: Year 1 = 77% | Year 2 = 13%

Targeted utilization ramp-up

Applicable to deliveries, IVF and in-patient treatments

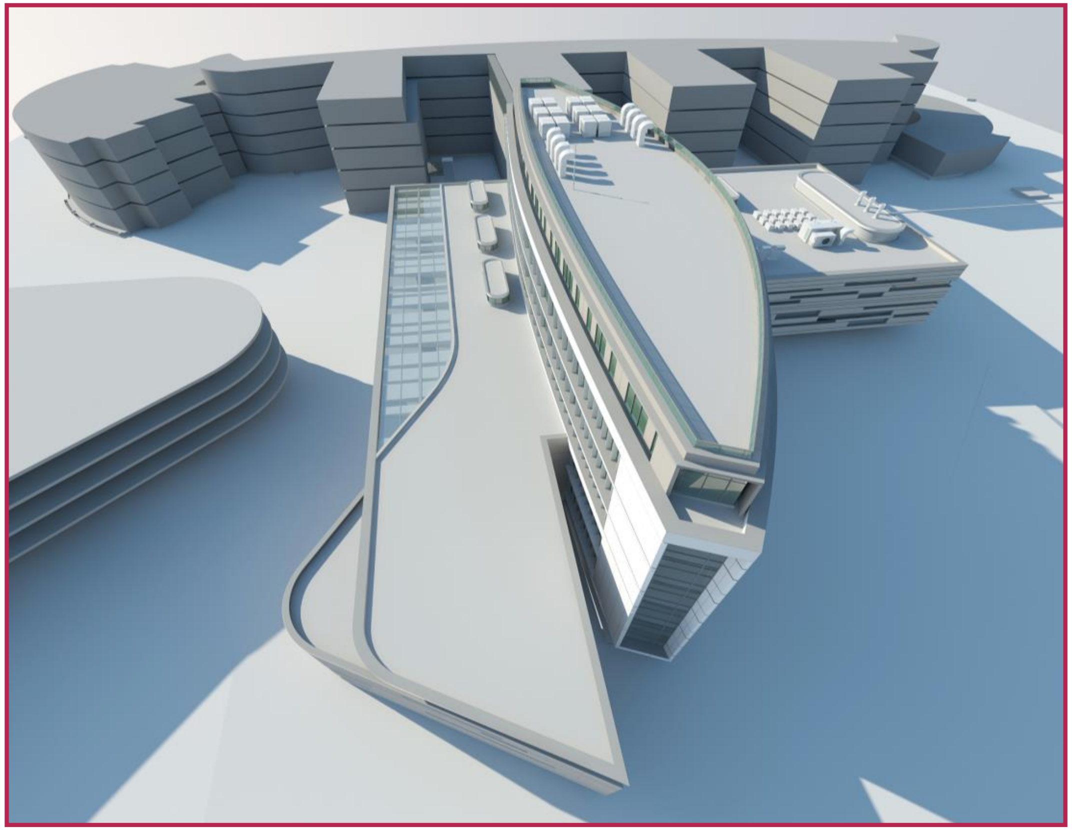


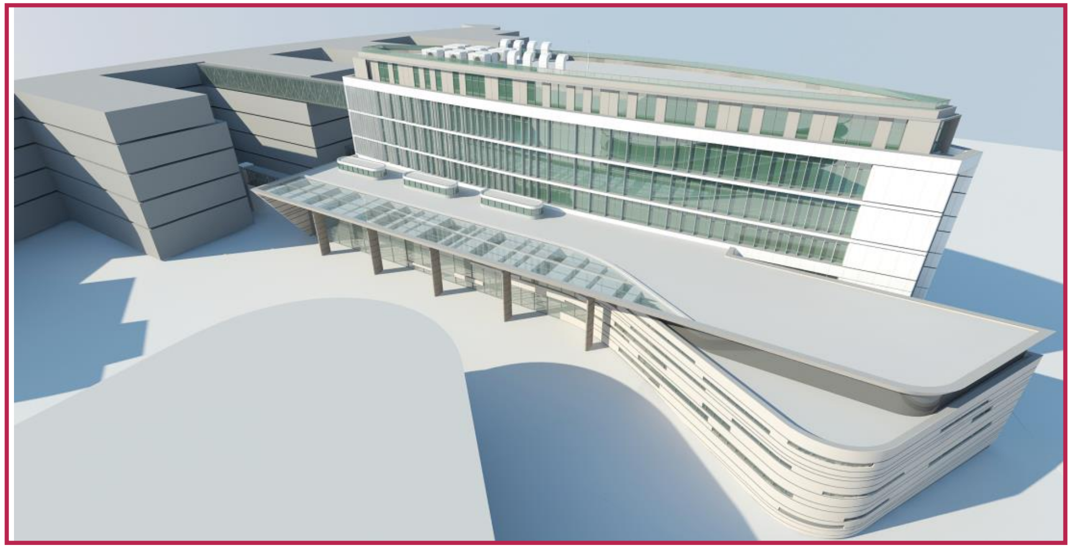
Estimated pricing policy[2]

Product	Pricing benchmark
Deliveries	Novosibirsk hospital c. RUB 160-180k
IVF	Novosibirsk hospital c. RUB 180k
In-patient treatments	Novosibirsk hospital c. RUB 40-50k
Out-patient treatments	Novosibirsk hospital c. RUB 2-3k

Note: ¹ Rounded numbers according to design project ; ² Project documentation in the amount of RUB 35 mln and connection to utilities network in the amount of RUB 70 mln; ³ In 2016 terms

PLAN OF LAPINO EXPANSION





LAPINO-2

- **Construction of 5 level surgical building with total area of 17,500 sq m**
- **Surgical building will include:**
    - Out-patient department with annual capacity of 216,000 – 288,000 visits
