

GEORGIA  
HEALTHCARE  
GROUP

## Investor Presentation

*Third quarter and nine month of 2018 results*

*Investing in the growth and quality of healthcare  
in Georgia*

*November 2018*

*ghg.com.ge*



❁ **GHG | Overview and strategy**

❁ GHG | Results discussion – 3Q18 and 9M18

❁ Macroeconomic and industry overview

❁ Annexes

# A unique investment story supported by compelling theme

*GHG's<sup>(1)</sup> market leading position, a unique business model with significant growth potential and highly experienced management team make it a credible investment opportunity*

## 1 Market leader

- ✓ **The largest healthcare service provider in Georgia:** 24.9% market share by number of beds (3,320)<sup>2</sup>
- ✓ **The largest pharmaceuticals retailer and wholesaler in Georgia:** 30% market share by sales<sup>(3)</sup>, over 2 million client interactions per month, with 0.5 million loyalty card members
- ✓ **The 2<sup>nd</sup> largest medical insurer in Georgia:** 27% market share<sup>(4)</sup>, c.158,000 individuals insured as at 30 September 2018
- ✓ **The widest population coverage:** coverage of over 3/4 of Georgia's 3.7 million population<sup>(5)</sup> with 37 high quality hospitals, 16 district polyclinics, and 267 pharmacies
- ✓ **Institutionalising the industry:** strong corporate governance; standardised processes; improving safety and quality by progressive implementation of the Joint Commission International ("JCI") benchmarked standards; own personnel training centre.

## 2 Business model with cost and synergy advantages

- ✓ **The single largest integrated player in the Georgia healthcare ecosystem of GEL 3.5 billion aggregate value with a cost advantage due to its scale of operation:** purchasing, centralisation of administrative functions
  - The next largest healthcare services competitor has only 5% market share by beds
  - The largest purchaser of pharmaceutical products in Georgia
- ✓ **Better access to professional management and high calibre talent**
  - One of the largest employers in the country: 15,643 full time employees, including 3,592 physicians, 3,313 nurses and 2,859 pharmacists
- ✓ **Referral system & synergies with insurance and pharma business:**
  - Presence of patient pathway, and referral synergies
  - Insurance activities provide steady revenue stream for our polyclinics and bolster hospital patient referrals
  - 0.5 million loyal customers in our pharma business with an upside to cross-sell

## 3 Long-term high-growth opportunities

- ✓ **Low base:** only US\$325 healthcare spending per capita<sup>(6)</sup>, only 3.9 outpatient encounters per capita annually<sup>(7)</sup>, only US\$41,000 revenue per referral hospital bed for GHG<sup>(8)</sup>
- ✓ **Supported by attractive macro:**<sup>(9)</sup> Georgia – one of the fastest growing countries in Eastern Europe, open and easy emerging market to do business<sup>(10)</sup>, with real GDP growth averaged 4.5% annually in 2007-17. Only 8.7% of GDP is spent on healthcare and spending growing at 11.5% CAGR 2000-2014<sup>(6)</sup>; government spending more than doubled between 2011-17<sup>(11)</sup>
- ✓ **Implying long-term, high-growth expansion** that is driven by:
  - Universal Healthcare Program (UHC)
  - Pick-up in polyclinics (outpatient market)
  - Close service gaps
  - Potential to develop medical tourism

## 4 Strong management with proven track record

- ✓ **Strong business management team – an increased market share by beds from under 1% in 2009 to 24.9% currently**
- ✓ **Robust corporate governance:** exceptional in Georgia's healthcare sector, as it is the only Premium Listed company in the Georgian healthcare industry (LSE:GHG LN)<sup>(12)</sup>; 57% shareholder is Georgia Capital PLC (LSE: CGEO LN) - a UK listed investment company following completion of its demerger from BGEO Group PLC on 29 May 2018. The rest of the shares are owned by institutional investors and management as part of Employee Stock Ownership Plan (ESOP)
- ✓ **In-depth knowledge of the local market**

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Sources:

- (1) Georgia Healthcare Group established in Georgia and in UK
- (2) National Center for Disease Control ("NCDC"). Data as of December 2017, updated by GHG to include the changes before 30 September 2018
- (3) Market share by revenue for 2017. Market size Frost and Sullivan analysis.
- (4) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia ("ISSSG") as of 30 June 2018
- (5) Geostat.ge, data as of 2015. The coverage refers to the geographic areas served by GHG facilities
- (6) Frost and Sullivan analysis - data for 2016

(7) NCDC statistical yearbook 2016

(8) GHG internal reporting. Revenue per referral hospital bed excludes data of newly launched Tbilisi Referral Hospital and Regional Hospital

(9) Euromonitor, World Bank's 2012 "Ease of Doing Business Report", other public information.

(10) Ranked #6 in World Bank's 2018 "Ease of Doing Business Report", ahead of all its neighboring countries and several EU countries.

(11) Ministry of Finance, Ministry of Economy

(12) GHG Group PLC successfully completed its IPO of ordinary shares on the Premium Segment of LSE on 12 November 2015

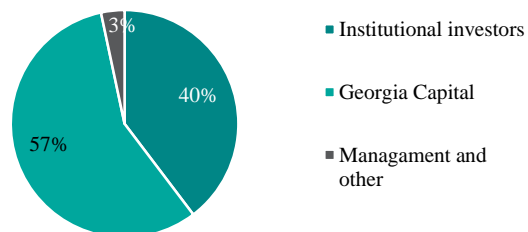


# GHG – shareholder structure and share price

## Investors

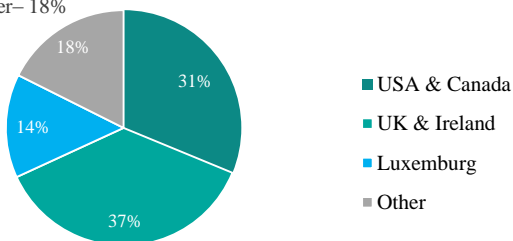
### Strong support from institutional investors at IPO<sup>(1)</sup>

Institutional Investors represent 40% of the shareholders



### Geographically well-diversified institutional shareholder base<sup>(1)</sup>

UK & Ireland – 36%  
USA & Canada – 33%  
Luxemburg – 13%  
Other – 18%

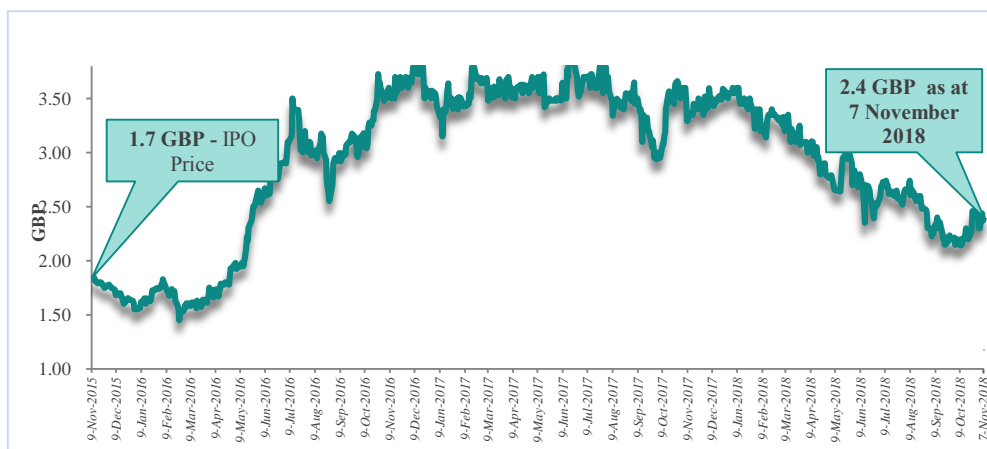


### Top Investors <sup>(1)</sup>

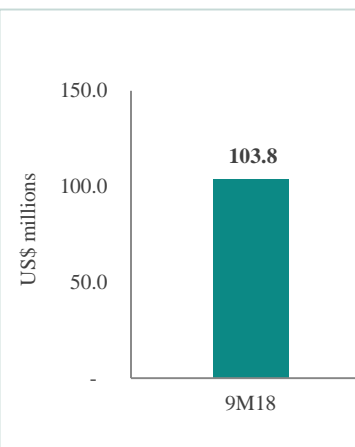
Georgia Capital	<b>57.0%</b>
Wellington Management	<b>6.37%</b>
T – Rowe Price	<b>6.19%</b>

## Stock trading performance

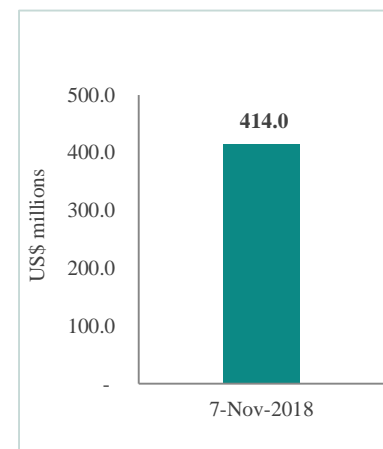
### Stock Price Performance<sup>(2)</sup>



### Average trading daily volume



### Market Capitalisation<sup>(3)</sup>



Note: (1) As of 28 September 2018

(2) Share price change calculated from the closing prices of GHG LN, starting from trading date 9 November 2015 to the price of GHG LN as of 7 November 2018

(3) Source: Bloomberg; Market Capitalisation of GHG as of 7 November 2018, GBP/USD exchange rate 1.31

## Georgia Healthcare Group

Key Segments	Healthcare services				Pharma	Medical insurance
	Hospitals		Polyclinics <i>(outpatient clinics)</i>	Pharma	Medical Insurance	
	Referral Hospitals	Community Hospitals				
Key Services	General and specialty hospitals offering outpatient and inpatient services in Tbilisi and major regional cities	Basic outpatient and inpatient services in regional towns and municipalities	Outpatient diagnostic and treatment services in Tbilisi and major regional cities	Wholesaler and urban-retailer, with a countrywide distribution network	Range of private insurance products purchased by individuals and employers	
Market Size 2018F	GEL 1.3bln <i>addressable</i> <sup>(1)</sup>		GEL 0.7bln <sup>(2)</sup>	GEL 1.6bln <sup>(2)</sup>	GEL 0.2bln <sup>(3)</sup>	
Market Share	c. 25% by revenue 24.9% by beds (total 3,320 beds)		c. 3% by revenue	30% by revenue	27% by revenue	
Selected Operating Data 9M18	<p>85% 16 hospitals 2,825 beds</p>	<p>15% 21 hospitals 495 beds</p>	16 district polyclinics	267 pharmacies in major cities	c.158,000 individuals	
Financials 9M18	<b>Gross Revenue</b> GEL 622.4 mln <sup>(4)</sup>	<p>29% 2012-9M18 CAGR 41% GEL 188 mln</p>	<p>3% 2012-9M18 CAGR 14% GEL 18.2 mln</p>	<p>2% 2012-9M18 CAGR 34% GEL 15.2 mln</p>	<p>59% GEL 377.5 mln</p>	<p>7% GEL 41.2 mln</p>
	<b>EBITDA</b> GEL 95.4 mln <sup>(4)</sup>	<p>55% 2012-9M18 CAGR 38% GEL 53.1 mln</p>	<p>2% 2012-9M18 CAGR 26% GEL 1.9 mln</p>	<p>39% GEL 37.0 mln</p>	<p>4% GEL 3.4 mln</p>	
	<b>EBITDA Margin: 25.5%</b>		<b>EBITDA Margin: 12.2%</b>	<b>EBITDA Margin: 9.8%</b>	<b>EBITDA Margin: 8.2%</b>	

Sources:

- (1) Frost & Sullivan analysis. Market adjusted by the company to exclude the revenue from specialty beds - addressable market  
 (2) Frost & Sullivan analysis. Polyclinics market excludes revenue from dental and aesthetic services

- (3) Insurance State Supervision Service Agency of Georgia ("ISSSG"), 9M18 annualised  
 (4) Net of intercompany eliminations



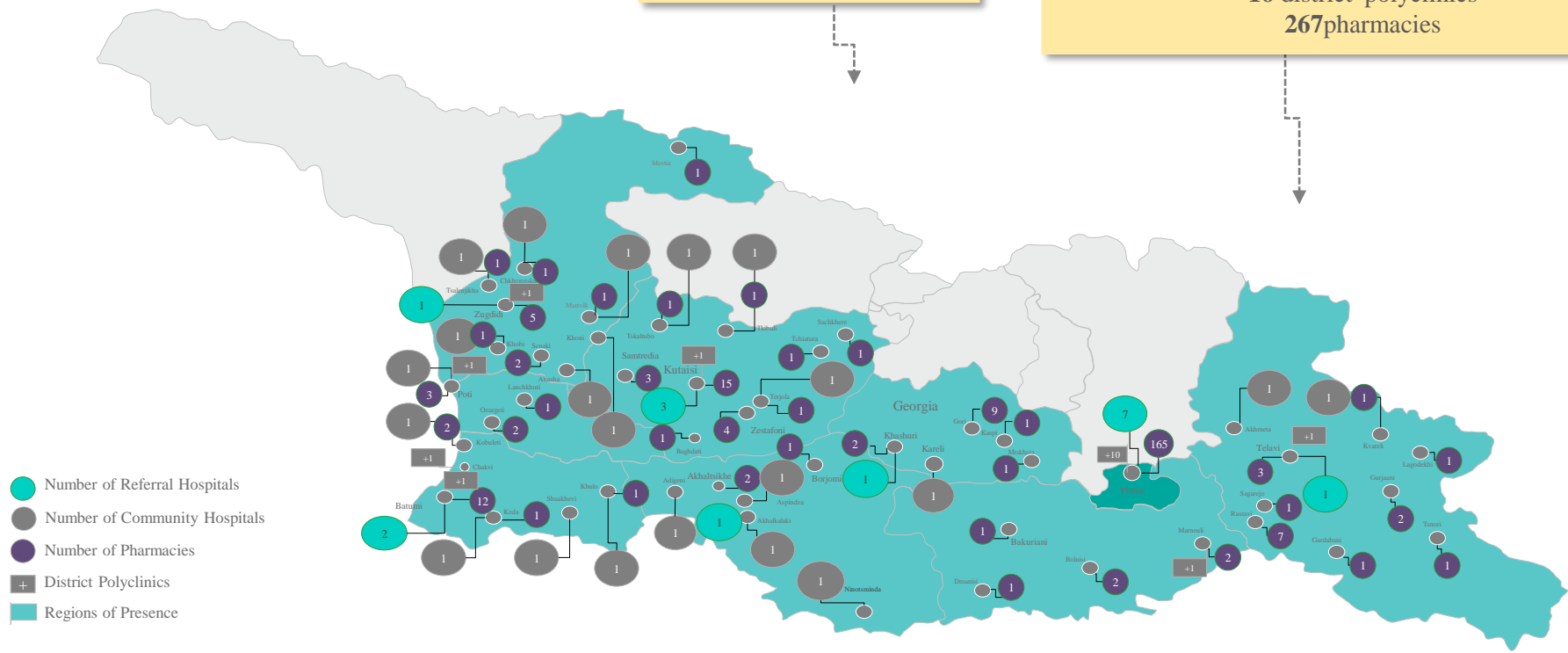
## Broad geographic coverage and diversified healthcare services and pharmacy network covering 3/4 of Georgia's population

### Extensive Geographic Coverage<sup>(1)</sup>

Network of healthcare facilities and pharmacies

3/4 of population covered

3,320 hospital beds  
16 referral hospitals  
21 community clinics  
16 district polyclinics  
267 pharmacies





# Clear market leader (2/2) in a fragmented competitive landscape

*Leader in Georgia with clear and established #1 market positions in healthcare services and pharma markets,  
2<sup>nd</sup> largest in medical insurance market*



## Healthcare services (Hospitals)

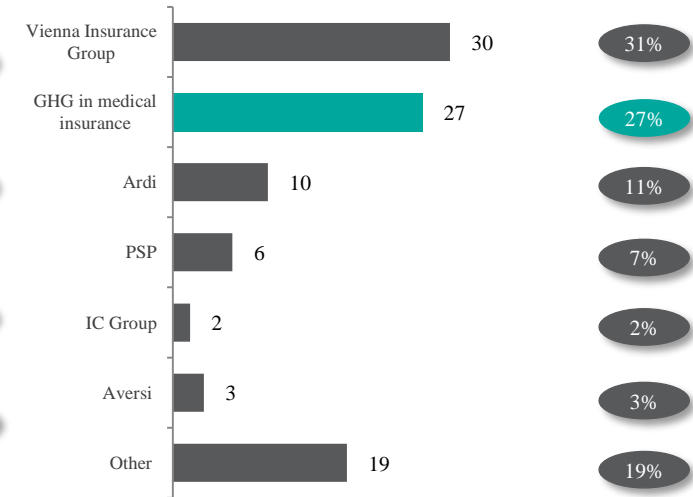
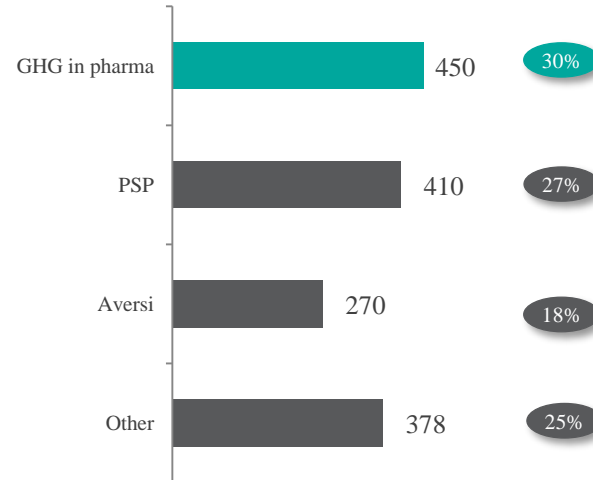
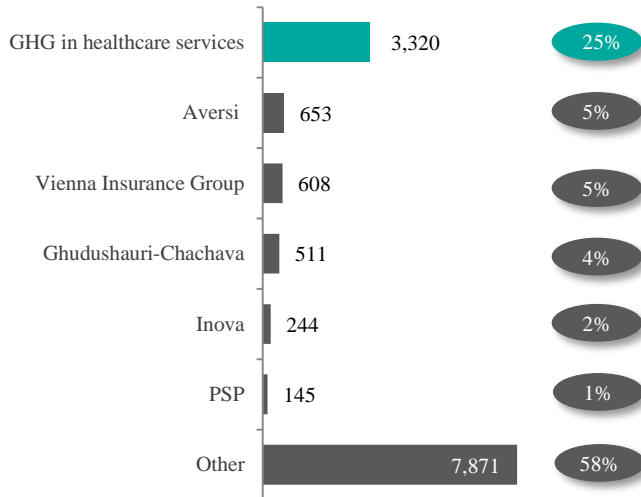
## Pharma

