



GEORGIA
HEALTHCARE
GROUP

Investor Presentation

Fourth quarter and full year of 2018 results

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

February 2019
ghg.com.ge



 **GHG | Overview and strategy**

 GHG | Results discussion – 4Q18 and FY18

 Macroeconomic and industry overview

 Annexes



A unique investment story supported by compelling theme

GHG's⁽¹⁾ 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)²
- ✓ **The largest pharmaceuticals retailer and wholesaler in Georgia:** 30% market share by sales⁽³⁾; over 2 million client interactions per month, with 0.5 million loyalty card members
- ✓ **The 2nd largest medical insurer in Georgia:** 27% market share⁽⁴⁾, c.230,000 individuals insured as for February 2019
- ✓ **The widest population coverage :** coverage of over 3/4 of Georgia's 3.7 million population⁽⁵⁾ with 37 high quality hospitals, 16 polyclinics, and 270 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.
- ✓ **New Mega Lab Completed:** High-capacity automated systems will enable GHG to provide accurate, high quality results for the country's whole population.

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: 15,922 full time employees, including 3,603 physicians, 3,342 nurses and 3,339 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⁽⁶⁾, only 3.9 outpatient encounters per capita annually⁽⁷⁾, only US\$40,300 revenue per referral hospital bed for GHG⁽⁸⁾
- ✓ **Supported by attractive macro:**⁽⁹⁾ Georgia – one of the fastest growing countries in Eastern Europe, open and easy emerging market to do business⁽¹⁰⁾, 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⁽⁶⁾; government spending more than doubled between 2011-18⁽¹¹⁾
- ✓ **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) (12); 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 31 December 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 September 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

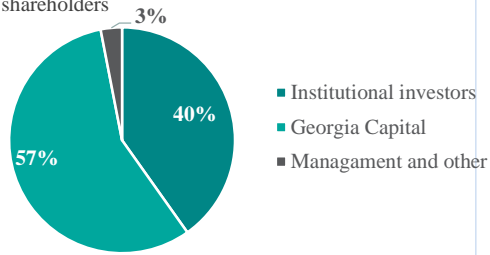


GHG – shareholder structure and share price

Investors

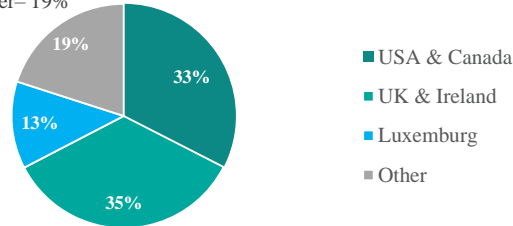
Strong support from institutional investors at IPO⁽¹⁾

Institutional Investors represent 40% of the shareholders



Geographically well-diversified institutional shareholder base⁽¹⁾

UK & Ireland – 35%
USA & Canada – 33%
Luxemburg – 13%
Other – 19%

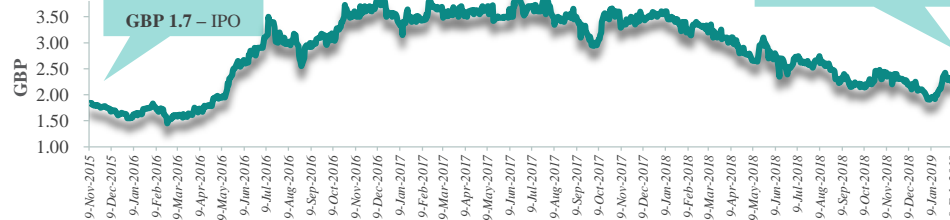


Top Investors ⁽¹⁾

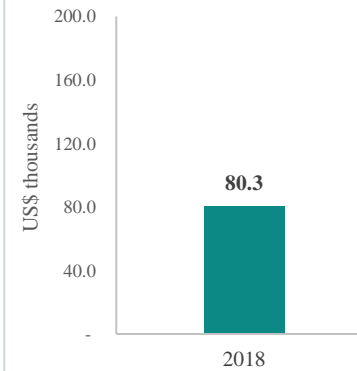
Georgia Capital	57.0%
Wellington Management	6.5%
T – Rowe Price	6.2%

Stock trading performance

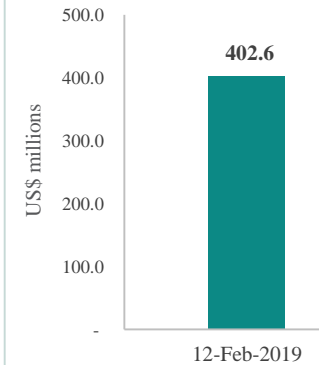
Stock Price Performance⁽²⁾



Average trading daily volume



Market Capitalisation⁽³⁾



Note: (1) As of 28 December 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 12 February 2019

(3) Source: Bloomberg; Market Capitalisation of GHG as of 12 February 2019, GBP/USD exchange rate 1.29



Segment overview

Georgia Healthcare Group

Key Segments	Healthcare services		Pharmacy and Distribution	Medical insurance		
	Hospitals		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 2017	GEL 1.3bln addressable ⁽¹⁾		GEL 0.7bln ⁽²⁾	GEL 1.6bln ⁽²⁾	GEL 0.2bln ⁽³⁾	
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 FY18	<p>85% 16 hospitals 2,825 beds</p>	<p>15% 21 hospitals 495 beds</p>	16 district polyclinics	270 pharmacies in major cities	c.230,000 individuals As of now	
Financials FY18	Gross Revenue GEL 849.9 mln ⁽⁶⁾	<p>29% 2012-FY18 GEL 256.8 mln CAGR 43%</p>	<p>3% 2012-FY18 GEL 24.3 mln CAGR 14%</p>	<p>3% 2012-FY18 GEL 20.9 mln CAGR 36%</p>	<p>59% 2012-FY18 GEL 518.6 mln</p>	<p>6% 2012-FY18 GEL 55.1 mln</p>
	EBITDA GEL 132.3 mln ⁽⁴⁾	<p>55% 2012-FY18 GEL 73.3 mln CAGR 39%</p>	<p>2% 2012-FY18 GEL 2.7 mln CAGR 27%</p>	<p>40% 2012-FY18 GEL 52.2 mln</p>	<p>3% 2012-FY18 GEL 4.1 mln</p>	
	EBITDA Margin: 25.7%		EBITDA Margin: 13.0%	EBITDA Margin: 10.1%	EBITDA Margin: 7.4%	