    - Diagnostic department with MRI and x-ray equipment
    - In-patient department with 75 beds
    - 4 scheduled operating theatres
    - 2 urgent operating theatres
    - ICU with 13 beds

LAPINO-3

- **Oncology centre for radiology diagnostics and treatment**
- **To be equipped with linear accelerators and SPECT**

STATUS OF HOSPITAL PROJECTS

	CURRENT		PROJECTS IN DEVELOPMENT							
	Samara	Tyumen	Lapino-2	Kazan	Nizhny Novgorod	Ekaterinburg	St Petersburg	Moscow - 3	Krasnoyarsk	Irkutsk
Obtaining land for construction										N/A
Building permits										N/A
Preparation of the designing documentation										
Construction										
Equipment										
Launch	Q1’18	Q1’19								

Done

In progress

4

MDMG INVESTMENT CASE

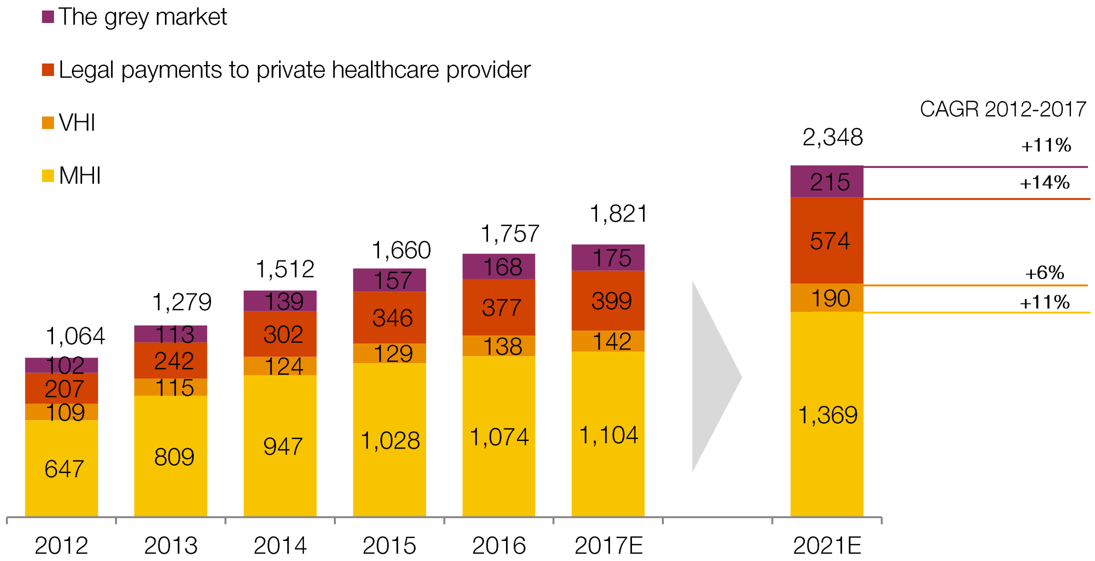
MD Medical Group is a leading provider in the highly attractive Russian private healthcare service market