## Medical Insurance

(Number of Beds as of September 2018)<sup>(1)</sup>

(Revenue, 2017 GEL millions)<sup>(2)</sup>

(Gross premium revenue 1H18, GEL million)<sup>(3)</sup>



Market share

Sources:  
 (1) NCDC, data as of December 2017, updated by GHG to include changes before 30 September 2018; excluding speciality beds  
 (2) Total market Frost & Sullivan analysis 2017. Revenue distribution between competitors represents managements estimates.  
 (3) ISSSG as of 30 June 2018



# GHG strategic targets remained largely unchanged

Segment	Hospitals	Polyclinic	Pharma	Insurance
Market share targets by addressable markets	BY REVENUE   BEDs	BY REVENUE	BY REVENUE	BY REVENUE
Now	c.25%   25%	c.3%	30%	27%
Long-term	30%+	c.15%+	30%+	30%+
Key focus areas in medium-term and long term	<ol style="list-style-type: none"><li>1 Footprint growth</li><li>2 Adding new services</li><li>3 Medical tourism</li><li>4 Digital channels</li></ol>	<ol style="list-style-type: none"><li>1 Footprint growth</li><li>2 Increase the number of registered patients</li><li>3 Adding new services (dental; aesthetic)</li><li>4 Digital channels</li></ol>	<ol style="list-style-type: none"><li>1 Retail footprint growth</li><li>2 Margin enhancement</li><li>3 Growing wholesale revenue</li><li>4 Digital channels and customers loyalty</li></ol>	<ol style="list-style-type: none"><li>1 Increasing market share</li><li>2 Increasing profitability</li><li>3 Patients redirection – increasing retention rates within the Group</li></ol>
P&L targets in medium to long-term	Gradually improving to c.30% EBITDA margin		8%+ EBITDA margin	Combined ratio <97%





# Successful ramp-up of 306 bed Regional Hospital

- Since 3Q18 the hospital has already started to generate positive EBITDA
- Occupancy level reached 22% in 3Q18 – within four months of hospital's opening
- Gross Revenue reached GEL 6.1 million in 3Q18
- More than 65% of revenue comes from elective care services
- More than 45% of revenue is paid out-of-pocket - in line with our initial plan



*Before renovation*



*After renovation*



## Key services offered

- Ophthalmology
- Gynecology
- General Surgery
- Neurosurgery
- Angio surgery
- Trauma/orthopedics
- Urology
- Interventional Cardiology
- Cardio surgery
- Bariatric surgery



# Update on 332 bed Tbilisi Referral Hospital



- Since 1Q18 the hospital started to generate positive EBITDA
- Occupancy level is c.40% in 3Q18
- Gross Revenue reached GEL 4.1 million in 3Q18

## Key services offered

- Ophthalmology
- Gynecology
- General Surgery
- Neurosurgery
- Angio surgery
- Trauma/orthopedics
- Urology
- Interventional Cardiology
- Cardio surgery

*Before renovation*



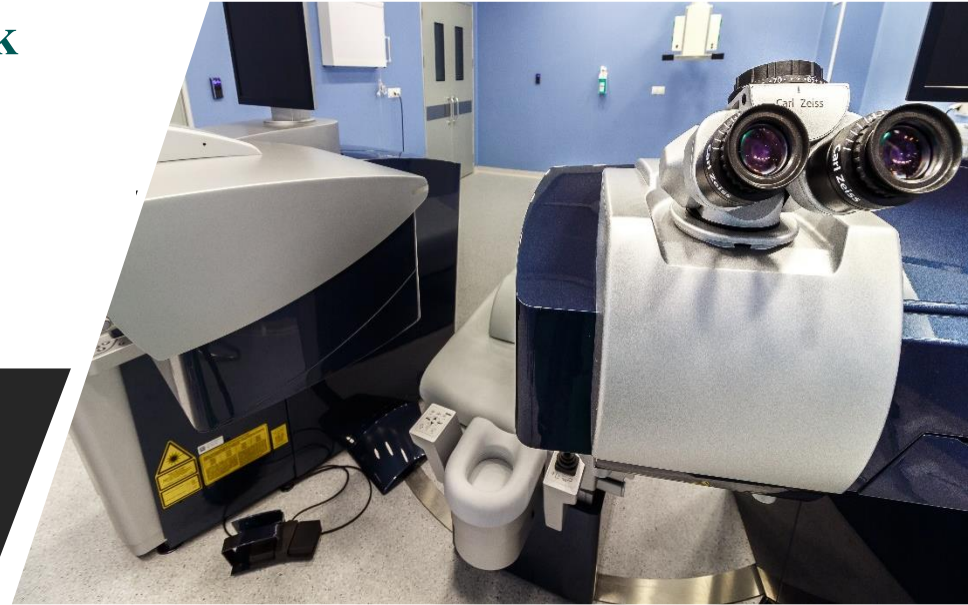
*After renovation*





# Investing in service development to cover existing service gaps in the country

- **Retaining Georgian citizens that used to seek treatment overseas**
  - **Service export to foreign patients**
- 
- In last three years we have launched more than 120 new services in our different hospitals, including some basic services such as ophthalmology and cardio surgery, as well as sophisticated ones such as liver transplant, transplantation of bone marrow and paediatric kidney transplant
  - In 2018, we are planning to launch services including hybrid vascular surgery and minimally invasive cardiac surgery
  - In polyclinics adding aesthetic and dental services



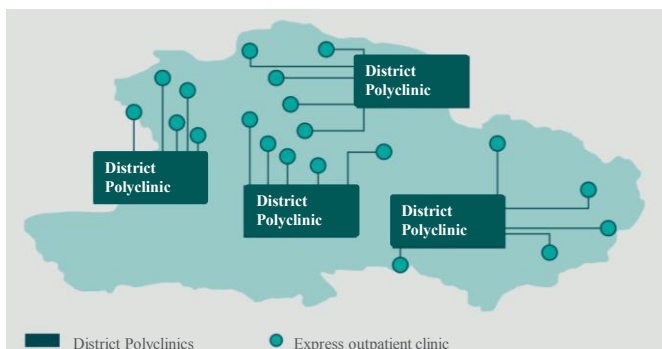
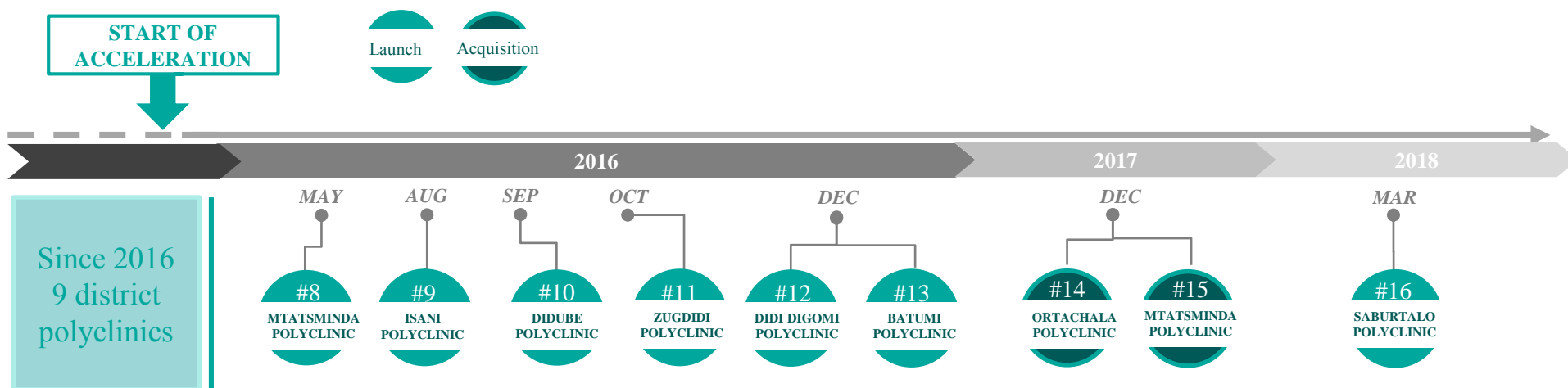


# Focused growth strategy in outpatient market

## Increase number of polyclinics in our network (*outpatient clinics*)

Through the acquisition of polyclinics and various campaigns, we have increased the number of registered patients to c.126,000. We plan to further grow our polyclinic business both organically and through further acquisitions. Our target is to reach c.200,000 registered patients by early 2019.

### Number of polyclinics



### ORGANISED IN CLUSTERS

Each cluster includes a district Polyclinic, located centrally in a particular district of the city, and three to five smaller express outpatient clinics, located in other areas of the same district.

Large scale (district) Polyclinic

**Area:** 1800-2500 sq/m  
**Offering:** Full scale services  
**Working hours:** 10:00-20:00, 6 days a week  
**Investment:** GEL 2.0mln

Express outpatient clinic

**Area:** 20-200 sq/m  
**Offering:** Basic services  
**Working hours:** 09:00-21:00, 7 days a week  
**Investment:** GEL 300 thousand



# GHG setting new standard among competition in outpatient business

## Competition



Mitskevich polyclinic, Tbilisi, September 2015

## GHG Polyclinic



Express outpatient clinic, Tbilisi, December 2014

## Reception



Joen clinic, Tbilisi, September 2015

## Reception



Express outpatient clinic, Tbilisi, December 2014

## Doctor's office



9th polyclinic, Tbilisi, September 2015

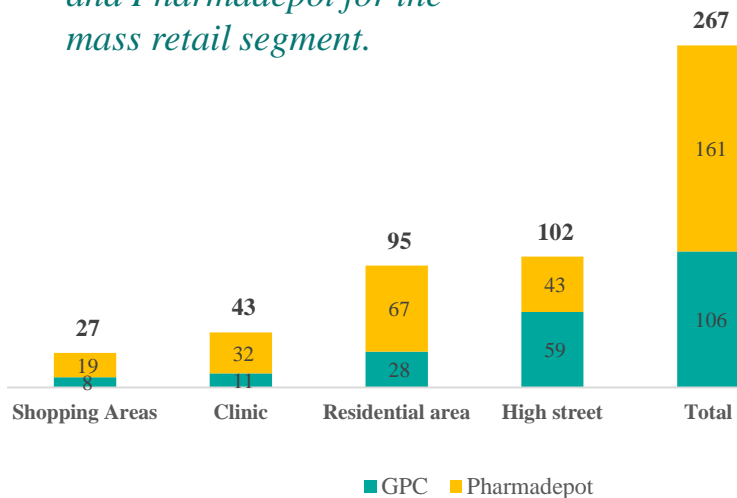
## Doctor's office



Express outpatient clinic, Tbilisi, December 2014

## 267 pharmacies nationwide

*In the pharma business, we operate under two pharmacy brands, each with a distinct positioning: GPC for the high-end customer segment and Pharmadepot for the mass retail segment.*



Country's largest retailer and largest buyer of pharmaceuticals  
↳ Significant cost advantage, shared with customers



Top priority in pharmacy and distribution business remains to increase profitability by exercising more supplier synergies and growth of private label products

- Currently 36 private label medicines are presented in our pharmacies
- GEL 3.4 million revenue in 9M18
- By the end of 2018 private label personal care products will be introduced in our pharmacies under the brand name “Attirance”





## Our main challenges

X

Lack of doctors & Nurses:  
quality and new generation

X

Quality of basic medical care

X

Lack of services

## What we achieved



- 5,150 doc's /5,150 nurses retrained
- 85 ToTs developed
- 204 residents in 24 specialties
- 2 Major hospitals constructed



Quality control framework up and running



More than 120 new services were launched over last two years

Up to 50 new services in 2018 pipeline

## Goal



Complete first round of staff retraining by 2020



Complete quality management framework implementation.

Receive JCI accreditation on some of our major referral hospitals in coming years



Continue to launch new services

Capture patient flow export.





⌘ GHG | Overview and strategy

⌘ **GHG | Results discussion – 3Q18 and 9M18**

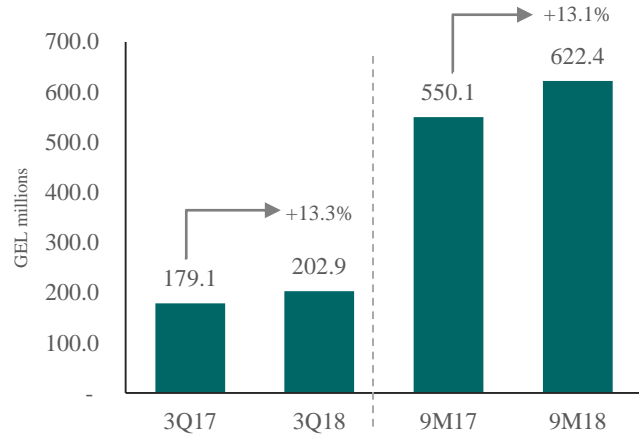
⌘ Macroeconomic and industry overview

⌘ Annexes



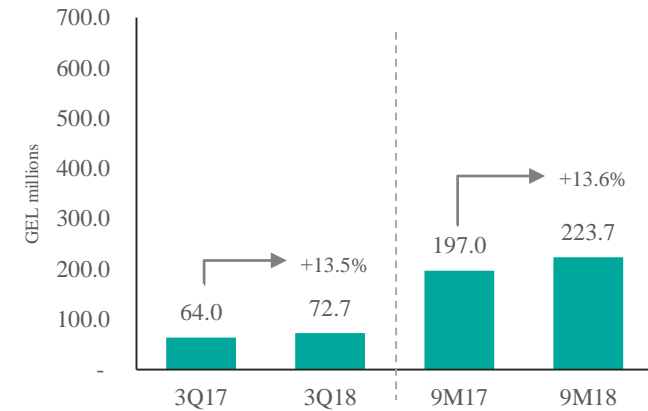
# GHG quarterly and 9-month revenue were both up double digits y-o-y

## Revenue – GHG



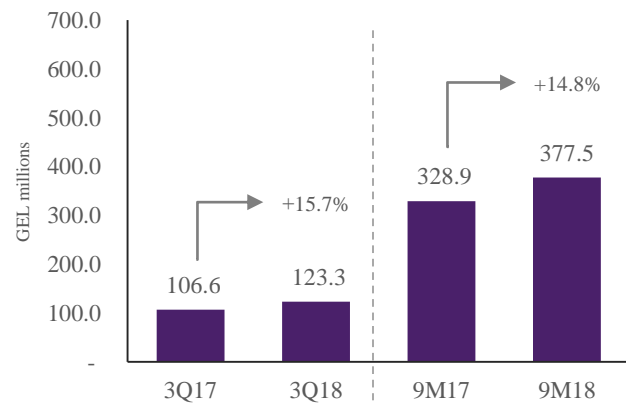
\* Gross revenue including corrections and rebates and is net of intercompany eliminations

## Revenue – Healthcare services business

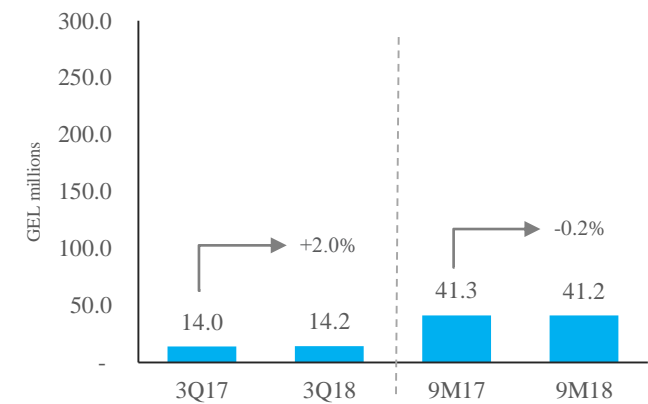


\* Gross revenue including corrections and rebates

## Revenue – Pharmacy and distribution business



## Revenue – Medical insurance business

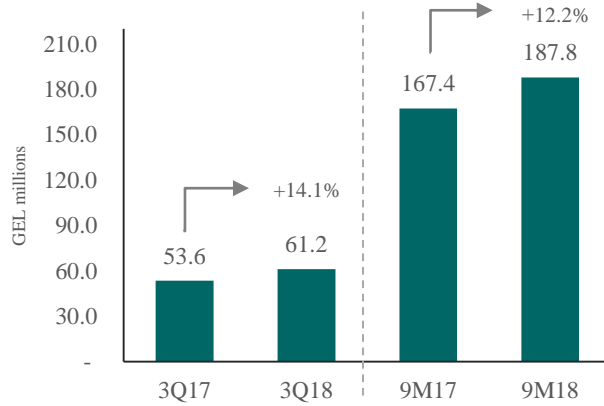




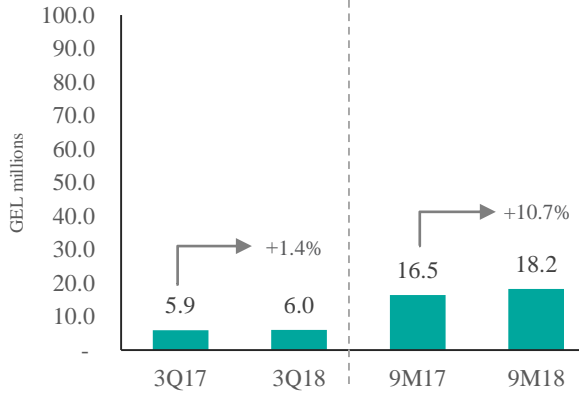
# Healthcare services business revenue by types of healthcare facilities and by sources of payment