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



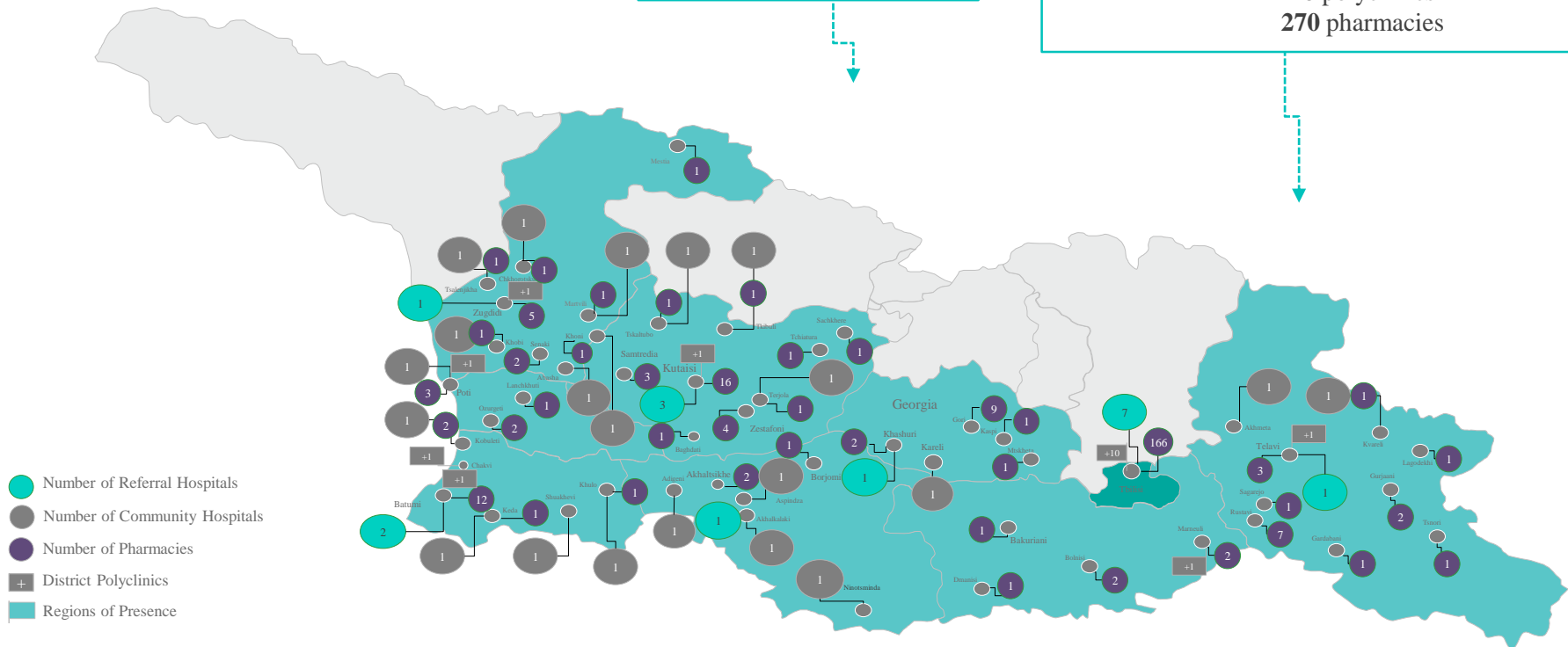
Broad geographic coverage and diversified healthcare services and pharmacy network covering 3/4 of Georgia's population

Extensive Geographic Coverage⁽¹⁾

Network of healthcare facilities and pharmacies

3/4 of population covered

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



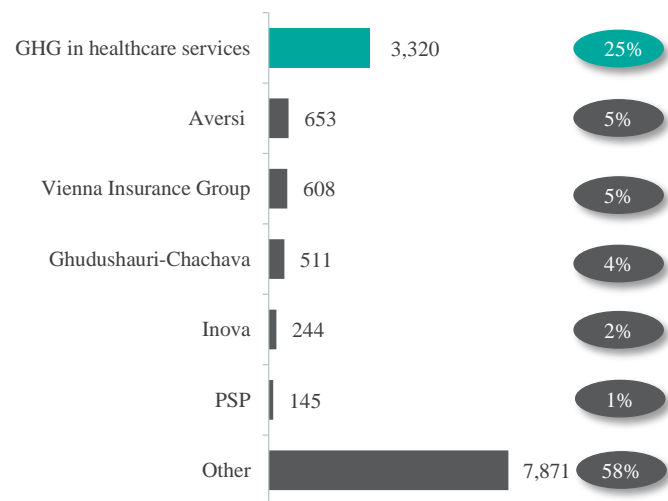


*Leader in Georgia with clear and established #1 market positions in healthcare services and pharma markets,
2nd largest in medical insurance market*



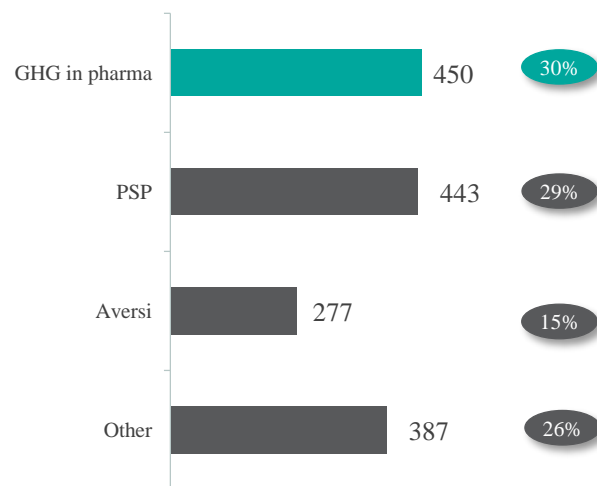
Healthcare services (Hospitals)