#1

In the IVF market in Russia

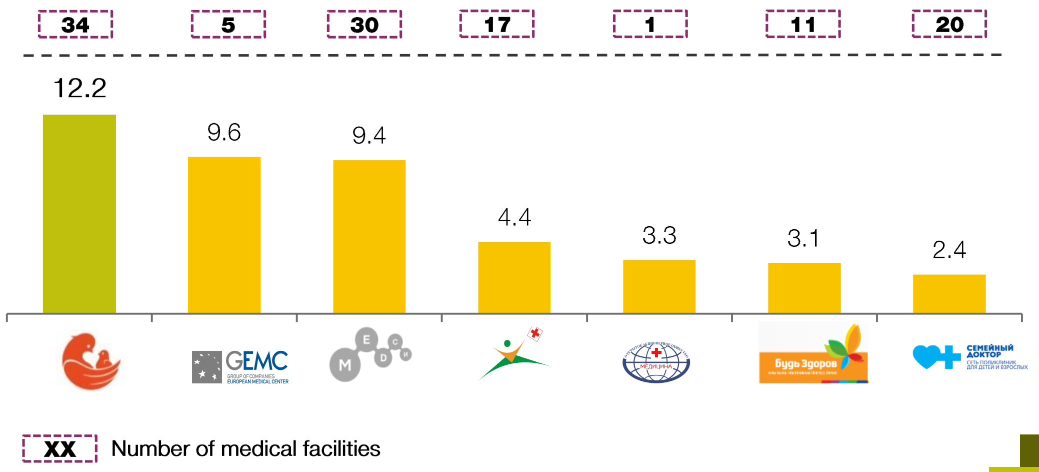
In revenue among Russian private medical companies

In terms of nationwide presence, currently operating in 19 regions



- Track record since IPO demonstrates operational and financial sustainability
- Team of highly qualified doctors and competent managers for all projects
- Acquired substantial experience in building multi-functional hospitals from scratch
- Balanced strategy: combination of large greenfield hospital projects with a wide network of clinics providing core services benefiting from economy of scale
- Ready for use blueprint for further expansion based on competence and available resources
- Well established brand with strong national status
- Top position in various ratings among peers