## Healthcare services revenue breakdown by segments

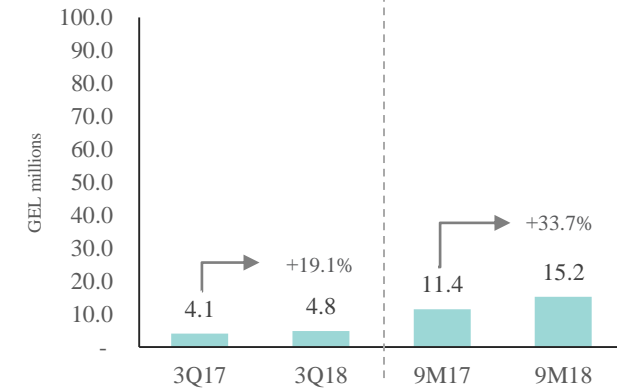
### Referral hospitals



### Community hospitals

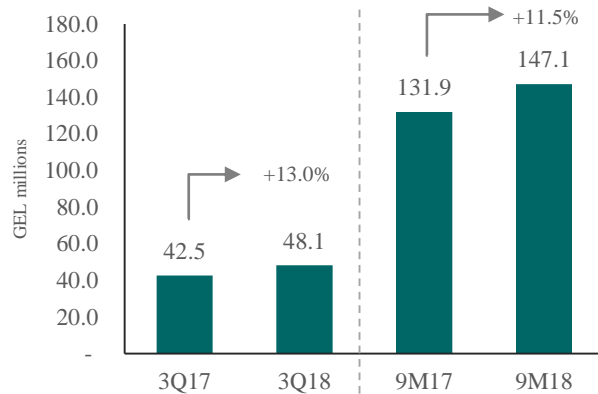


### Polyclinics

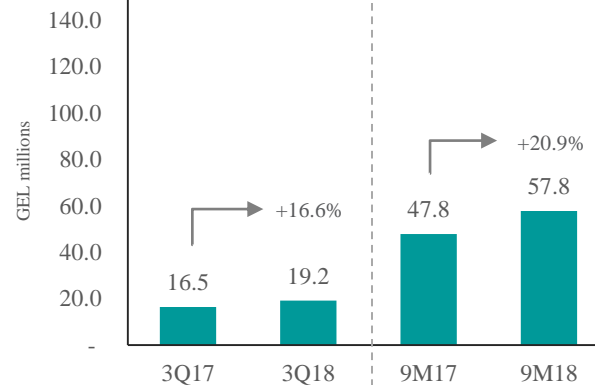


## Healthcare services revenue breakdown by source of payments

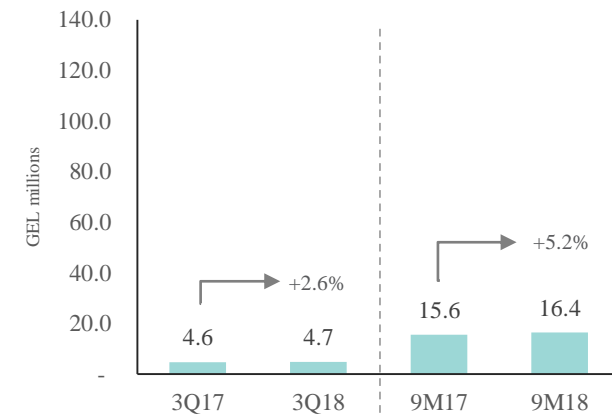
### Government-funded



### Out-of-pocket



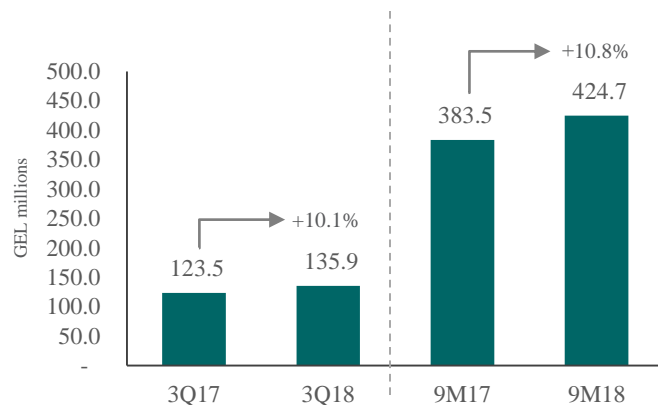
### Medical insurance





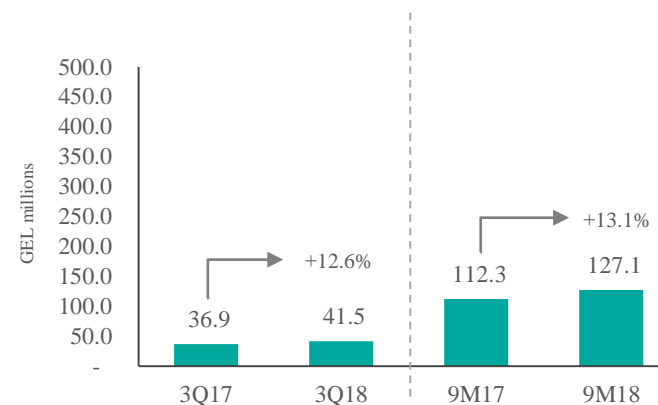
# GHG cost of services breakdown by segments

## Cost of services – GHG\*

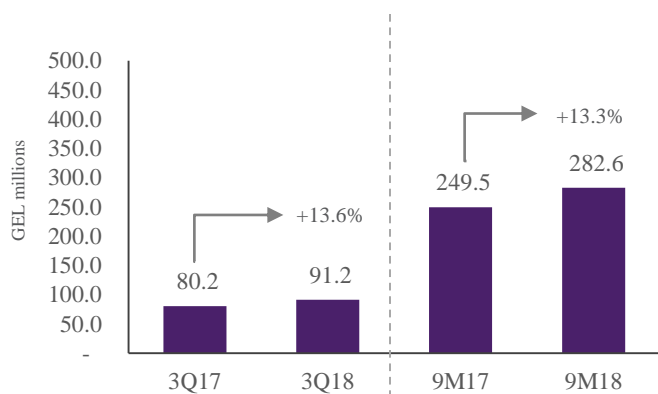


\* Net of intercompany eliminations

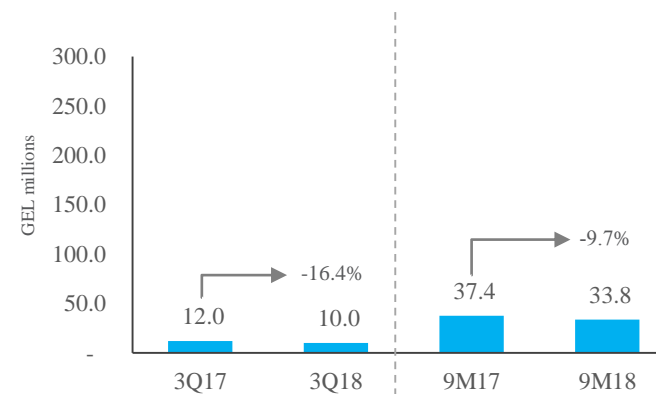
## Cost of services – Healthcare services business



## Cost of services – Pharmacy and distribution business



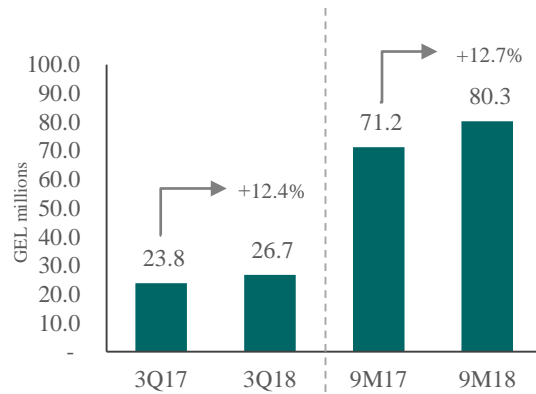
## Cost of services – Medical insurance business



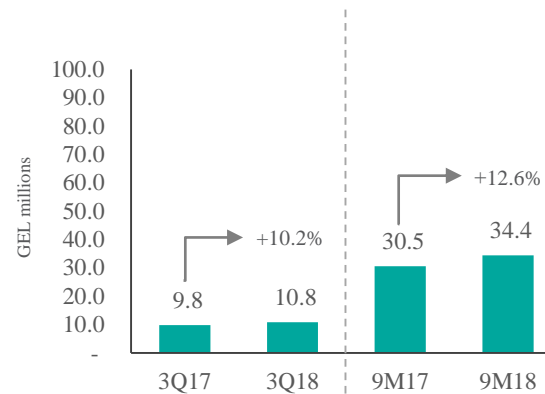


# Healthcare services cost of services breakdown

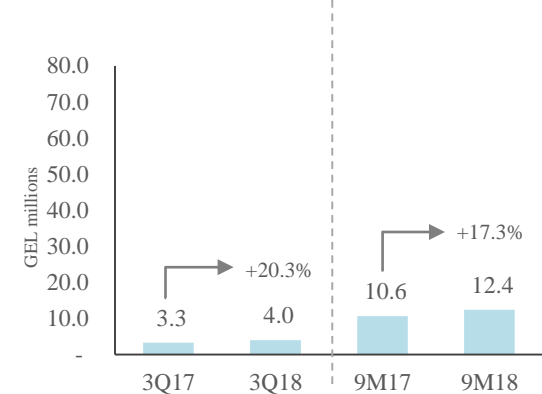
## Cost of salaries and other employee benefits



## Cost of materials and supplies



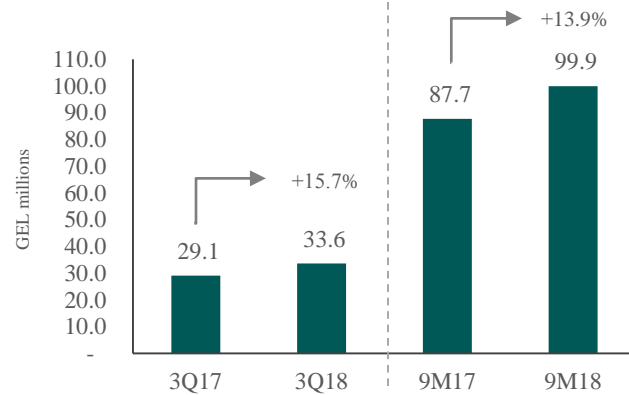
## Cost of utilities, providers and other



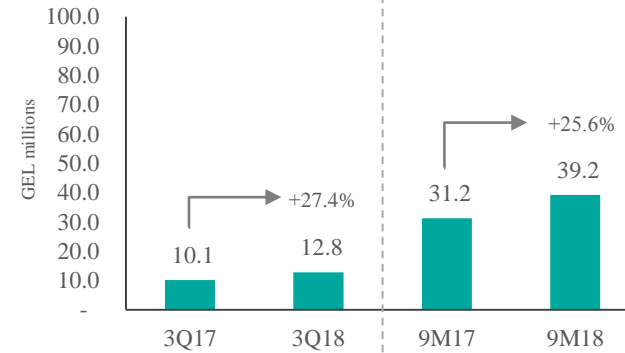


# GHG operating expenses breakdown by segments

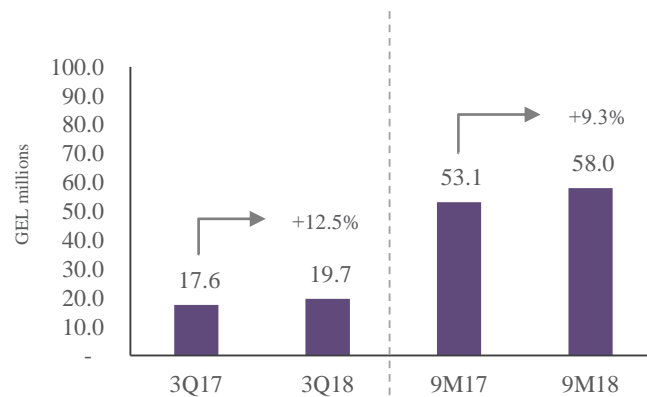
## Operating expense – GHG



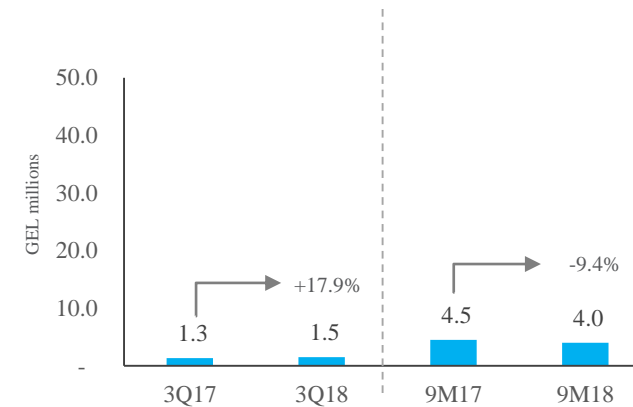
## Operating expense – Healthcare services business



## Operating expense – Pharmacy and distribution business



## Operating expense – Medical insurance business

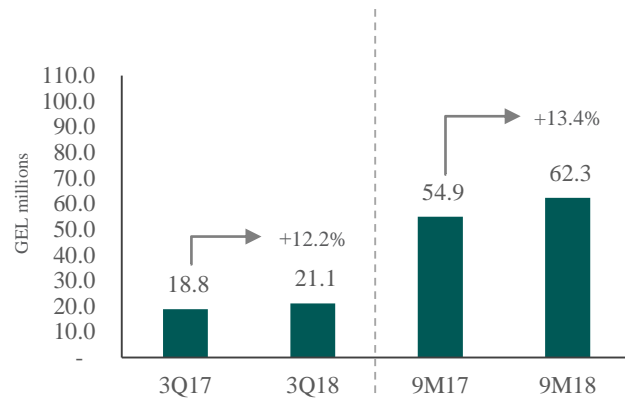




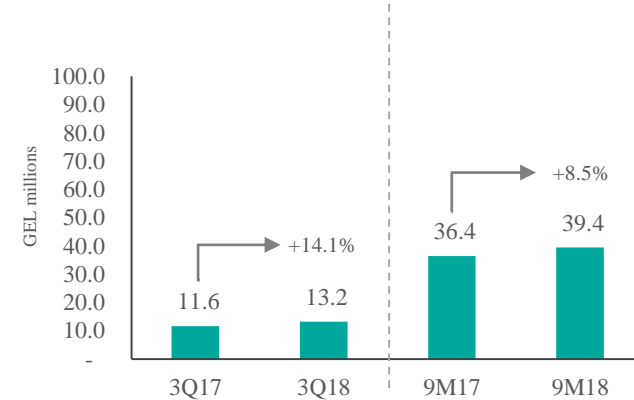
# The main operating cost drivers of GHG are the salaries and other employee benefits and the G&A

## GHG – salaries and other employee benefits and the G&A breakdown

### Salaries and other employee benefits



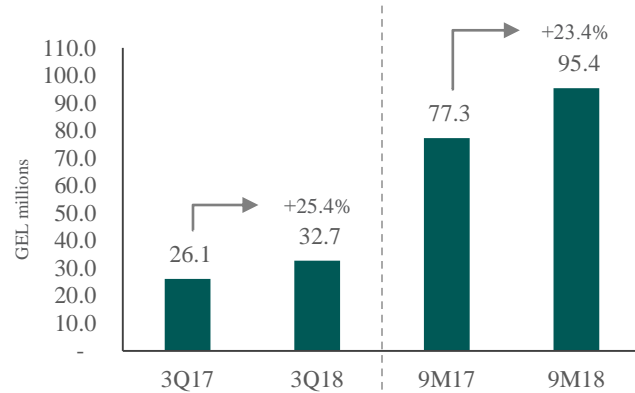
### General and administrative expenses



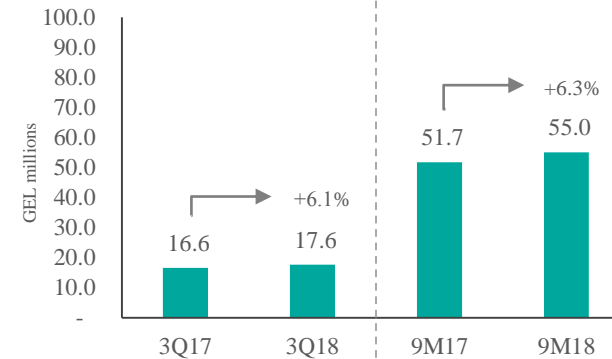


# GHG reported 9M18 EBITDA of GEL 95.4 million

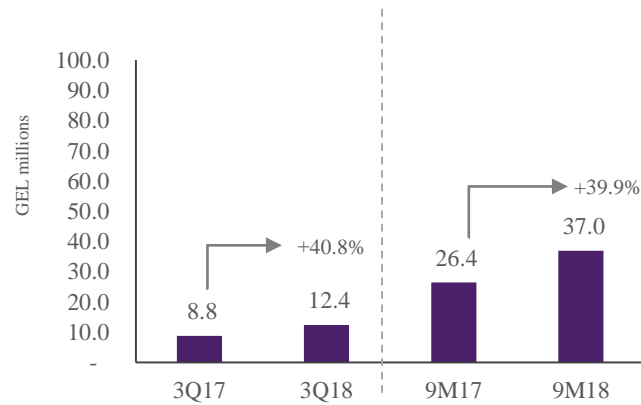
## EBITDA – GHG\*



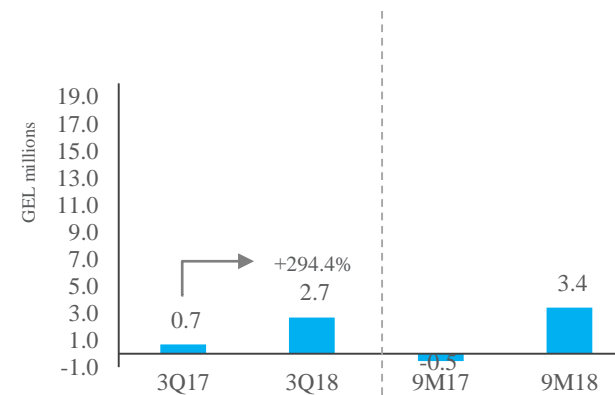
## EBITDA – Healthcare services business