(Number of Beds as of September 2018)⁽¹⁾



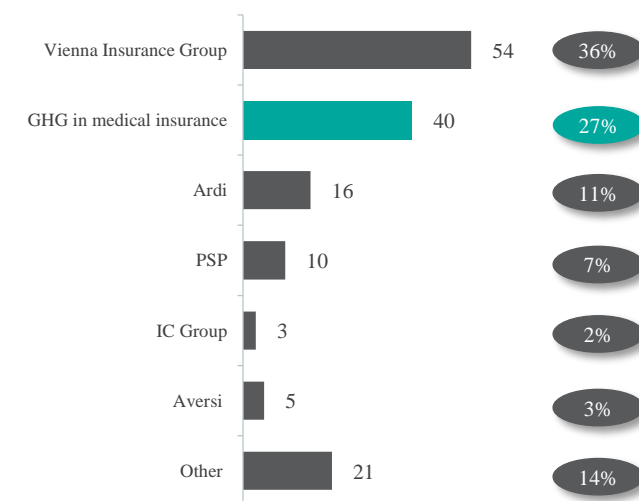
Pharmacy and distribution

(Revenue, 2017 GEL millions)⁽²⁾



Medical Insurance

(Gross premium revenue 9M18, GEL million)⁽³⁾



Market share

Sources:
 (1) NCDC, data as of December 2017, updated by GHG to include changes before 31 December 2018; excluding speciality beds
 (2) Total market Frost & Sullivan analysis 2017. Revenue distribution between competitors represents managements estimates.
 (3) ISSSG as of 30 September 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">1 Footprint growth2 Adding new services3 Medical tourism4 Digital channels	<ol style="list-style-type: none">1 Footprint growth2 Increase the number of registered patients3 Adding new services (dental; aesthetic)4 Digital channels	<ol style="list-style-type: none">1 Retail footprint growth2 Margin enhancement3 Growing wholesale revenue4 Digital channels and customers loyalty	<ol style="list-style-type: none">1 Increasing market share2 Increasing profitability3 Patients redirection – increasing retention rates within the Group
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 been generating positive EBITDA

Occupancy level reached 32.7% in 4Q18 – within 10 months of hospital's opening

Gross revenue reached GEL 8.3 million in 4Q18; up 36.1% q-o-q

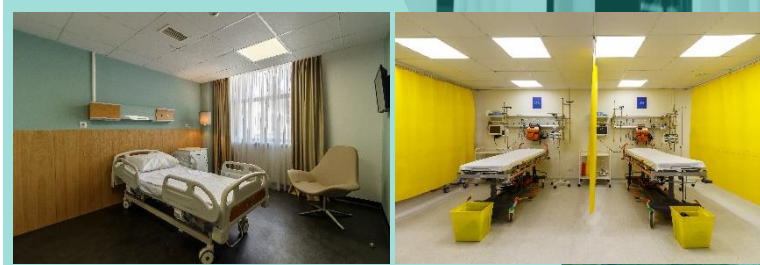
More than 60% of revenue comes from elective care services

More than 40% of revenue is paid out-of-pocket - in line with our initial plan

Before renovation



After renovation





Update on 332 bed Tbilisi Referral Hospital

Since 1Q18 the hospital has been generating positive EBITDA

Occupancy level reached 46.5% in 4Q18

Gross Revenue reached GEL 5.9 million in 4Q18, up 44.0 % q-o-q

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.
- During 2018, we launched 26 new services such as acute dialysis, chemotherapy, ophthalmology and cardio surgery, in 15 different referral hospitals.
- In polyclinics just added dental services.





Launch of the largest Mega laboratory in the region

The construction of the largest laboratory in Georgia, as well as in the entire Caucasus region, was completed and we opened Mega Lab in December 2018

- The multi-disciplinary laboratory is equipped with the most up-to-date infrastructure and state-of-the-art equipment.
- It covers a full set of clinical and pathology tests, some of which are being introduced in the region for the first time.
- High-capacity automated systems will enable GHG to provide accurate, high quality results for the country's whole population.



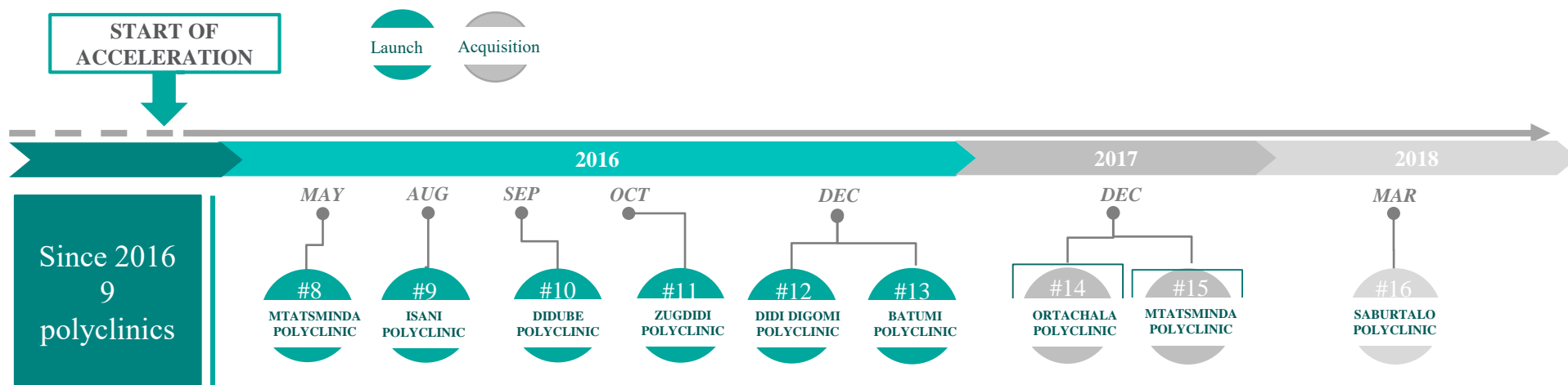


Focused growth strategy in outpatient market

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.150,000 as of now. 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



In December 2018 GHG entered into the Georgian dental market by launching dental clinics in the Group's polyclinics.