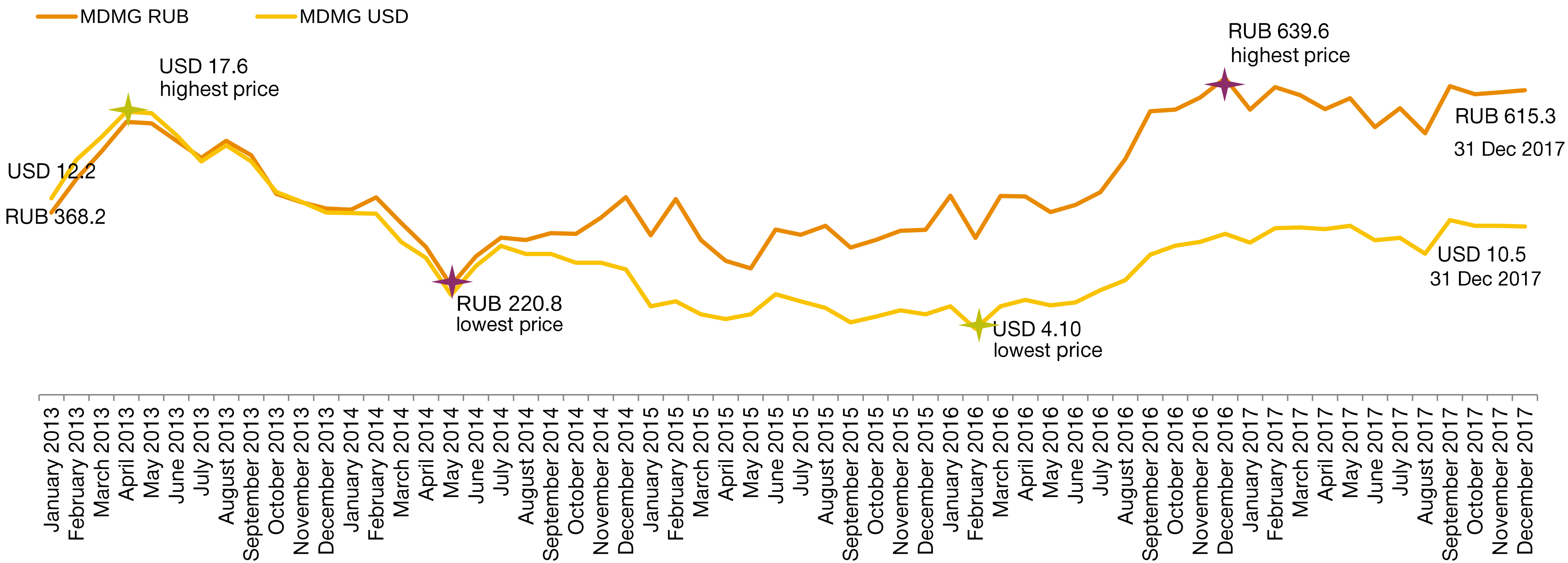
Revenue of key players in the market, 2016



SHARE PRICE

The Company's shares are listed on the London Stock Exchange (LSE ticker "MDMG") in the form of Global Depositary Receipts (GDRs) since October 12, 2012.

Since the Company's IPO, the value of the share price in rubles has almost DOUBLED

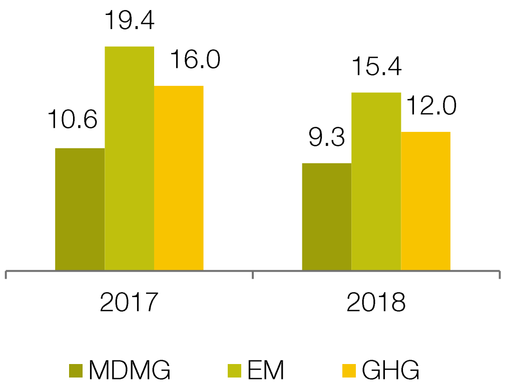


Analysis Consensus: Target Price **$13.40**

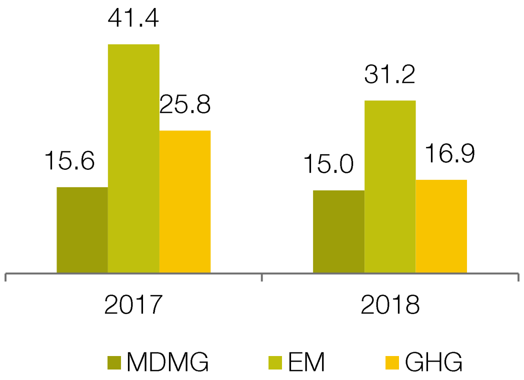
- Goldman Sachs: Target Price **$13.00 (March, 2017)**
- HSBC: Target Price **$13.60 (March, 2017)**
- JP Morgan: Target Price **$13.00 (September, 2017)**
- Renaissance Capital: Target Price **$13.30 (February, 2017)**
- VTB: Target Price **$14.00 (March, 2017)**