## EBITDA – Pharmacy and distribution business



## EBITDA – Medical insurance business

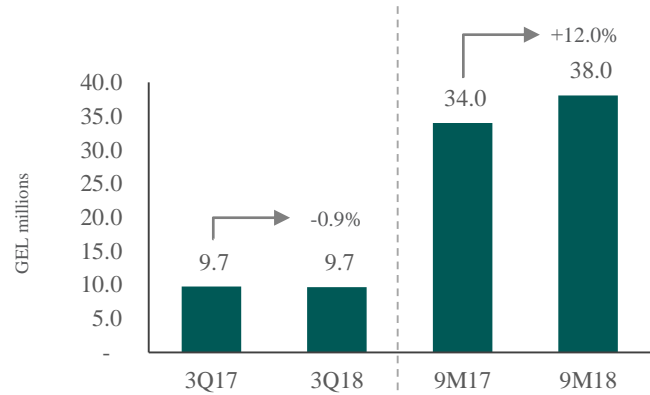




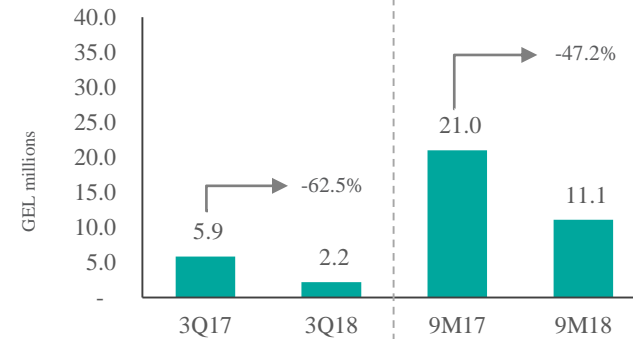


# GHG reported 9M18 net profit of GEL 38.0 million

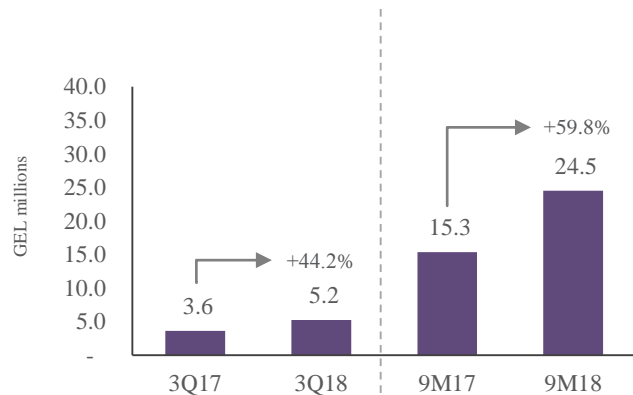
## Net profit – GHG



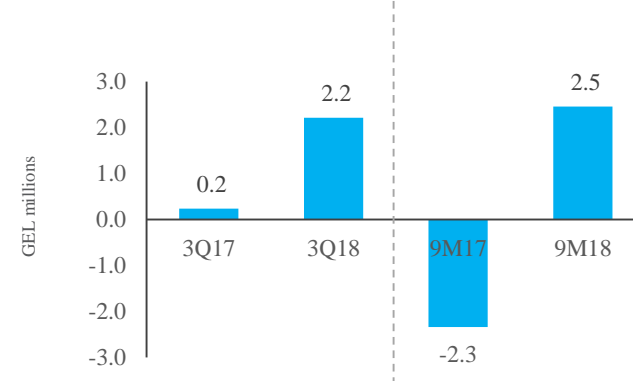
## Net profit – Healthcare services business



## Net profit – Pharmacy and distribution business



## Net profit – Medical insurance business



**From a capital expenditure perspective, we have now completed the vast majority of our major development projects**

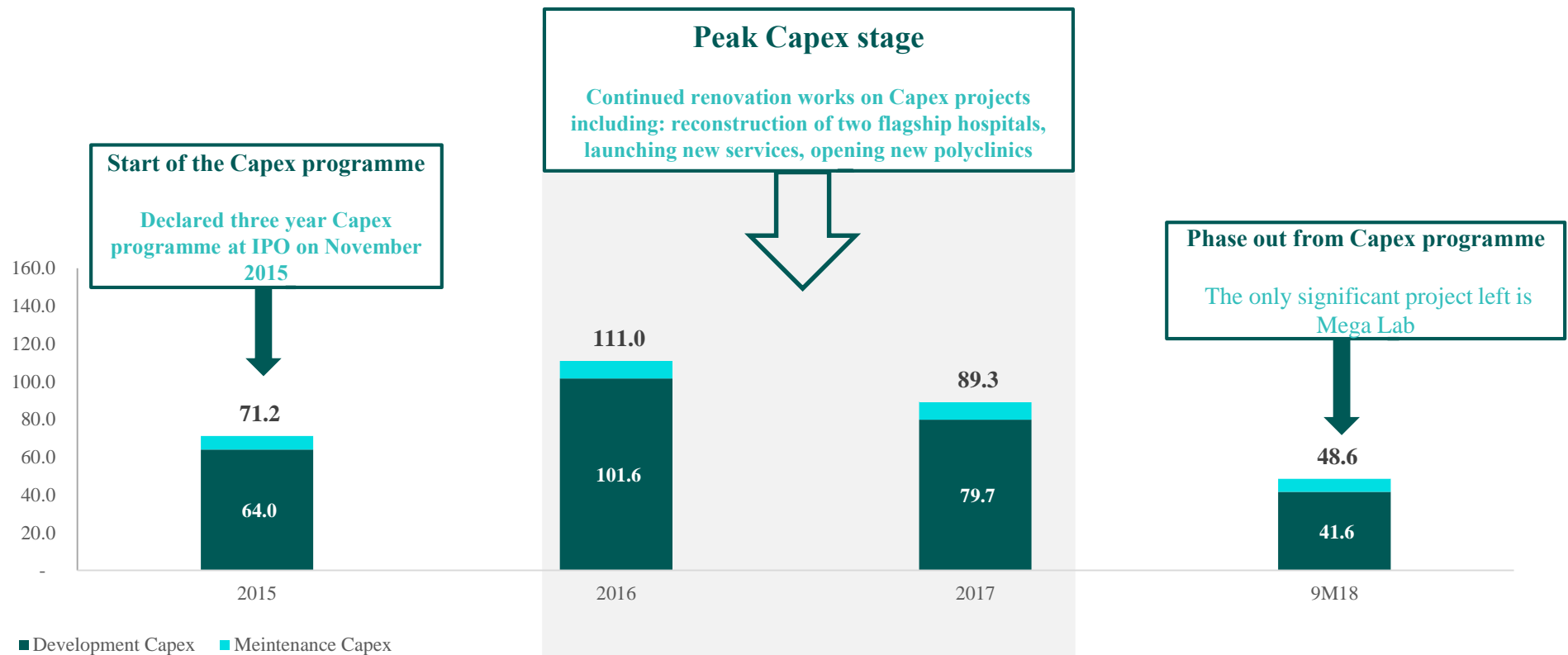
Maintenance capex as % of healthcare service revenue

3.7%

3.8%

3.6%

3.1%





⌘ GHG | Overview and strategy

⌘ GHG | Results discussion – 3Q18 and 9M18

⌘ **Macroeconomic and industry overview**

⌘ Annexes



# Long-term, high growth prospects

## Georgia | rapidly developing reform driven economy

- Area: 69,700 km
- Population (2017): 3.7 million people
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi (Population of 1.1 million people)
- Currency: Lari (GEL)



**Ease of Doing Business  
Best Improvement  
since 2005**

- Nominal GDP: 2017 GEL 38.0bln (US\$15.2bln)
- Real GDP growth rate 2014-2017: 4.6%, 2.9%, 2.8%, 5.0%
- Real GDP 2007-2017 annual average growth rate: 4.5%
- GDP per capita 2017 (PPP) per IMF: US\$10,742
- Inflation rate (e-o-p) 2017: 6.7%
- External public debt to GDP 2017: 35.3%

Sovereign ratings:

<b>S&amp;P</b>	BB-/Stable, affirmed in May 2018
<b>Moody's</b>	Ba2/ Stable, affirmed in September 2018
<b>Fitch</b>	BB-/Positive, affirmed in August 2018

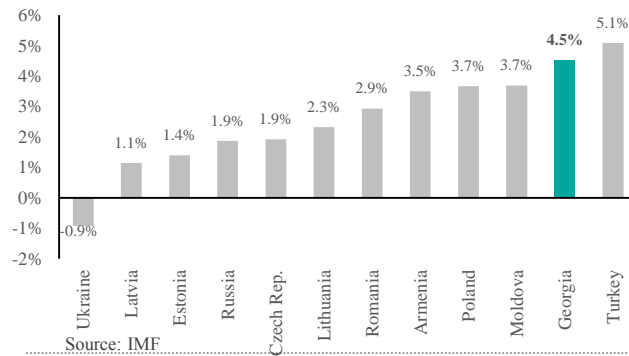


# Long-term, high growth prospects

## Georgia | strong economic performance

### One of the fastest developing economies in the region.....

Real GDP growth, % 2007-17 Average



### ...Fueled by Liberal Reforms...



Georgia is the top improver on the World Bank's Ease of Doing Business report since 2005, rising from 113<sup>th</sup> in 2005 to 16<sup>th</sup> in 2017

- Georgia has implemented one of the most radical market and government reforms and programme of economic liberalisation in the former Soviet countries
- Massive privatisation lead to reduction of the public sector and its influence on the country's economy
- Significant improvement in the business environment resulted in annual FDI inflow to average 10% of GDP during 2007-2017

### ...Which Removed Excessive Administrative Burden from Business

- ✓ Significant reduction of bureaucracy
- ✓ Overall, c.70% of business-related licenses and c.90% of permits were abolished
- ✓ One-stop shops for all business-related administrative procedures commenced operations
- ✓ Taxation was simplified with the total number of taxes reduced from 21 to 6
- ✓ Main import tariffs and fees were substantially abolished

### Prudent Fiscal Policy

"Economic Liberty Act" as of January 2014

- ✓ Consolidated budget spending capped at 30% of GDP
- ✓ Consolidated budget deficit capped at 3% of GDP
- ✓ Guideline to keep the budget debt below 60% of GDP
- ✓ Any new national tax or increase of upper rates of existing taxes must be approved by referendum, except for temporary measures

### Monetary Policy Aims to Maintain Price Stability

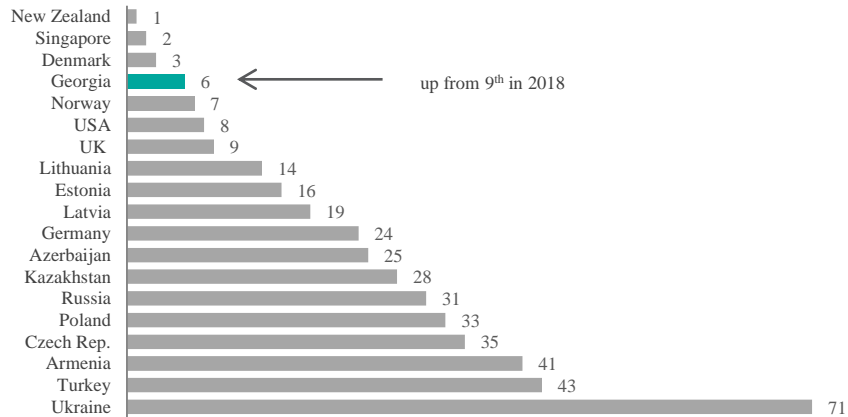




# Long-term, high growth prospects

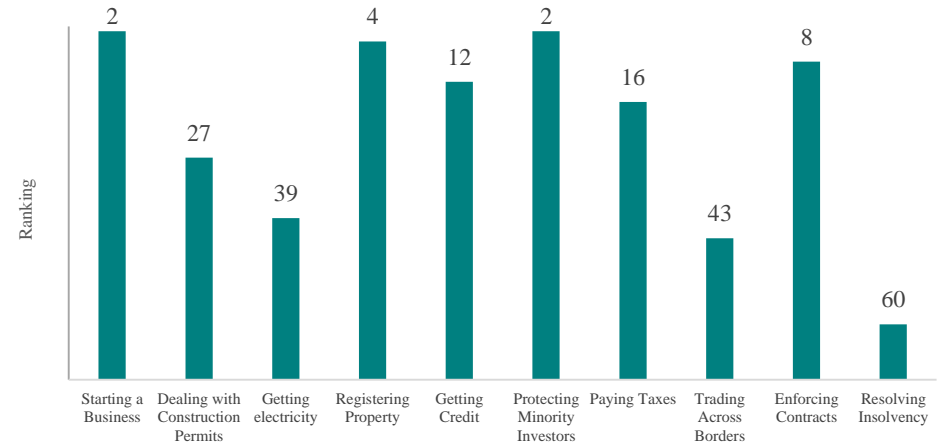
## Georgia | top improver on World Bank's Ease of Doing Business Report

### Ease of Doing Business | 2018

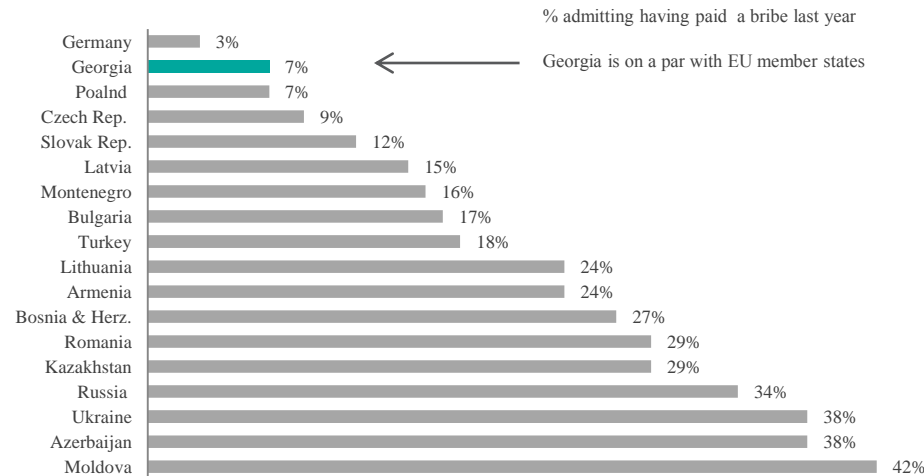


Source: WB-IFC Doing Business Report

### Rankings on Doing Business Topics – Georgia

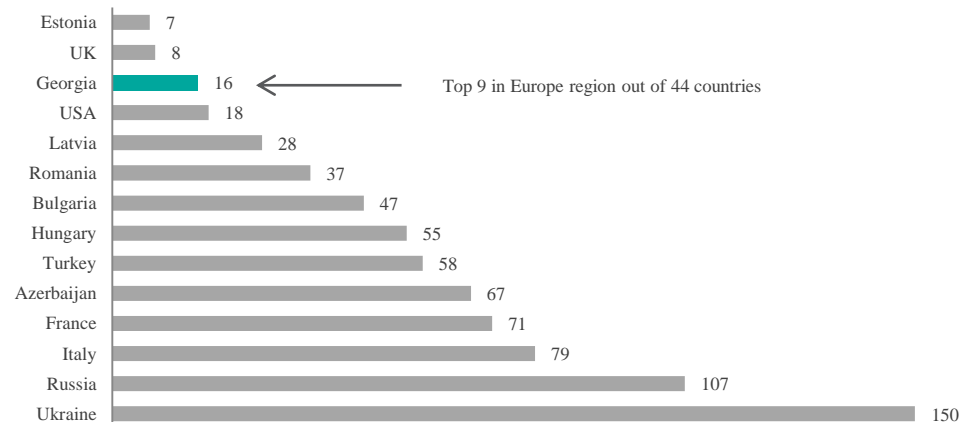


### Global Corruption Barometer | 2017



Source: Transparency International

### Economic Freedom Index | 2018

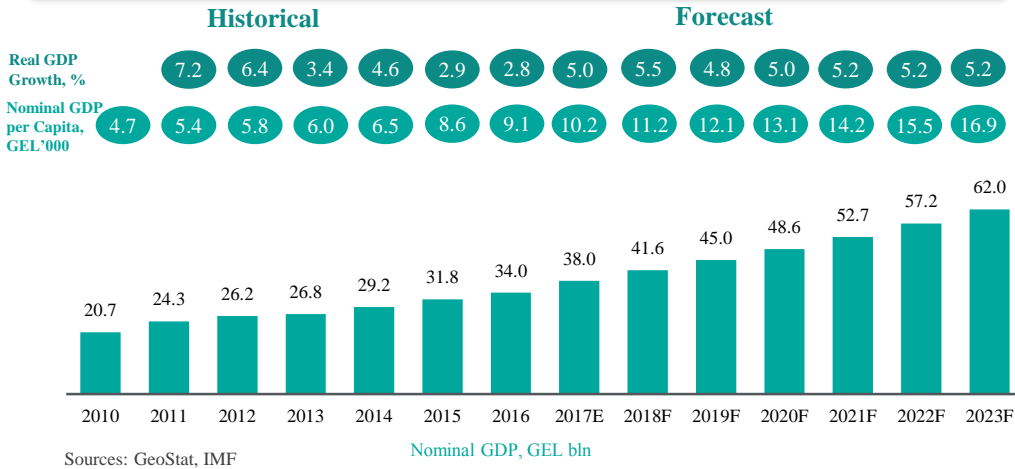


Source: Trace International

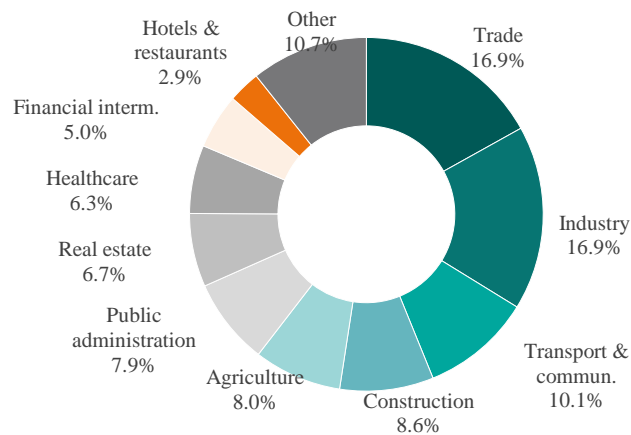
# Long-term, high growth prospects

## Georgia | positive economic outlook

### GDP Growth Expected to Continue



### Diversified nominal GDP structure, 1H18



Sources: Geostat

### Clear Strategy to Achieve Long Term Growth

#### Liberal Reforms and Prudent Policy

- Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework
- Public expenditure/GDP capped at 30%; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%
- Business friendly environment and low tax regime (attested by favourable international rankings)