Dental clinics have been set up and equipped with modern infrastructure in five polyclinics in Tbilisi, covering almost all types of dental services.

Over the next months, we plan to increase the number of our polyclinics that house dental clinics and include locations in larger cities other than Tbilisi



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

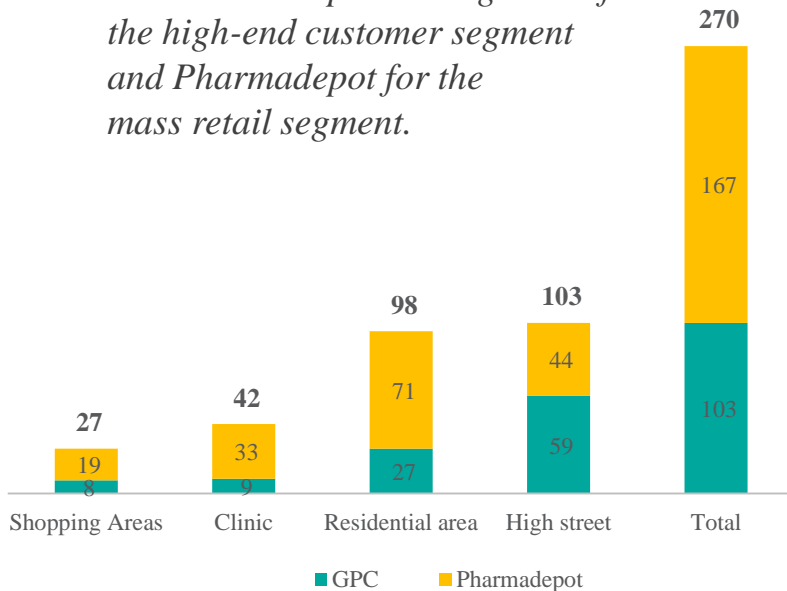


Express outpatient clinic, Tbilisi, December 2014



270 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 37 private label medicines are presented in our pharmacies.

GEL 4.8 million revenue in FY18, up 21.8% y-o-y.

In the first half of 2019, private label personal care products will also be introduced in our pharmacies under the brand name “Attirance”.

We will offer a wide range of personal care products and significantly enhance our position as market leader in this segment.





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
- 201 residents in 25 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 – 4Q18 and FY18**

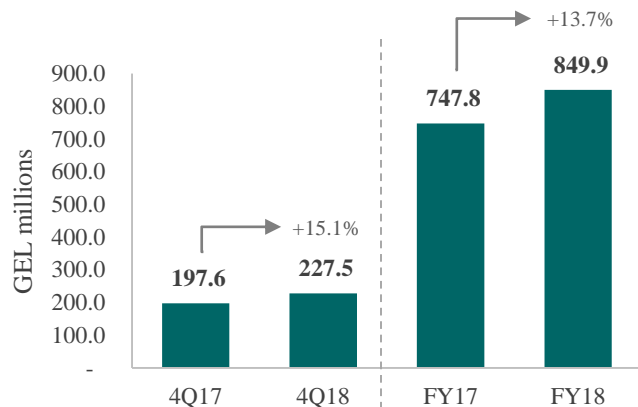
Macroeconomic and industry overview

Annexes



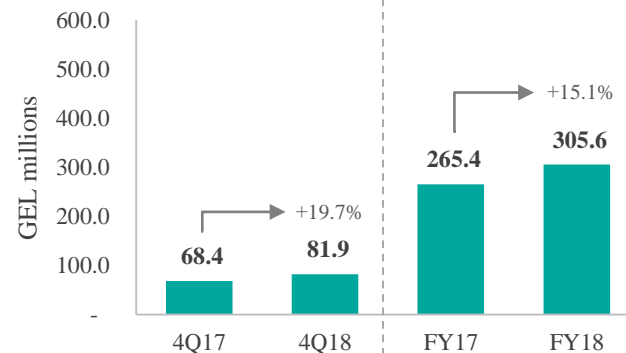
GHG quarterly and full year revenue were both up double digits y-o-y

Revenue – GHG



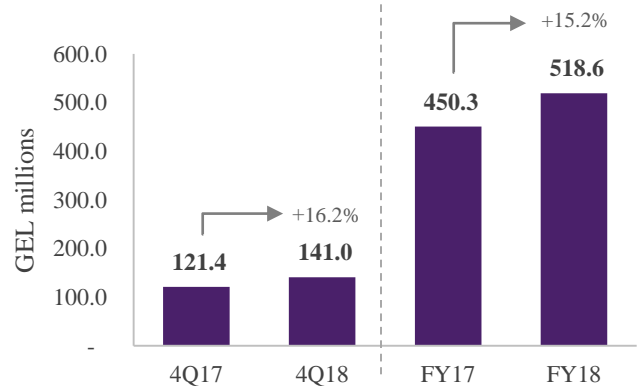
* Gross revenue including corrections and rebates and is net of intercompany eliminations