COMPARABLE VALUATION

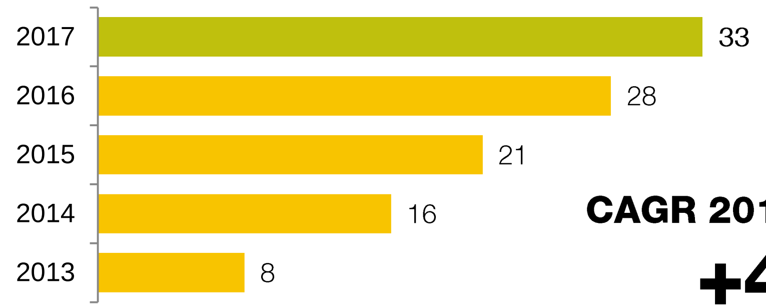
EV/EBITDA multiples



P/E multiples



EPS (RUB/GDR)



CAGR 2013-2017

+43%

Peer companies

	Country	EV/EBITDA, x		P/E, x		EBITDA margin		RoE, %	
		2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E
MD Medical Group*	Russia	12.8	11.4	17.6	17.3	30.7%	30.2%	22%	19%
GHG*	**Georgia**	**16.0**	**12.0**	**25.8**	**16.9**	**15%**	**18%**	**12%**	**16%**
Apollo Hospitals Enterprise Ltd	India	18.9	15.1	39.3	28.0	12%	13%	11%	14%
China Resources Phoenix Healthcare Holdings Co Ltd	China	17.9	13.2	26.8	20.8	27%	29%	18%	19%
Siloam International Hospitals Tbk PT	Indonesia	22.8	18.5	132.6	103.7	13%	13%	5%	6%
Zhejiang Dian Diagnostics Co Ltd	China	33.9	na	43.3	32.4	12%	na	18%	20%
Dr Lal PathLabs Ltd	India	26.9	22.3	42.9	34.3	26%	26%	26%	26%
Sarana Meditama Metropolitan Tbk PT	Indonesia	17.0	14.5	124.1	71.5	25%	23%	3%	5%
Aier Eye Hospital Group Co Ltd	China	24.6	18.8	38.6	29.0	23%	24%	22%	22%
Mitra Keluarga Karyasehat Tbk PT	Indonesia	31.9	27.3	43.6	37.0	35%	35%	21%	23%
Topchoice Medical Investment Corp	China	26.3	20.9	41.3	32.1	31%	30%	19%	20%
IHH Healthcare Bhd	Malaysia	20.4	17.5	43.2	35.4	24%	25%	5%	6%
Dallah Healthcare Co	Saudi Arabia	15.8	12.3	21.1	15.6	24%	21%	16%	19%
Mouwasat Medical Services Co	Saudi Arabia	15.2	12.7	19.6	16.8	31%	32%	23%	24%
Al Hammadi Development and Investment Co	Saudi Arabia	14.9	13.6	19.4	17.0	25%	27%	14%	15%
Lokman Hekim Engurusag Saglik Turizm Egitim Hizmetleri ve Insaat Taahhut AS*	Turkey	6.3	5.2	11.9	9.2	12%	14%	na	na
NMC Health PLC	UAE	16.0	13.5	23.0	18.2	22%	22%	22%	22%
Netcare Ltd	South Africa	8.6	8.4	14.4	13.7	16%	16%	24%	23%
Mediclinic International PLC	South Africa	13.3	12.4	18.0	16.2	19%	20%	8%	9%
Average		**19.4**	**15.4**	**41.4**	**31.2**	**22%**	**23%**	**16%**	**17%**

- Currently MDMG's GDRs trade on 2017 EV/EBITDA and P/E of 10.6x and 15.6x, respectively
- This valuation represents discounts of 45% and 62% to EM peers
- For instance, MDMG's comparable valuation demonstrates discount to Georgia Healthcare Group (GHG) of 34% and 40% on EV/EBITDA and P/E respectively
- Attractive dividend yield across sector (1.2%-1.6% since IPO)

Q&A