#### Regional Logistics and Tourism Hub

- Access to a market of 2.8bn customers without customs duties; Free trade agreements with EU, China, CIS and Turkey and GSP with USA, Canada, Japan, Norway and Switzerland; FTA with Hong Kong was signed in June 2018. FTA with India under consideration.
- Tourism revenues on the rise: tourism inflows stood at 17.8% of GDP in 2017 and total arrivals reached 7.9mln visitors in 2017 (up 17.6% y-o-y), out of which tourist arrivals were up 23.4% y-o-y to 4.1mln visitors

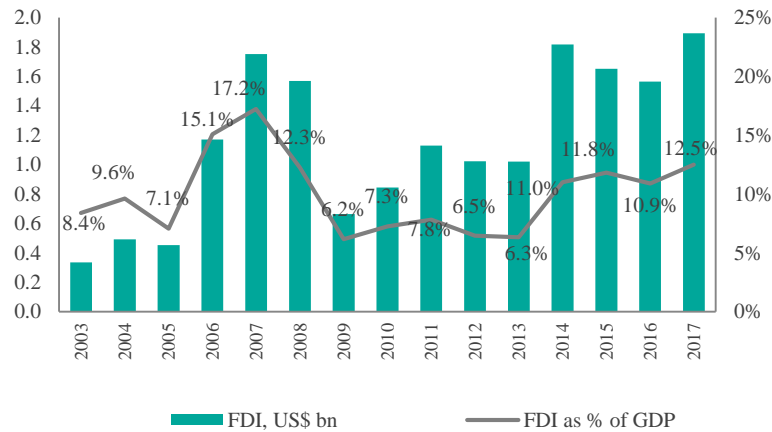
#### Strong FDI

- FDI at US\$1.9 billion (12.5% of GDP) in 2017, up 21% y-o-y
- FDI averaged 10.0% of GDP in 2007-2017

#### Support from International Community

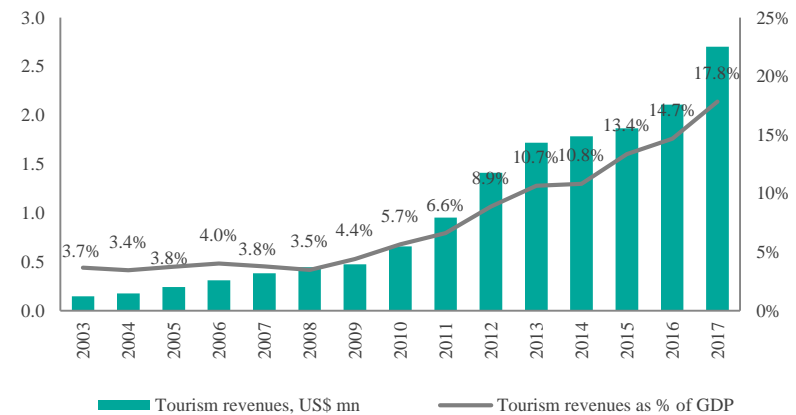
- Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free entrance to the EU countries from 28 March 2017
- Discussions commenced with the USA to drive inward investments and exports
- Strong political support from NATO, EU, US, UN and member of WTO since 2000

## Strong foreign investor interest



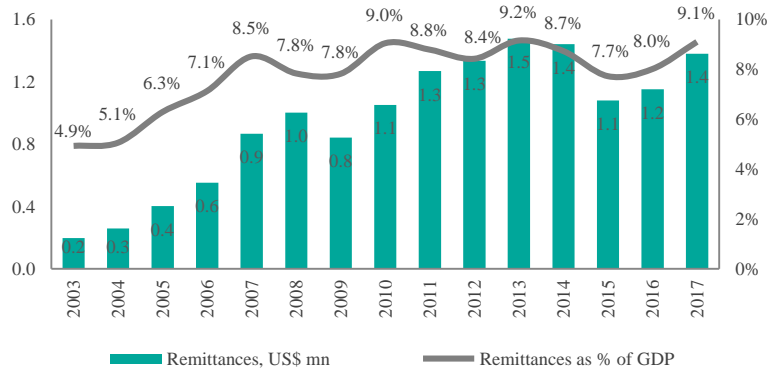
Sources: Geostat

## Tourist arrivals and revenues on the rise



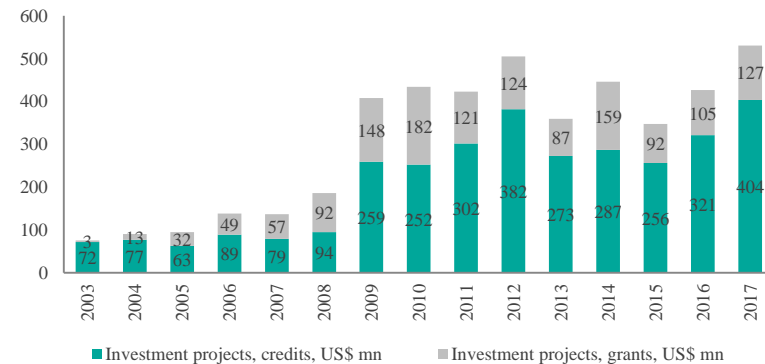
Sources:NBG

## Remittances - steady source of external funding



Source: National Bank of Georgia

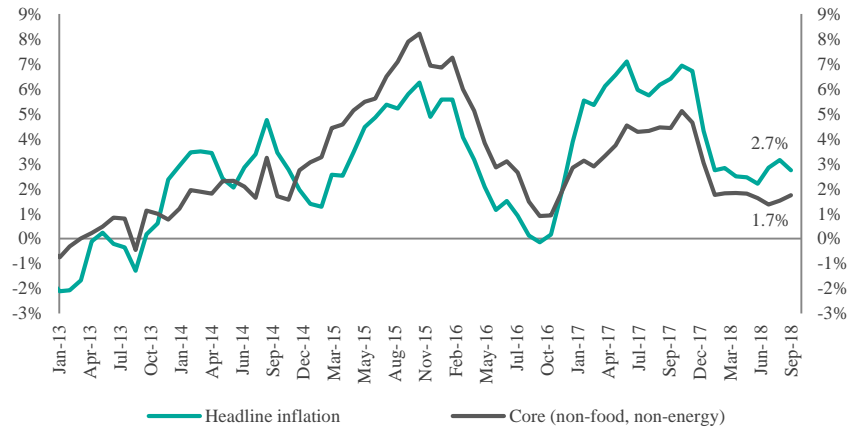
## Public donor funding



Source: Ministry of Finance of Georgia

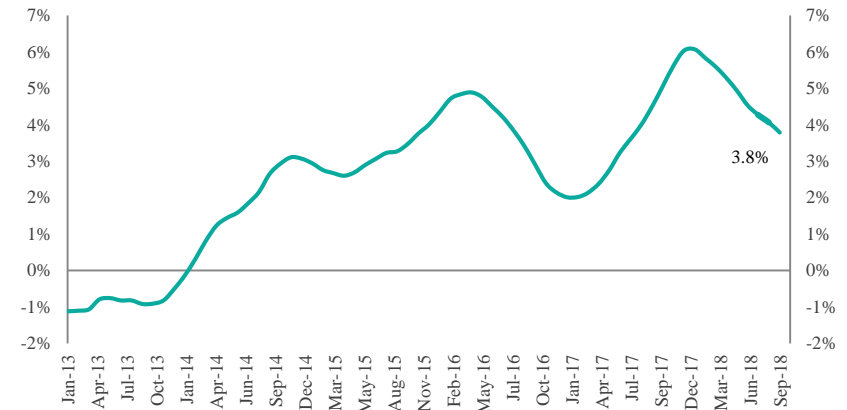


## Annual inflation



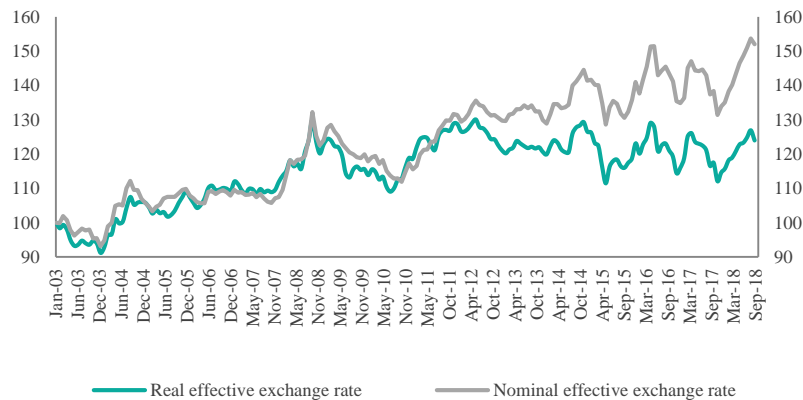
Sources: GeoStat

## Average Inflation



Sources: NBG

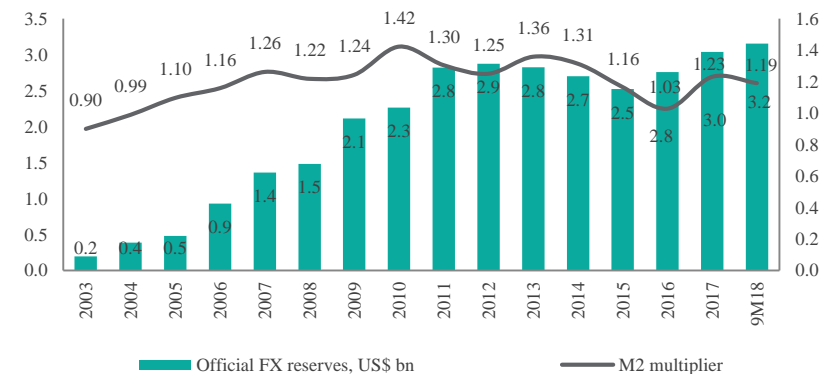
## Nominal and Real effective exchange rate (Jan2003=100)



Source: Bloomberg

Note: US\$ per unit of national currency, period 1-Aug-2014 – 30-Jul-2018

## FX reserves



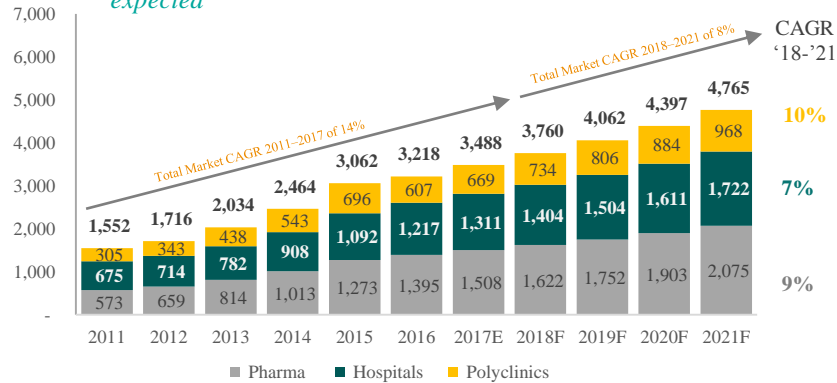
Source: National Statistics Offices

# Long-term, high growth prospects

## Rapidly growing healthcare market

### Growth in Healthcare Services Market Expected to Continue

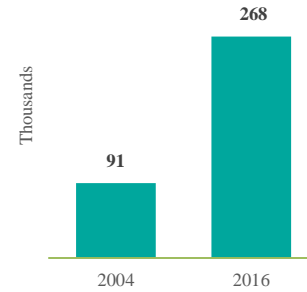
**GELM** Double digit growth on the back of favorable dynamics expected



Source: Frost & Sullivan analysis 2017;  
Hospitals market includes revenue of c.10% from specialty beds, which is non-addressable market for GHG  
Polyclinics market excludes dental and aesthetic services

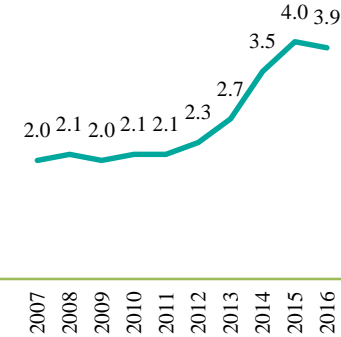
### Demand Analysis

Number of Surgical Operations



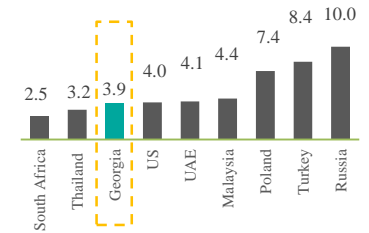
Source: NCDC

Outpatient encounters per capita,



Source: NCDC

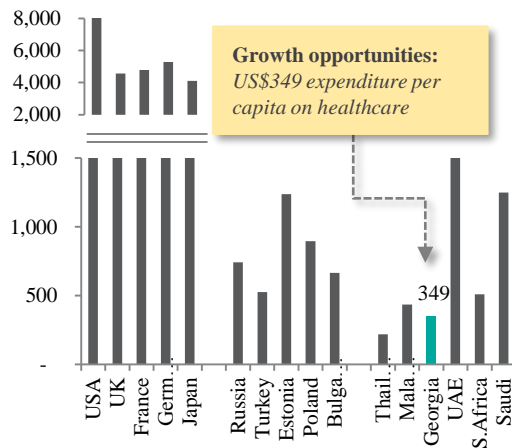
Outpatient encounters per capita, Georgia VS other countries



Source: Frost and Sullivan Analysis 2017

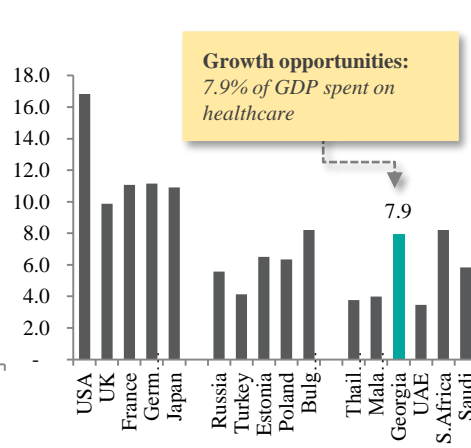
### Low Expenditure on Healthcare

Per capita expenditure on healthcare, current US\$



Source: World Bank 2014

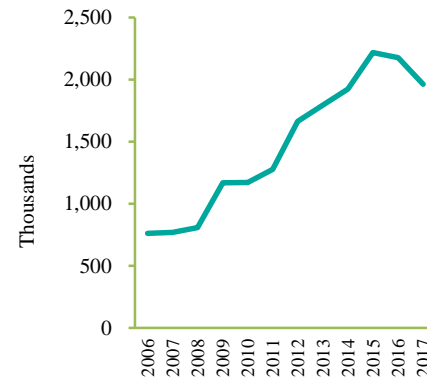
Expenditure on healthcare, % of GDP



Source: World Bank 2015

### Increasing Overall Disease Incidence...

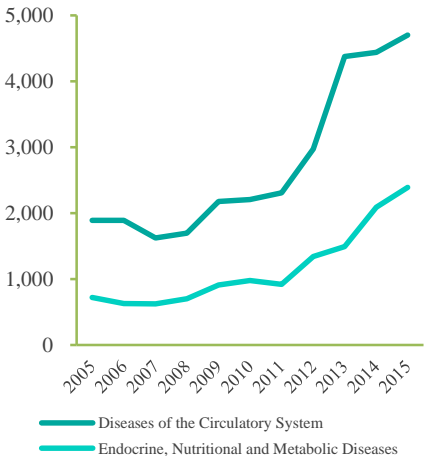
Number of Registered Patients with 1st Time Diagnosis