Revenue – Healthcare services business

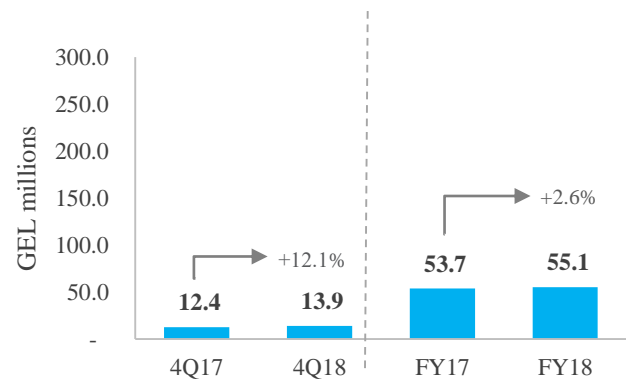


* Gross revenue including corrections and rebates

Revenue – Pharmacy and distribution business



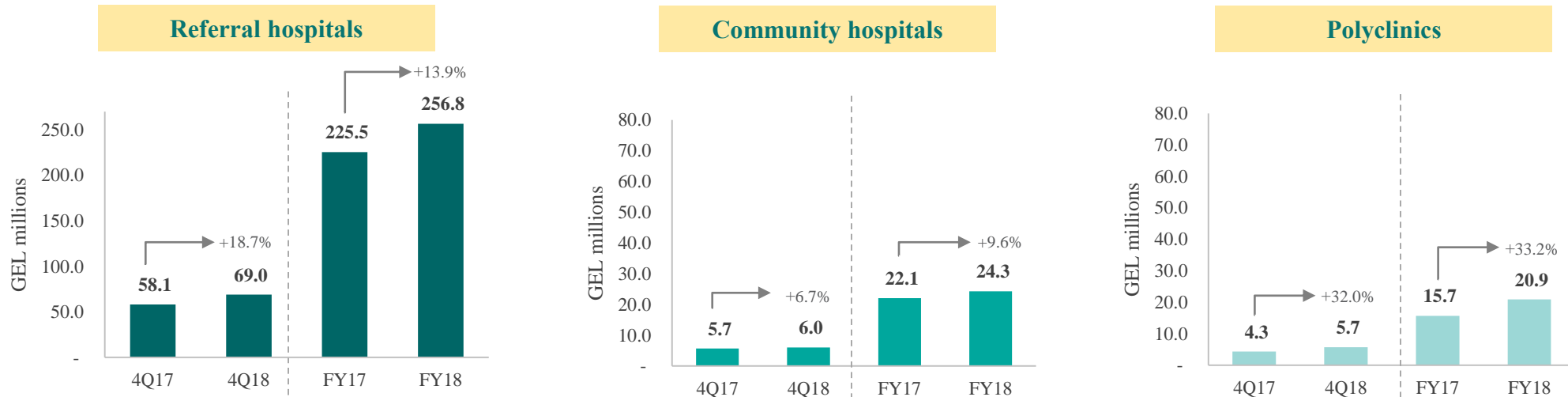
Revenue – Medical insurance business



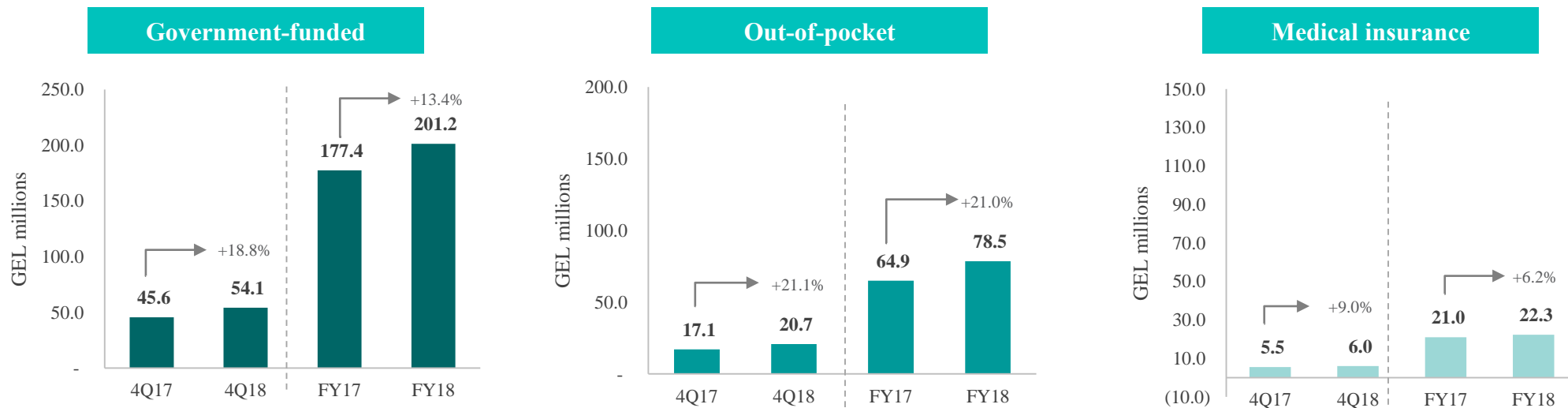


Healthcare services business revenue by types of healthcare facilities and by sources of payment

Healthcare services revenue breakdown by segments



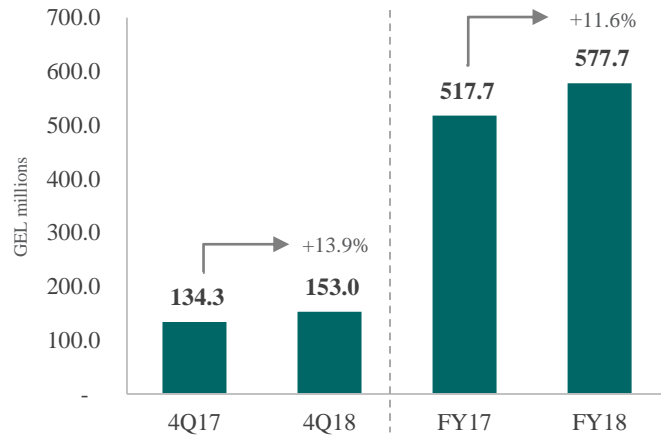
Healthcare services revenue breakdown by source of payments





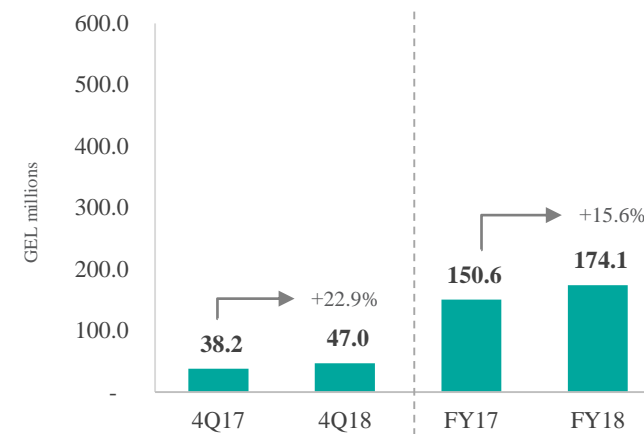
GHG cost of services breakdown by segments

Cost of services – GHG*

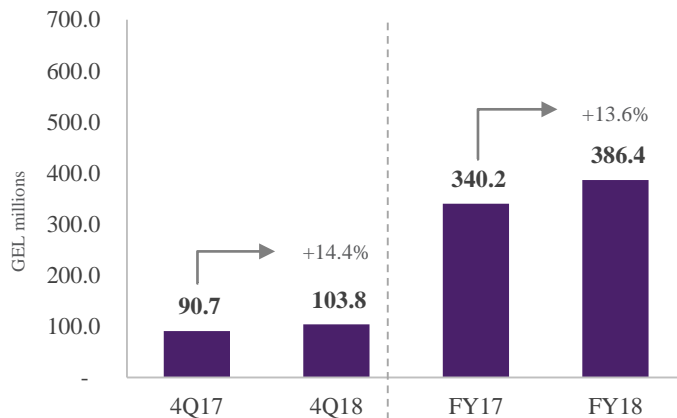


* Net of intercompany eliminations

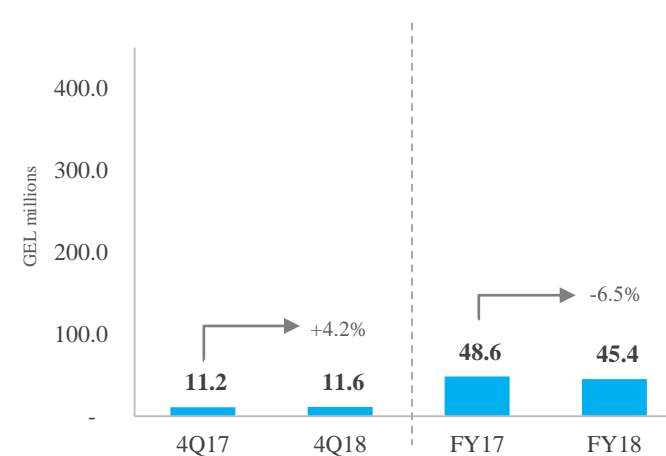
Cost of services – Healthcare services business



Cost of services – Pharmacy and distribution business



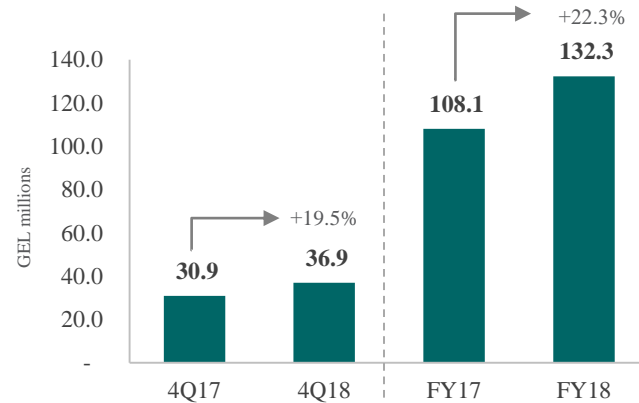
Cost of services – Medical insurance business