Source: Geostat

### ... Including a Growing Incidence of Lifestyle Diseases

Per 100,000 Population



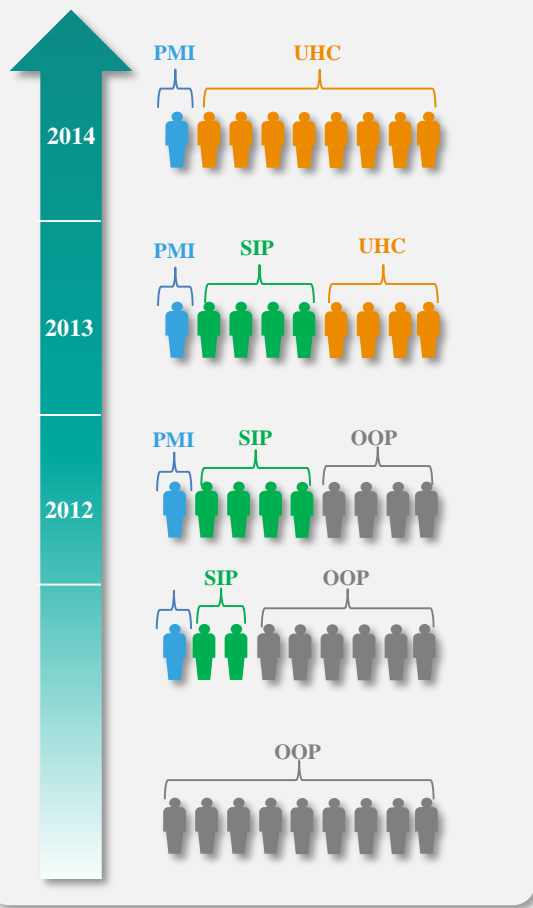
Source: NCDC



# Long-term, high growth prospects

## *Favorable government healthcare policy*

### Healthcare coverage of Georgia's 3.7m population:



Source: Ministry of Health of Georgia

● OOP – out-of-pocket   
 ● UHC – Universal Healthcare Program   
 ● PMI – Private Medical Insurance  
● SIP – State Insurance Program   
 PMI, UHC, SIP include co-payments

### Key Principles of UHC Programme

#### Overview

- UHC was introduced in February, 2013 and replaced most of the previously existing state-funded medical insurance plans
- The main goal is to provide basic healthcare coverage to the entire population

#### Financing and top-up mechanism

- UHC is fully financed by the government
- UHC doesn't reimburse 100% of costs in most cases, leaving substantial room for out-of-pocket payments by patients

#### Beneficiaries and Providers

- UHC beneficiaries may select any healthcare provider enrolled in the programme
- Actual prices charged to patients by healthcare providers are not regulated by the state
- Any provider, whether private or public, is eligible to participate in the programme



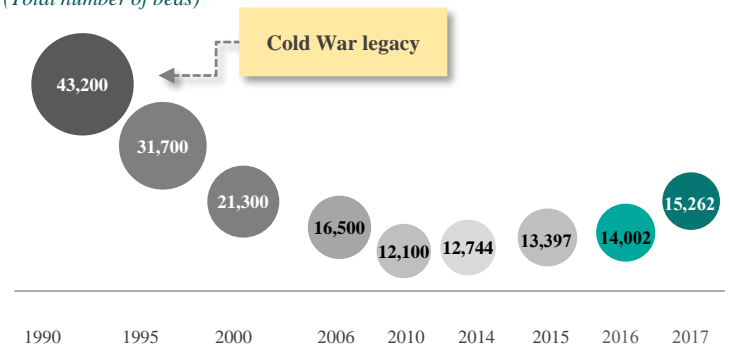
# Long-term, high growth prospects

*Favorable government healthcare policy – 90% of hospital capacity is private*

## Infrastructure renewed, although significant opportunity remains to improve service quality

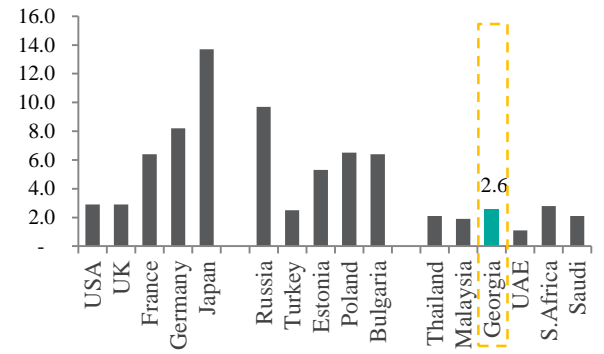
### Capacity-wise Georgia stands alongside US, UK and Turkey

Optimising bed capacity over the years  
(Total number of beds)<sup>(1)</sup>



Note: (\*) Target market bed capacity = Total market bed capacity of 15,262 beds – 1,910 specialty beds at penitentiary, TB and psychiatric clinics

Beds per 1,000 people

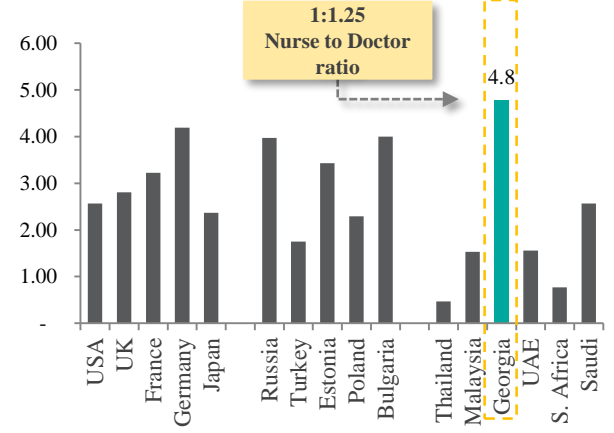


Source: World Bank 2012

### However, physician overcapacity yet to be addressed

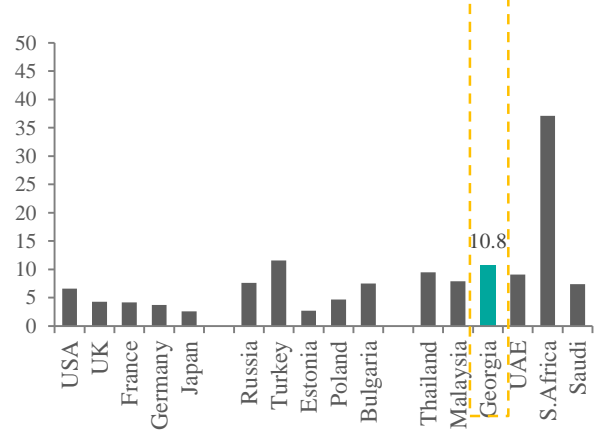
### With significant room for optimisation in terms of service quality, as indicated by: Under 5 Mortality Rate... ... And Life Expectancy At Birth

Number of physicians per 1,000 people

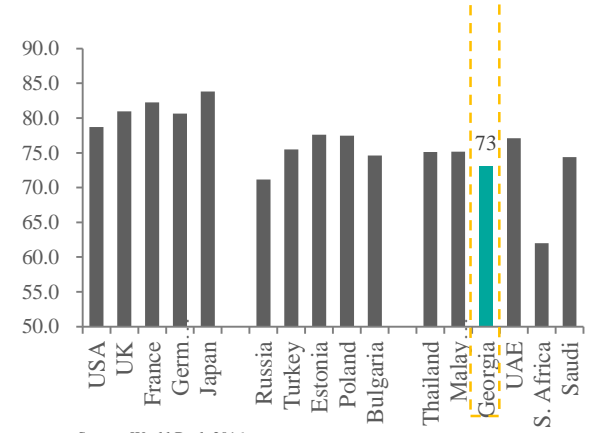


Source: World Bank 2015

Under 5 mortality per 1,000 live births



Life expectancy at birth, total (years)



Source: World Bank 2016

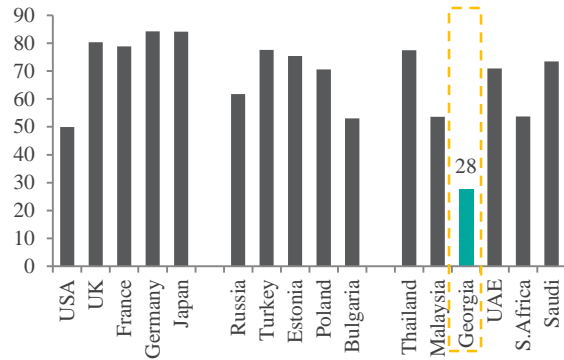


# Long-term, high growth prospects

## Favorable government healthcare policy

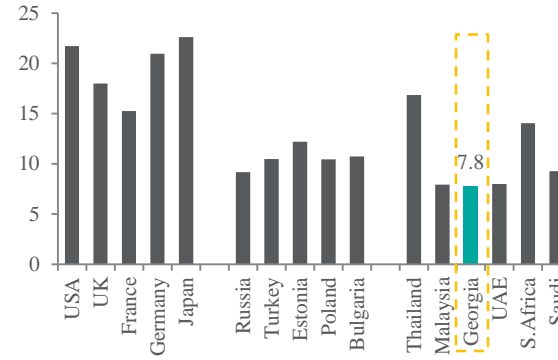
**Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013**

General government expenditure on health as a percentage of total expenditure on health in 2014<sup>(1)</sup>



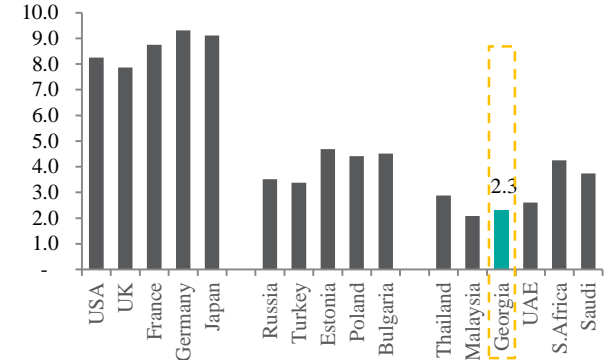
**Government spending on healthcare was only 6.7% of state budget in 2013, which grew up to 9% in recent years**

General government expenditure on health as a percentage of total government expenditure in 2015<sup>(1)</sup>



**Government expenditure on healthcare as a % of GDP increased from c.2% in 2013, up to c.3% in 2016 year<sup>(4)</sup>**

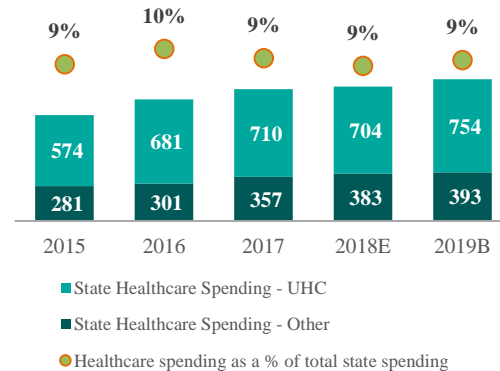
Government expenditure on health as % of GDP in 2014<sup>(1)</sup>



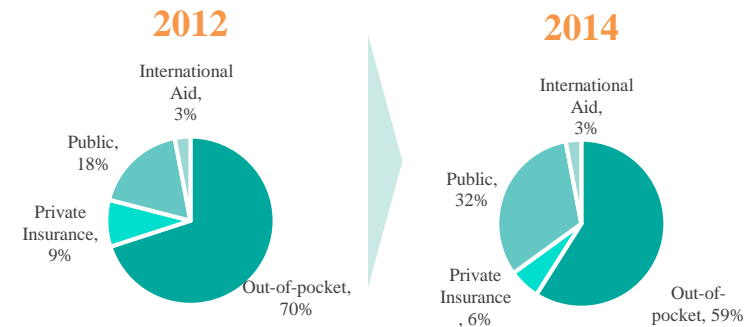
**State financing of healthcare increasing for the last several years**

State healthcare spending dynamics<sup>(2)</sup>

GELm



**High private spending and growing public sector participation on the back of UHC implementation<sup>(3)</sup>**



Sources:

- (1) World Bank
- (2) Ministry of Finance of Georgia;
- (3) Global health expenditure database – World Health Organisation, Frost & Sullivan analysis
- (4) GHG Internal reporting



⌘ GHG | Overview and strategy

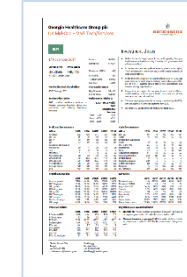
⌘ GHG | Results discussion – 3Q18 and 9M18

⌘ Macroeconomic and industry overview

⌘ **Annexes**



## Consensus Target Price is 3.58 GBP



GBP 3.3

\*as of 16 Aug 2018

GBP 3.23

\*as of 8 Oct 2018

GBP 4.00

\*as of 15 Aug 2018

GBP 3.60

\*as of 15 Oct 2018

GBP 3.95

\*as of 15 Aug 2018

GBP 3.68

\*as of 22 May 2018

GBP 2.60

\*as of 7 Sep 2018

GBP 4.30

\*as of 17 Aug 2018



# Robust corporate governance, exceptional in Georgia's healthcare sector

## Board of Directors – majority independent members

The Board is composed entirely of Non-Executive, independent directors (except for the chairman and CEO) and meets quarterly to define the strategy and how to move forward for which management is responsible to execute.



• **William Huyett** | Independent Non-executive Chairman | Experience: Currently Chief Operating Officer of Ironwood Pharmaceuticals. Prior to that Director Emeritus of McKinsey and Company, Inc. Currently also Georgia Capital board member.



• **David Morrison** | Senior Independent Non-executive Director | Experience: senior partner at Sullivan & Cromwell LLP prior to retirement; currently also Georgia Capital board member.



• **Irakli Gilauri** | Non-Executive Director | Experience: currently Chairman and CEO of Georgia Capital PLC; formerly CEO of BGEO Group PLC; MS in banking from Cass Business School, London; BBS from University of Limerick, Ireland.



• **Ingeborg Oie** | Independent Non-executive Formerly senior research analyst covering medical technology and healthcare Services sector at Jefferies; analyst in the medtech research team at Goldman Sachs.



• **Jacques Richier** | Independent Non-executive Director | Experience: Currently Chairman and CEO of Allianz France and Chairman of Allianz Worldwide Partners; Formerly CEO and Chairman at Swiss Life France.



• **Tim Elsigood** | Independent Non-executive Director | Experience: Currently Consultant Advisor to Abraaj in Tunisia and Morocco. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia. Former Senior VP for Business Development at Capio AB, VP for Medsi Group and CEO of Isida Hospital.



• **Mike Anderson** | Independent Non-executive Director | Experience: Formerly a Medical Director at Chelsea and Westminster hospital, currently medical director for North West London Reconfiguration Programme and physician at Chelsea and Westminster Hospital.



• **Caroline Brown** | Advisor to the Board; Member of the Audit Committee | Experience: Currently serves as an independent Non-Executive Director, and audit chair on the boards of several London quoted companies. She is a director of Luceco PLC, Earthport PLC, Hydrodec Group PLC, LB-Shell PLC and Gray's Inn Mansion Limited. Also Georgia Capital board member.



• **Fabian Blank** | Independent Non-Executive Director | Experience: Currently Co-owner and CEO of a mid-sized rehab clinic group focused on post acute treatment in orthopedics and cardiology. He started his career at McKinsey & Company, Inc.



• **Nikoloz Gamkrelidze** | Director, CEO at GHG | Experience: previously BGEO Group CFO, CEO of Aldagi BCI and JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School.

### Committees

- **Audit committee** – recommending the financial statements to our Board, and matters such as the risk of fraud, external auditors, annual external audit, financial and non-financial risk
- **Nomination committee** – review the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board. To oversee appointments to and the succession of the Board.
- **Remuneration committee** – determine and make recommendations to our Board regarding the framework or broad policy for the remuneration
- **Clinical quality and safety committee** – monitoring our non-financial risks, including clinical performance, health and safety and facilities





# Robust corporate governance *exceptional in Georgia's healthcare sector*

## Management



❁ **Nikoloz Gamkrelidze** | Director, CEO at GHG; formerly Deputy CEO (Finance) of BGEO Group PLC and CEO of Insurance Company Aldagi



❁ **Irakli Gogia** | Deputy CEO, Finance and Operations; formerly Deputy CEO at JSC Insurance Company Aldagi, CFO at Liberty Consumer, 4 years of experience at Ernst & Young and Deloitte & Touche



❁ **David Vakhtangishvili** | Deputy CEO, Chief Risk Officer; formerly CFO of JSC Bank of Georgia, 9 years experience at Andersen and Ernst & Young



❁ **Giorgi Mindiashvili** | Deputy CEO, Commercial; formerly CFO of JSC Insurance Company Aldagi, formerly Supervisory Board member of JSC My Family Clinic



❁ **Giorgi Gordadze** | Head of Polyclinics Business (outpatient clinics); (effective May 2017), formerly Commercial Director at GPC, 20 years experience in pharmaceuticals business



❁ **Givi Giorgadze** | CEO, Medical insurance; Since seven years experience in banking sector, formerly Director of Corporate Sales at Insurance Company BCI



❁ **Gregory ("Gia") Khurtsidze** | Deputy CEO, Clinical; two years experience as Clinical Director of the National Center of Internal Medicine at New Hospital in Tbilisi, worked as a physician and held administrative roles at various leading healthcare institutions in the USA



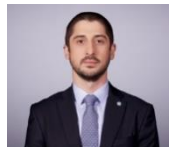
❁ **Enrico Beridze** | CEO GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly CEO of ABC Pharmacia



❁ **Mikheil Abramidze** | Head of Operations at GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly COO of ABC Pharmacia



❁ **Nino Kortua** | Chief Legal Officer; 14 years experience in insurance field as a lawyer, formerly head of Aldagi Legal Department



❁ **Otar Lortkipanidze** | IT Director; 10 years experience in IT field. Formerly head of IT department at Georgia water and Power



❁ **Medea Chkhaidze** | Chief HR Officer; 10 years experience in human resource management, formerly Head of Personnel Management Division at Aldagi Insurance Company



❁ **Nino Chichua** | Chief Marketing and Communications Officer; 13 years experience in Marketing, formerly CEO at Public Service Hall (LEPL)



❁ **Manana Khurtsilava** | Chief of Internal Audit; 8 years experience in internal control/internal audit. Formerly head of the internal audit department of Insurance Company Aldagi.