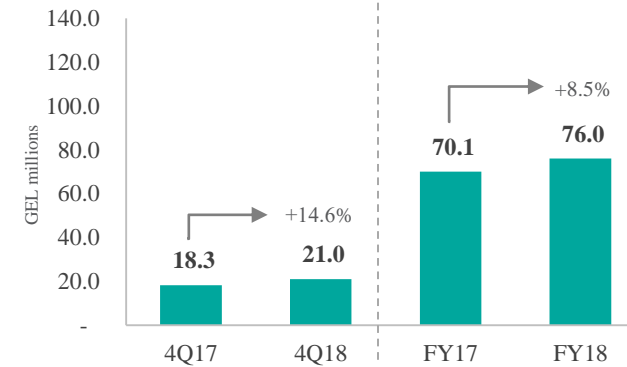


GHG reported FY18 EBITDA of GEL 132.3 million

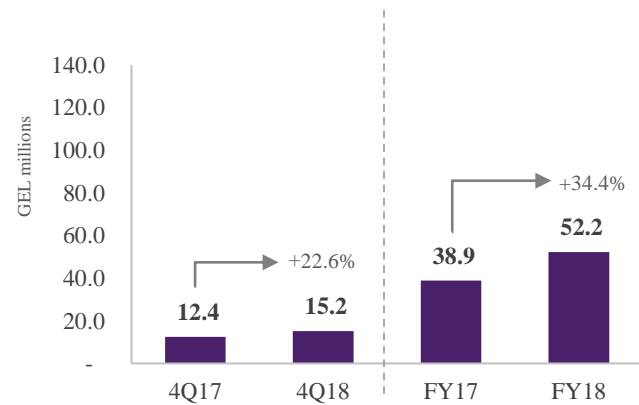
EBITDA – GHG*



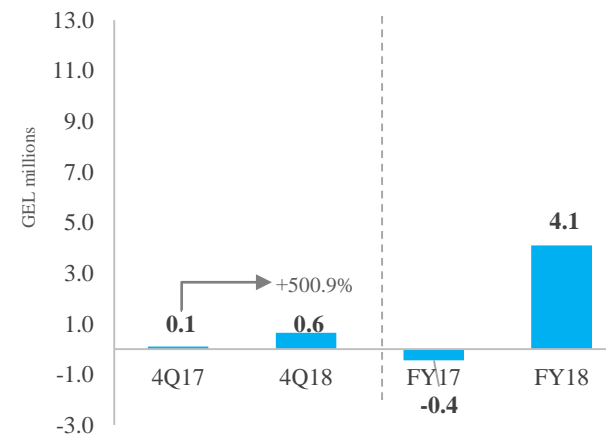
EBITDA – Healthcare services business



EBITDA – Pharmacy and distribution business



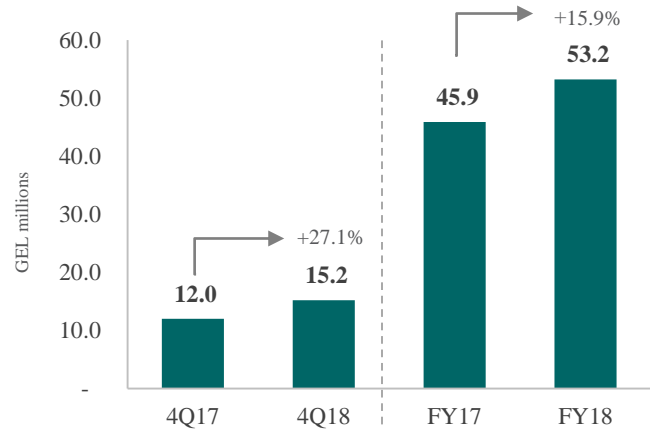
EBITDA – Medical insurance business



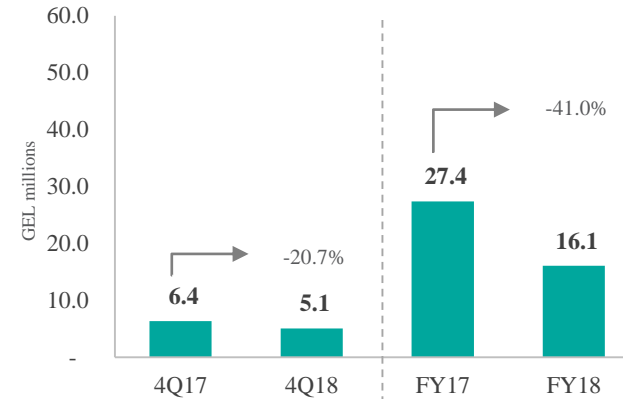


GHG reported FY18 net profit of GEL 53.2million

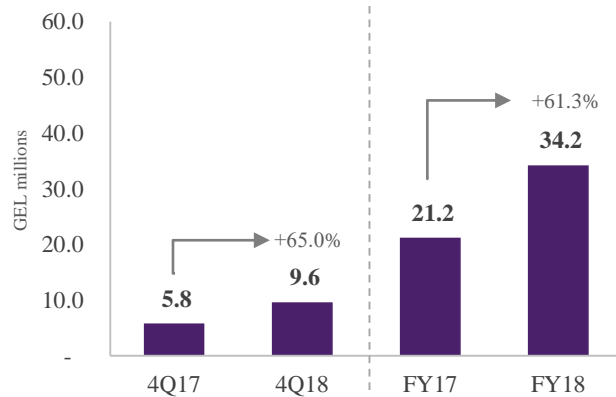
Net profit – GHG



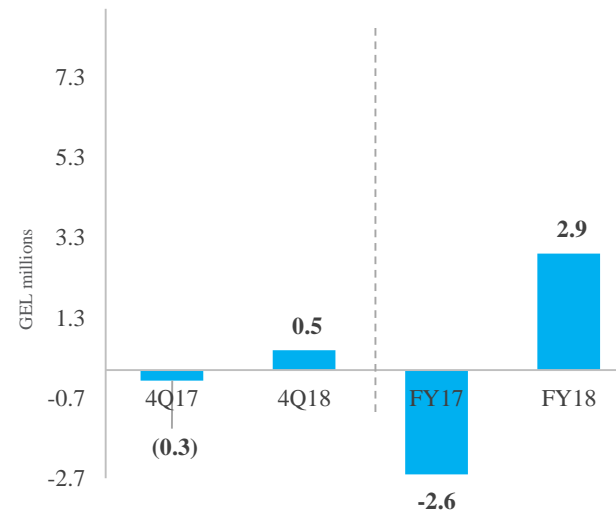
Net profit – Healthcare services business



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

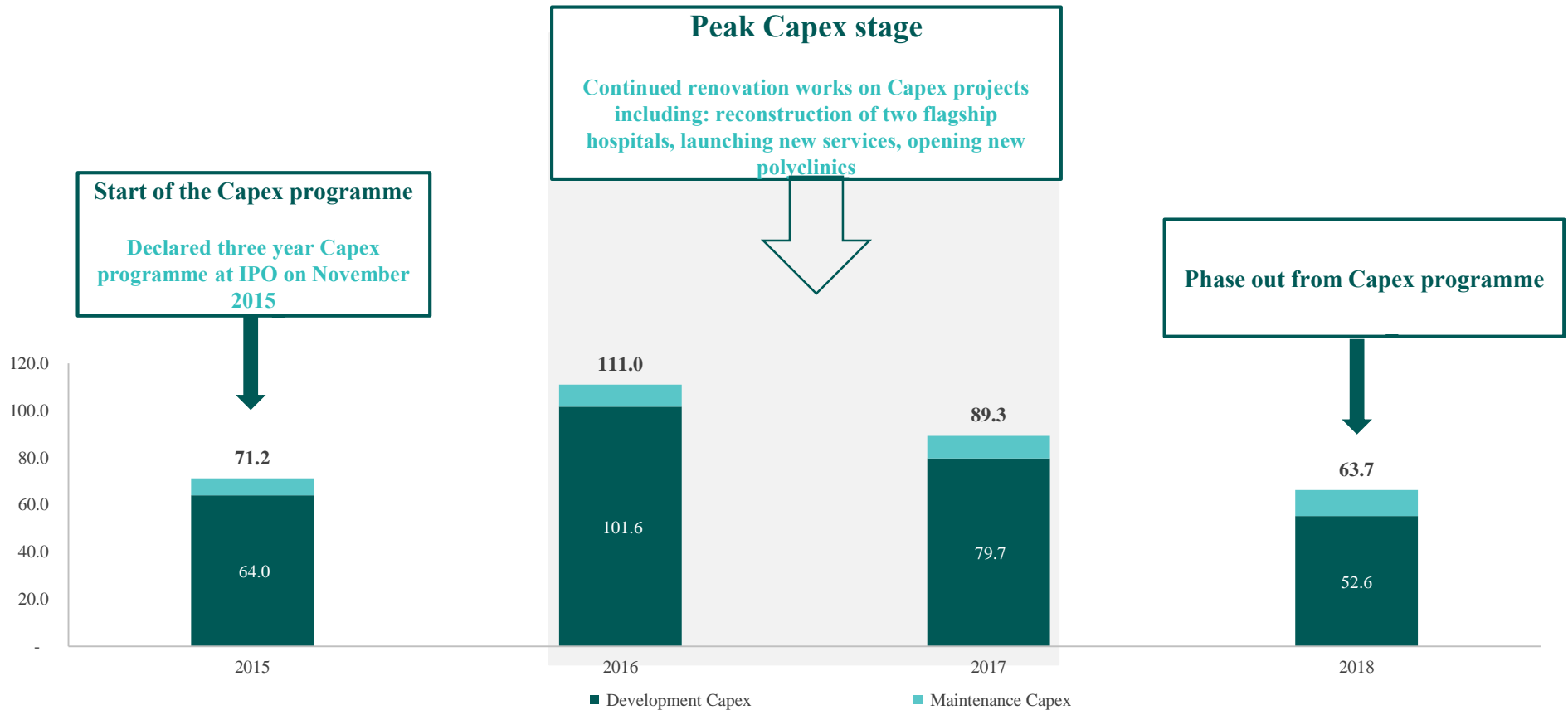
Maintenance capex as % of healthcare service revenue