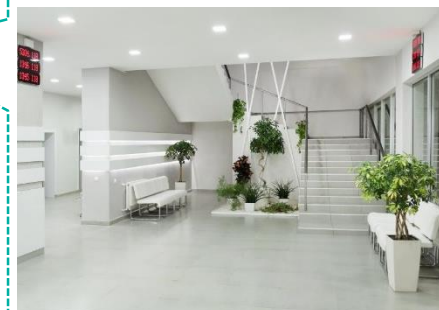


# Competition – setting new standards

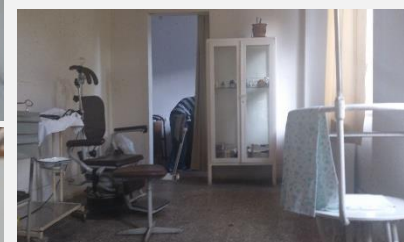
**Outpatient market is still highly fragmented with very few players having high standards of service and up-to-date technology**

GHG	16 district clinics, 10 in Tbilisi 6 in Regions Small (120-200 m <sup>2</sup> ), Medium (c.1000 m <sup>2</sup> ) and Large (1800-2500 m <sup>2</sup> ) Format Multiprofile
Tatisvli	2 clinics in Tbilisi Medium format Multiprofile
Cito	1 Clinic in Tbilisi Medium Format Multiprofile
Curatsio	1 Clinic in Tbilisi 1 in Western Georgia Medium Format Multiprofile
Medison	3 Clinics in Tbilisi Medium and Large Format Multiprofile
Medalpha (Aversi)	1 Clinic in Tbilisi Medium Format Multiprofile
Medcapital (Aversi; PSP)	4 Clinics in Tbilisi Medium Format Multiprofile
<b>Polyclinics</b>	<b>c.450 small Polyclinics</b> <b>Small formats</b> <b>Multiprofile</b> <b>Soviet style</b> <b>Privatized, with no development</b> <b>CT Scan not available</b>

### GHG Polyclinic



### Soviet-era polyclinics





# GHG consolidated - Income Statement

<i>GEL thousands; unless otherwise noted</i>	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
<b>Revenue, gross</b>	<b>202,926</b>	<b>179,065</b>	<b>13.3%</b>	<b>622,406</b>	<b>550,113</b>	<b>13.1%</b>
Corrections & rebates	(672)	(407)	65.1%	(2,452)	(1,690)	45.1%
<b>Revenue, net</b>	<b>202,254</b>	<b>178,658</b>	<b>13.2%</b>	<b>619,954</b>	<b>548,423</b>	<b>13.0%</b>
Revenue from healthcare services	72,004	63,598	13.2%	221,248	195,263	13.3%
Revenue from pharma	123,341	106,607	15.7%	377,532	328,948	14.8%
Net insurance premiums earned	14,237	13,959	2.0%	41,242	41,334	-0.2%
Eliminations	(7,328)	(5,506)	33.1%	(20,068)	(17,122)	17.2%
<b>Costs of services</b>	<b>(135,884)</b>	<b>(123,467)</b>	<b>10.1%</b>	<b>(424,731)</b>	<b>(383,460)</b>	<b>10.8%</b>
Cost of healthcare services	(41,549)	(36,916)	12.6%	(127,098)	(112,345)	13.1%
Cost of pharma	(91,174)	(80,237)	13.6%	(282,586)	(249,467)	13.3%
Cost of insurance services	(10,007)	(11,968)	-16.4%	(33,799)	(37,420)	-9.7%
Eliminations	6,846	5,653	21.1%	18,752	15,771	18.9%
<b>Gross profit</b>	<b>66,370</b>	<b>55,191</b>	<b>20.3%</b>	<b>195,223</b>	<b>164,963</b>	<b>18.3%</b>
Salaries and other employee benefits	(21,056)	(18,759)	12.2%	(62,288)	(54,911)	13.4%
General and administrative expenses	(13,233)	(11,600)	14.1%	(39,435)	(36,352)	8.5%
Impairment of receivables	(1,034)	(918)	12.6%	(3,435)	(3,042)	12.9%
Other operating income	1,691	2,200	-23.1%	5,304	6,611	-19.8%
<b>EBITDA</b>	<b>32,738</b>	<b>26,114</b>	<b>25.4%</b>	<b>95,369</b>	<b>77,269</b>	<b>23.4%</b>
Depreciation and amortisation	(8,687)	(6,384)	36.1%	(25,249)	(18,737)	34.8%
Net interest expense	(10,377)	(7,691)	34.9%	(28,527)	(22,638)	26.0%
Net gains/(losses) from foreign currencies	(3,579)	(1,336)	167.9%	(1,329)	2,428	NMF
Net non-recurring income/(expense)	(52)	(872)	-94.0%	(1,714)	(4,142)	-58.6%
<b>Profit before income tax expense</b>	<b>10,043</b>	<b>9,831</b>	<b>2.2%</b>	<b>38,550</b>	<b>34,180</b>	<b>12.8%</b>
Income tax benefit/(expense)	(388)	(92)	321.7%	(505)	(199)	153.8%
<b>Profit for the period</b>	<b>9,655</b>	<b>9,739</b>	<b>-0.9%</b>	<b>38,045</b>	<b>33,981</b>	<b>12.0%</b>
<i>Attributable to:</i>						
- shareholders of the Company	6,320	6,261	0.9%	24,509	21,265	15.3%
- non-controlling interests	3,335	3,478	-4.1%	13,536	12,716	6.4%



# GHG consolidated - Balance Sheet

<i>GEL thousands; unless otherwise noted</i>	<b>30-Sep-18</b>	<b>31-Jun-18</b>	<b>Change, Q-o-Q</b>
<b>Total assets, of which:</b>	<b>1,201,050</b>	<b>1,180,979</b>	<b>1.7%</b>
Cash and bank deposits	31,900	26,695	19.5%
Receivables from healthcare services	112,438	107,608	4.5%
Receivables from sale of pharmaceuticals	20,737	18,844	10.0%
Insurance premiums receivable	30,061	31,271	-3.9%
Property and equipment	685,750	681,667	0.6%
Goodwill and other intangible assets	150,362	147,520	1.9%
Inventory	115,664	114,182	1.3%
Prepayments	21,162	21,843	-3.1%
Other assets	32,976	31,349	5.2%
<b>Total liabilities, of which:</b>	<b>637,087</b>	<b>622,869</b>	<b>2.3%</b>
Borrowed funds	384,684	363,361	5.9%
Accounts payable	76,809	83,307	-7.8%
Insurance contract liabilities	31,276	31,228	0.2%
Other liabilities	144,318	144,973	-0.5%
<b>Total shareholders' equity attributable to:</b>	<b>563,963</b>	<b>558,110</b>	<b>1.0%</b>
<i>Shareholders of the Company</i>	<i>498,704</i>	<i>491,189</i>	<i>1.5%</i>
<i>Non-controlling interest</i>	<i>65,258</i>	<i>66,921</i>	<i>-2.5%</i>



# Healthcare service business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
<b>Healthcare service revenue, gross</b>	<b>72,676</b>	<b>64,005</b>	<b>13.5%</b>	<b>223,700</b>	<b>196,953</b>	<b>13.6%</b>
Corrections & rebates	(672)	(407)	65.1%	(2,452)	(1,690)	45.1%
<b>Healthcare services revenue, net</b>	<b>72,004</b>	<b>63,598</b>	<b>13.2%</b>	<b>221,248</b>	<b>195,263</b>	<b>13.3%</b>
<b>Costs of healthcare services</b>	<b>(41,549)</b>	<b>(36,916)</b>	<b>12.6%</b>	<b>(127,098)</b>	<b>(112,345)</b>	<b>13.1%</b>
<b>Gross profit</b>	<b>30,455</b>	<b>26,682</b>	<b>14.1%</b>	<b>94,150</b>	<b>82,918</b>	<b>13.5%</b>
Salaries and other employee benefits	(8,807)	(7,881)	11.7%	(26,254)	(23,056)	13.9%
General and administrative expenses	(4,252)	(4,071)	4.4%	(13,427)	(12,307)	9.1%
Impairment of receivables	(1,052)	(979)	7.5%	(3,553)	(2,992)	18.8%
Other operating income	1,290	2,865	-55.0%	4,072	7,167	-43.2%
<b>EBITDA</b>	<b>17,634</b>	<b>16,616</b>	<b>6.1%</b>	<b>54,988</b>	<b>51,730</b>	<b>6.3%</b>
<b>EBITDA margin</b>	<b>24.3%</b>	<b>26.0%</b>		<b>24.6%</b>	<b>26.3%</b>	
Depreciation and amortisation	(7,903)	(5,691)	38.9%	(22,950)	(16,404)	39.9%
Net interest income (expense)	(7,382)	(4,474)	65.0%	(19,892)	(13,025)	52.7%
Net gains/(losses) from foreign currencies	(154)	(209)	-26.3%	(121)	1,604	NMF
Net non-recurring income/(expense)	-	(381)	NMF	(877)	(2,912)	-69.9%
<b>Profit before income tax expense</b>	<b>2,195</b>	<b>5,861</b>	<b>-62.5%</b>	<b>11,148</b>	<b>20,993</b>	<b>-46.9%</b>
Income tax benefit/(expense)	-	-	-	(73)	(11)	NMF
<b>Profit for the period</b>	<b>2,195</b>	<b>5,861</b>	<b>-62.5%</b>	<b>11,075</b>	<b>20,982</b>	<b>-47.2%</b>
<b>Attributable to:</b>						
- shareholders of the Company	1,603	4,965	-67.7%	8,314	16,365	-49.2%
- non-controlling interests	592	896	-33.9%	2,761	4,617	-40.2%



# Healthcare services business - Revenue breakdowns

## Healthcare services business revenue by types of healthcare facilities

*(GEL thousands, unless otherwise noted)*

	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
<b>Healthcare services revenue, net</b>	<b>72,004</b>	<b>63,598</b>	<b>13.2%</b>	<b>221,248</b>	<b>195,263</b>	<b>13.3%</b>
Referral hospitals	61,151	53,604	14.1%	187,800	167,408	12.2%
Clinics:	10,853	9,994	8.6%	33,448	27,855	20.1%
<i>Community</i>	6,026	5,943	1.4%	18,236	16,480	10.7%
<i>Polyclinics</i>	4,826	4,051	19.1%	15,212	11,375	33.7%

## Healthcare services business revenue by source of payment

*(GEL thousands, unless otherwise noted)*

	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
<b>Healthcare services revenue, net</b>	<b>72,004</b>	<b>63,598</b>	<b>13.2%</b>	<b>221,248</b>	<b>195,263</b>	<b>13.3%</b>
Government-funded healthcare programmes	48,084	42,535	13.0%	147,058	131,893	11.5%
Out-of-pocket payments by patients	19,200	16,461	16.6%	57,826	47,817	20.9%
Private medical insurance companies, <i>of which</i>	4,720	4,602	2.6%	16,364	15,553	5.2%
<i>GHG medical insurance</i>	2,403	2,133	12.7%	7,864	7,536	4.4%

# Pharmacy chain and distribution business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
<b>Pharma revenue</b>	<b>123,341</b>	<b>106,607</b>	<b>15.7%</b>	<b>377,532</b>	<b>328,948</b>	<b>14.8%</b>
<b>Costs of pharma</b>	<b>(91,174)</b>	<b>(80,237)</b>	<b>13.6%</b>	<b>(282,586)</b>	<b>(249,467)</b>	<b>13.3%</b>
<b>Gross profit</b>	<b>32,167</b>	<b>26,370</b>	<b>22.0%</b>	<b>94,946</b>	<b>79,481</b>	<b>19.5%</b>
Salaries and other employee benefits	(11,234)	(10,350)	8.5%	(33,727)	(29,650)	13.8%
General and administrative expenses	(8,681)	(7,192)	20.7%	(25,404)	(23,183)	9.6%
Impairment of receivables	(2)	92	NMF	(27)	(39)	-30.8%
Other operating income	168	(103)	NMF	1,191	(185)	NMF
<b>EBITDA</b>	<b>12,418</b>	<b>8,817</b>	<b>40.8%</b>	<b>36,979</b>	<b>26,424</b>	<b>39.9%</b>
<b>EBITDA margin</b>	<b>10.1%</b>	<b>8.3%</b>		<b>9.8%</b>	<b>8.0%</b>	
Depreciation and amortisation	(600)	(475)	26.3%	(1,724)	(1,651)	4.4%
Net interest income (expense)	(3,036)	(3,015)	0.7%	(8,551)	(8,995)	-4.9%
Net gains/(losses) from foreign currencies	(3,487)	(1,109)	214.4%	(1,358)	806	NMF
Net non-recurring income/(expense)	(52)	(489)	-89.4%	(837)	(1,371)	-38.9%
<b>Profit before income tax expense</b>	<b>5,243</b>	<b>3,729</b>	<b>40.6%</b>	<b>24,509</b>	<b>15,213</b>	<b>61.1%</b>
Income tax benefit/(expense)	-	(92)	NMF	-	122	NMF
<b>Profit for the period</b>	<b>5,243</b>	<b>3,637</b>	<b>44.2%</b>	<b>24,509</b>	<b>15,335</b>	<b>59.8%</b>



# Medical insurance business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	3Q18	3Q17	Change, Y-o-Y	6M18	6M17	Change, Y-o-Y
<b>Net insurance premiums earned</b>	<b>14,237</b>	<b>13,959</b>	<b>2.0%</b>	<b>41,242</b>	<b>41,334</b>	<b>-0.2%</b>
<b>Cost of insurance services</b>	<b>(10,007)</b>	<b>(11,968)</b>	<b>-16.4%</b>	<b>(33,799)</b>	<b>(37,420)</b>	<b>-9.7%</b>
<b>Gross profit</b>	<b>4,230</b>	<b>1,991</b>	<b>112.5%</b>	<b>7,443</b>	<b>3,914</b>	<b>90.2%</b>
Salaries and other employee benefits	(1,375)	(834)	64.9%	(3,221)	(2,854)	12.9%
General and administrative expenses	(342)	(369)	-7.3%	(1,024)	(1,242)	-17.6%
Impairment of receivables	(100)	(138)	-27.5%	(259)	(368)	-29.6%
Other operating income	273	31	NMF	463	6	NMF
<b>EBITDA</b>	<b>2,686</b>	<b>681</b>	<b>294.4%</b>	<b>3,402</b>	<b>(544)</b>	<b>NMF</b>
<b>EBITDA margin</b>	<b>18.9%</b>	<b>4.9%</b>		<b>8.2%</b>	<b>-1.3%</b>	
Depreciation and amortisation	(184)	(219)	-16.0%	(575)	(683)	-15.8%
Net interest income/ (expense)	41	(202)	NMF	(84)	(618)	-86.4%
Net gains/(losses) from foreign currencies	62	(18)	NMF	150	18	NMF
Net non-recurring income/(expense)	-	(2)	NMF	-	(200)	NMF
<b>Profit before income tax expense</b>	<b>2,605</b>	<b>240</b>	<b>NMF</b>	<b>2,893</b>	<b>(2,027)</b>	<b>NMF</b>
Income tax benefit/(expense)	(388)	-	NMF	(432)	(310)	39.4%
<b>Profit / (Loss) for the period</b>	<b>2,217</b>	<b>240</b>	<b>NMF</b>	<b>2,461</b>	<b>(2,337)</b>	<b>NMF</b>



# GHG – Income statement, 9M18

Income Statement, <i>YTD</i>	Healthcare services			Pharma			Medical insurance			Eliminations		GHG		
	9M18	9M17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y	9M18	9M18	9M18	9M17	Change, Y-o-Y
<i>GEL thousands; unless otherwise noted</i>														
<b>Revenue, gross</b>	<b>223,700</b>	<b>196,953</b>	<b>13.6%</b>	<b>377,532</b>	<b>328,948</b>	<b>14.8%</b>	<b>41,242</b>	<b>41,334</b>	<b>-0.2%</b>	<b>(20,068)</b>	<b>(17,122)</b>	<b>622,406</b>	<b>550,113</b>	<b>13.1%</b>
Corrections & rebates	(2,452)	(1,690)	45.1%	-	-	-	-	-	-	-	-	(2,452)	(1,690)	45.1%
<b>Revenue, net</b>	<b>221,248</b>	<b>195,263</b>	<b>13.3%</b>	<b>377,532</b>	<b>328,948</b>	<b>14.8%</b>	<b>41,242</b>	<b>41,334</b>	<b>-0.2%</b>	<b>(20,068)</b>	<b>(17,122)</b>	<b>619,954</b>	<b>548,423</b>	<b>13.0%</b>
<b>Costs of services</b>	<b>(127,098)</b>	<b>(112,345)</b>	<b>13.1%</b>	<b>(282,586)</b>	<b>(249,467)</b>	<b>13.3%</b>	<b>(33,799)</b>	<b>(37,420)</b>	<b>-9.7%</b>	<b>18,752</b>	<b>15,771</b>	<b>(424,731)</b>	<b>(383,460)</b>	<b>10.8%</b>
Cost of salaries and other employee benefits	(80,293)	(71,215)	12.7%	-	-	-	-	-	-	2,898	2,582	(77,395)	(68,632)	12.8%
Cost of materials and supplies	(34,368)	(30,524)	12.6%	-	-	-	-	-	-	8,174	4,866	(26,194)	(25,658)	2.1%
Cost of medical service providers	(2,435)	(1,457)	67.1%	-	-	-	-	-	-	88	53	(2,347)	(1,404)	67.2%
Cost of utilities and other	(10,002)	(9,149)	9.3%	-	-	-	-	-	-	361	332	(9,641)	(8,817)	9.3%
Net insurance claims incurred	-	-	-	-	-	-	(31,741)	(34,910)	-9.1%	7,231	7,938	(24,510)	(26,972)	-9.1%
Agents, brokers and employee commissions	-	-	-	-	-	-	(2,058)	(2,510)	-18.0%	-	-	(2,058)	(2,510)	-18.0%
Cost of pharma - wholesale	-	-	-	(80,103)	(68,656)	16.7%	-	-	-	-	-	(80,103)	(68,656)	16.7%
Cost of pharma - retail	-	-	-	(202,483)	(180,811)	12.0%	-	-	-	-	-	(202,483)	(180,811)	12.0%
<b>Gross profit</b>	<b>94,150</b>	<b>82,918</b>	<b>13.5%</b>	<b>94,946</b>	<b>79,481</b>	<b>19.5%</b>	<b>7,443</b>	<b>3,914</b>	<b>90.2%</b>	<b>(1,316)</b>	<b>(1,351)</b>	<b>195,223</b>	<b>164,963</b>	<b>18.3%</b>
Salaries and other employee benefits	(26,254)	(23,056)	13.9%	(33,727)	(29,650)	13.8%	(3,221)	(2,854)	12.9%	914	649	(62,288)	(54,911)	13.4%
General and administrative expenses	(13,427)	(12,307)	9.1%	(25,404)	(23,183)	9.6%	(1,024)	(1,242)	-17.6%	420	380	(39,435)	(36,352)	8.5%
Impairment of receivables	(3,553)	(2,992)	18.8%	(27)	(39)	-30.8%	(259)	(368)	-29.6%	404	358	(3,435)	(3,042)	12.9%
Other operating income	4,072	7,167	-43.2%	1,191	(185)	NMF	463	6	NMF	(422)	(377)	5,304	6,611	-19.8%
<b>EBITDA</b>	<b>54,988</b>	<b>51,730</b>	<b>6.3%</b>	<b>36,979</b>	<b>26,424</b>	<b>39.9%</b>	<b>3,402</b>	<b>(544)</b>	<b>NMF</b>	<b>-</b>	<b>(341)</b>	<b>95,369</b>	<b>77,269</b>	<b>23.4%</b>
<b>EBITDA margin</b>	<b>24.6%</b>	<b>26.3%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>8.0%</b>	<b>9.8%</b>	<b>8.2%</b>	<b>-1.3%</b>	<b>NMF</b>	<b>-</b>	<b>(341)</b>	<b>15.3%</b>	<b>14.0%</b>	
Depreciation and amortisation	(22,950)	(16,404)	39.9%	(1,724)	(1,651)	4.4%	(575)	(683)	-15.8%	-	-	(25,249)	(18,737)	34.8%
Net interest income (expense)	(19,892)	(13,025)	52.7%	(8,551)	(8,995)	-4.9%	(84)	(618)	-86.4%	-	-	(28,527)	(22,638)	26.0%
Net gains/(losses) from foreign currencies	(121)	1,604	NMF	(1,358)	806	NMF	150	18	NMF	-	-	(1,329)	2,428	NMF
Net non-recurring income/(expense)	(877)	(2,912)	-69.9%	(837)	(1,371)	-38.9%	-	(200)	NMF	-	341	(1,714)	(4,142)	-58.6%
<b>Profit before income tax expense</b>	<b>11,148</b>	<b>20,993</b>	<b>-46.9%</b>	<b>24,509</b>	<b>15,213</b>	<b>61.1%</b>	<b>2,893</b>	<b>(2,027)</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>38,550</b>	<b>34,180</b>	<b>12.8%</b>
Income tax benefit/(expense)	(73)	(11)	NMF	-	122	NMF	(432)	(310)	39.4%	-	-	(505)	(199)	153.8%
<b>Profit for the period</b>	<b>11,075</b>	<b>20,982</b>	<b>-47.2%</b>	<b>24,509</b>	<b>15,335</b>	<b>59.8%</b>	<b>2,461</b>	<b>(2,337)</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>38,045</b>	<b>33,981</b>	<b>12.0%</b>
<i>Attributable to:</i>														
- shareholders of the Company	8,314	16,365	-49.2%	13,734	7,235	89.8%	2,461	(2,337)	NMF	-	-	24,509	21,265	15.3%
- non-controlling interests	2,761	4,617	-40.2%	10,775	8,100	33.0%	-	-	-	-	-	13,536	12,716	6.4%

# GHG – Income statement, 3Q18

Income Statement, <i>Quarterly</i>	Healthcare services					Pharma					Medical insurance					Eliminations			GHG					
	3Q18	3Q17	Change, Y-o-Y	2Q18	Change, Q-o-Q	3Q18	3Q17	Change, Y-o-Y	2Q18	Change, Q-o-Q	3Q18	3Q17	Change, Y-o-Y	2Q18	Change, Q-o-Q	3Q18	3Q17	2Q18	3Q18	3Q17	Change, Y-o-Y	2Q18	Change, Q-o-Q	
<i>GEL thousands; unless otherwise noted</i>																								
<b>Revenue, gross</b>	<b>72,676</b>	<b>64,005</b>	<b>13.5%</b>	<b>77,476</b>	<b>-6.2%</b>	<b>123,341</b>	<b>106,607</b>	<b>15.7%</b>	<b>127,323</b>	<b>-3.1%</b>	<b>14,237</b>	<b>13,959</b>	<b>2.0%</b>	<b>13,703</b>	<b>3.9%</b>	<b>(7,328)</b>	<b>(5,506)</b>	<b>(6,711)</b>	<b>202,926</b>	<b>179,065</b>	<b>13.3%</b>	<b>211,791</b>	<b>-4.2%</b>	
Corrections & rebates	(672)	(407)	65.1%	(1,087)	-38.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	(672)	(407)	65.1%	(1,087)	-38.2%	
<b>Revenue, net</b>	<b>72,004</b>	<b>63,598</b>	<b>13.2%</b>	<b>76,389</b>	<b>-5.7%</b>	<b>123,341</b>	<b>106,607</b>	<b>15.7%</b>	<b>127,323</b>	<b>-3.1%</b>	<b>14,237</b>	<b>13,959</b>	<b>2.0%</b>	<b>13,703</b>	<b>3.9%</b>	<b>(7,328)</b>	<b>(5,506)</b>	<b>(6,711)</b>	<b>202,254</b>	<b>178,658</b>	<b>13.2%</b>	<b>210,704</b>	<b>-4.0%</b>	
<b>Costs of services</b>	<b>(41,549)</b>	<b>(36,916)</b>	<b>12.6%</b>	<b>(44,002)</b>	<b>-5.6%</b>	<b>(91,174)</b>	<b>(80,237)</b>	<b>13.6%</b>	<b>(95,862)</b>	<b>-4.9%</b>	<b>(10,007)</b>	<b>(11,968)</b>	<b>-16.4%</b>	<b>(11,898)</b>	<b>-15.9%</b>	<b>6,846</b>	<b>5,653</b>	<b>6,068</b>	<b>(135,884)</b>	<b>(123,467)</b>	<b>10.1%</b>	<b>(145,694)</b>	<b>-6.7%</b>	
Cost of salaries and other employee benefits	(26,734)	(23,777)	12.4%	(27,920)	-4.2%	-	-	-	-	-	-	-	-	-	-	883	798	1,078	(25,851)	(22,979)	12.5%	(26,842)	-3.7%	
Cost of materials and supplies	(10,819)	(9,817)	10.2%	(12,108)	-10.6%	-	-	-	-	-	-	-	-	-	-	3,448	1,921	2,622	(7,371)	(7,896)	-6.6%	(9,486)	-22.3%	
Cost of medical service providers	(894)	(651)	37.3%	(780)	14.6%	-	-	-	-	-	-	-	-	-	-	30	22	30	(864)	(629)	37.4%	(750)	15.2%	
Cost of utilities and other	(3,102)	(2,671)	16.1%	(3,194)	-2.9%	-	-	-	-	-	-	-	-	-	-	101	88	124	(3,001)	(2,583)	16.2%	(3,070)	-2.2%	
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	(9,229)	(11,162)	-17.3%	(11,294)	-18.3%	2,384	2,824	2,214	(6,845)	(8,338)	-17.9%	(9,080)	-24.6%	
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	(778)	(806)	-3.5%	(604)	28.8%	-	-	-	(778)	(806)	-3.5%	(604)	28.8%	
Cost of pharma – wholesale	-	-	-	-	-	(26,800)	(23,171)	15.7%	(27,206)	-1.5%	-	-	-	-	-	-	-	-	(26,800)	(23,171)	15.7%	(27,206)	-1.5%	
Cost of pharma – retail	-	-	-	-	-	(64,374)	(57,066)	12.8%	(68,656)	-6.2%	-	-	-	-	-	-	-	-	(64,374)	(57,066)	12.8%	(68,656)	-6.2%	
<b>Gross profit</b>	<b>30,455</b>	<b>26,682</b>	<b>14.1%</b>	<b>32,387</b>	<b>-6.0%</b>	<b>32,167</b>	<b>26,370</b>	<b>22.0%</b>	<b>31,461</b>	<b>2.2%</b>	<b>4,230</b>	<b>1,991</b>	<b>112.5%</b>	<b>1,805</b>	<b>134.3%</b>	<b>(482)</b>	<b>147</b>	<b>(643)</b>	<b>66,370</b>	<b>55,191</b>	<b>20.3%</b>	<b>65,010</b>	<b>2.1%</b>	
Salaries and other employee benefits	(8,807)	(7,881)	11.7%	(8,927)	-1.3%	(11,234)	(10,350)	8.5%	(11,299)	-0.6%	(1,375)	(834)	64.9%	(1,063)	29.4%	360	306	496	(21,056)	(18,759)	12.2%	(20,793)	1.3%	
General and administrative expenses	(4,252)	(4,071)	4.4%	(4,890)	-13.0%	(8,681)	(7,192)	20.7%	(8,473)	2.5%	(342)	(369)	-7.3%	(332)	3.0%	42	32	130	(13,233)	(11,600)	14.1%	(13,565)	-2.4%	
Impairment of other receivables	(1,052)	(979)	7.5%	(1,299)	-19.0%	(2)	92	NMF	(5)	-60.0%	(100)	(138)	-27.5%	(61)	63.9%	120	108	152	(1,034)	(918)	12.6%	(1,213)	-14.8%	
Other operating income	1,290	2,865	-55.0%	1,532	-15.8%	168	(103)	NMF	233	-27.9%	273	31	NMF	163	67.5%	(40)	(593)	(135)	1,691	2,200	-23.1%	1,793	-5.7%	
<b>EBITDA</b>	<b>17,634</b>	<b>16,616</b>	<b>6.1%</b>	<b>18,803</b>	<b>-6.2%</b>	<b>12,418</b>	<b>8,817</b>	<b>40.8%</b>	<b>11,917</b>	<b>4.2%</b>	<b>2,686</b>	<b>681</b>	<b>294.4%</b>	<b>512</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,738</b>	<b>26,114</b>	<b>25.4%</b>	<b>31,232</b>	<b>4.8%</b>	
<b>EBITDA margin</b>	<b>24.3%</b>	<b>26.0%</b>		<b>24.3%</b>	<b>-6.0%</b>	<b>10.1%</b>	<b>8.3%</b>		<b>9.4%</b>		<b>18.9%</b>	<b>4.9%</b>		<b>3.7%</b>					<b>16.1%</b>	<b>14.6%</b>		<b>14.7%</b>		
Depreciation and amortisation	(7,903)	(5,691)	38.9%	(8,084)	-2.2%	(600)	(475)	26.3%	(576)	4.2%	(184)	(219)	-16.0%	(187)	-1.6%	-	-	-	(8,687)	(6,384)	36.1%	(8,847)	-1.8%	
Net interest income (expense)	(7,382)	(4,474)	65.0%	(6,818)	8.3%	(3,036)	(3,015)	0.7%	(2,758)	10.1%	41	(202)	NMF	(11)	NMF	-	-	-	(10,377)	(7,691)	34.9%	(9,587)	8.2%	
Net gains/(losses) from foreign currencies	(154)	(209)	-26.3%	58	NMF	(3,487)	(1,109)	214.4%	243	NMF	62	(18)	NMF	50	24.0%	-	-	-	(3,579)	(1,336)	167.9%	351	NMF	
Net non-recurring income/(expense)	-	(381)	NMF	(282)	NMF	(52)	(489)	-89.4%	(374)	-86.1%	-	(2)	NMF	-	-	-	-	-	(52)	(872)	-94.0%	(656)	-92.1%	
<b>Profit before income tax expense</b>	<b>2,195</b>	<b>5,861</b>	<b>-62.5%</b>	<b>3,677</b>	<b>-40.3%</b>	<b>5,243</b>	<b>3,729</b>	<b>40.6%</b>	<b>8,452</b>	<b>-38.0%</b>	<b>2,605</b>	<b>240</b>	<b>NMF</b>	<b>364</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,043</b>	<b>9,831</b>	<b>2.2%</b>	<b>12,493</b>	<b>-19.6%</b>	
Income tax benefit/(expense)	-	-	-	(72)	NMF	-	(92)	NMF	-	-	(388)	-	NMF	(43)	NMF	-	-	-	(388)	(92)	NMF	(115)	237.4%	
<b>Profit for the period</b>	<b>2,195</b>	<b>5,861</b>	<b>-62.5%</b>	<b>3,605</b>	<b>-39.1%</b>	<b>5,243</b>	<b>3,637</b>	<b>44.2%</b>	<b>8,452</b>	<b>-38.0%</b>	<b>2,217</b>	<b>240</b>	<b>NMF</b>	<b>321</b>	<b>NMF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,655</b>	<b>9,739</b>	<b>-0.9%</b>	<b>12,378</b>	<b>-22.0%</b>	
<b>Attributable to:</b>																								
- shareholders of the Company	1,603	4,965	-67.7%	2,826	-43.3%	2,500	1,054	137.2%	4,500	-44.4%	2,217	240	NMF	321	NMF	-	-	-	6,320	6,261	0.9%	7,647	-17.4%	
- non-controlling interests	592	896	-33.9%	779	-24.0%	2,743	2,583	6.2%	3,952	-30.6%	-	-	-	-	-	-	-	-	3,335	3,478	-4.1%	4,731	-29.5%	

## Selected Balance Sheet items

	<u>Healthcare services</u>					<u>Pharma</u>					<u>Medical insurance</u>				
	30-Sep-18	30-Sep -17	Change, Y-o-Y	30-Jun-18	Change, Q-o-Q	30-Sep-18	30-Sep -17	Change, Y-o-Y	30-Jun-18	Change, Q-o-Q	30-Sep-18	30-Sep -17	Change, Y-o-Y	30-Jun-18	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>															
<b>Assets:</b>															
Cash and bank deposits	9,303	25,893	-64.1%	11,142	-16.5%	10,626	7,423	43.1%	5,210	104.0%	11,971	9,474	26.4%	10,343	15.7%
Property and equipment	644,907	606,492	6.3%	641,574	0.5%	28,549	24,955	14.4%	27,800	2.7%	15,022	5,881	155.4%	15,021	0.0%
Inventory	16,824	19,119	-12.0%	15,974	5.3%	98,840	97,754	1.1%	98,208	0.6%	-	237	NMF	-	-
<b>Liabilities:</b>															
Borrowed Funds	280,739	294,497	-4.7%	273,604	2.6%	96,988	25,768	276.4%	81,476	19.0%	6,957	8,935	-22.1%	8,281	-16.0%
Accounts payable	33,274	33,407	-0.4%	31,176	6.7%	52,014	64,497	-19.4%	60,042	-13.4%	-	-	-	-	-

## Selected Balance Sheet items

	<u>Consolidation and eliminations</u>			<u>GHG</u>				
	30-Sep-18	30-Sep -17	31-Jun-18	30-Sep-18	30-Sep -17	Change, Y-o-Y	31-Jun-18	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>								
<b>Assets</b>								
Cash and bank deposits	-	-	-	31,900	42,790	-25.4%	26,695	19.5%
Property and equipment	(2,728)	-	(2,728)	685,750	637,328	7.6%	681,667	0.6%
Inventory	-	-	-	115,664	117,111	-1.2%	114,182	1.3%
<b>Liabilities:</b>								
Borrowed Funds	-	-	-	384,684	329,199	16.9%	363,361	5.9%
Accounts payable	(8,479)	(5,308)	(7,911)	76,809	92,597	-17.1%	83,307	-7.8%





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*This presentation contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Healthcare Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: business integration risk; compliance risk; recruitment and retention of skilled medical practitioners risk; clinical risk; concentration of revenue and the Universal Healthcare Programme; currency and macroeconomic; information technology and operational risk; regional tensions and political risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in Georgia Healthcare Group PLC's Annual Report and Accounts 2017 and in 1H18 results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Healthcare Group PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Healthcare Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this presentation should be construed as a profit forecast.*