3.7%

3.8%

3.6%

3.6%





⊗ GHG | Overview and strategy

⊗ GHG | Results discussion – 4Q18 and FY18

⊗ **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)

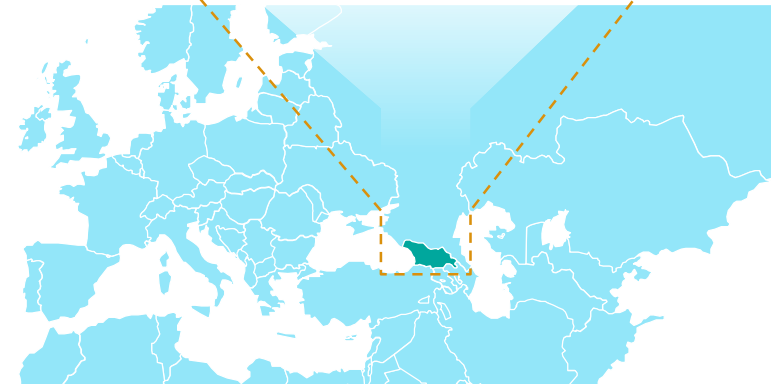


**Ease of Doing Business
Best Improvement since
2005**

- Nominal GDP: 2017 GEL 38.0bln (US\$15.2bln)
- Real GDP growth rate 2014-2017: 4.6%, 2.9%, 2.8%, 4.8%
- 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) 2018: 1.5%
- External public debt to GDP 2017: 35.3%

• Sovereign ratings:

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

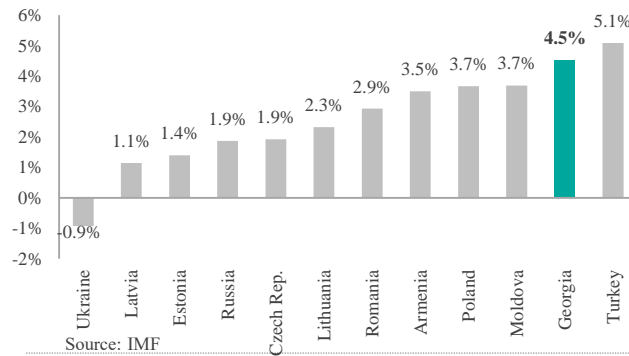




Long-term, high growth prospects Georgia / strong economic performance

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 113th in 2005 to 16th 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

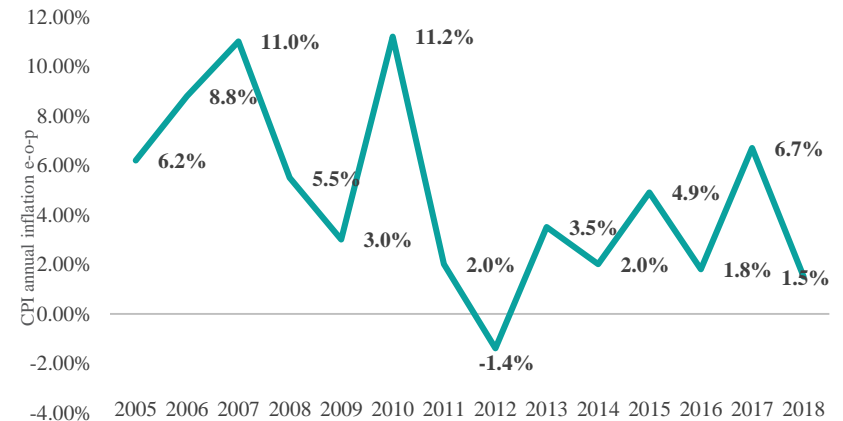
- ✓ Significant reduction of bureaucracy
- ✓ Overall, c.70% of business-related licenses and c.90% of permits were abolished
- ✓ One-stop shops for all business-related administrative procedures commenced operations
- ✓ Taxation was simplified with the total number of taxes reduced from 21 to 6
- ✓ Main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

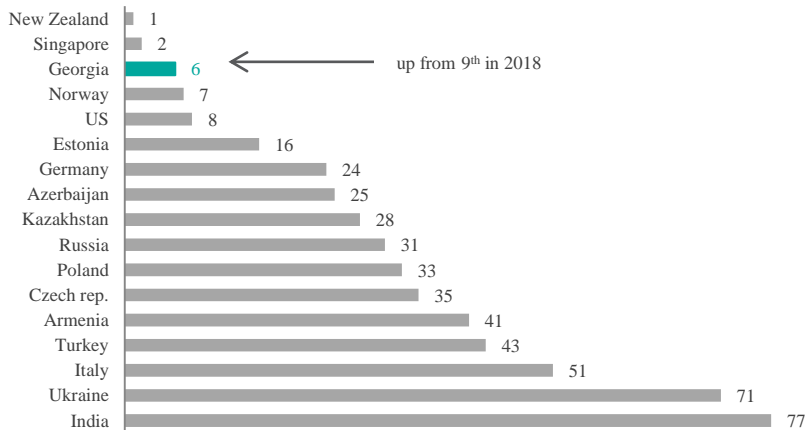




Long-term, high growth prospects

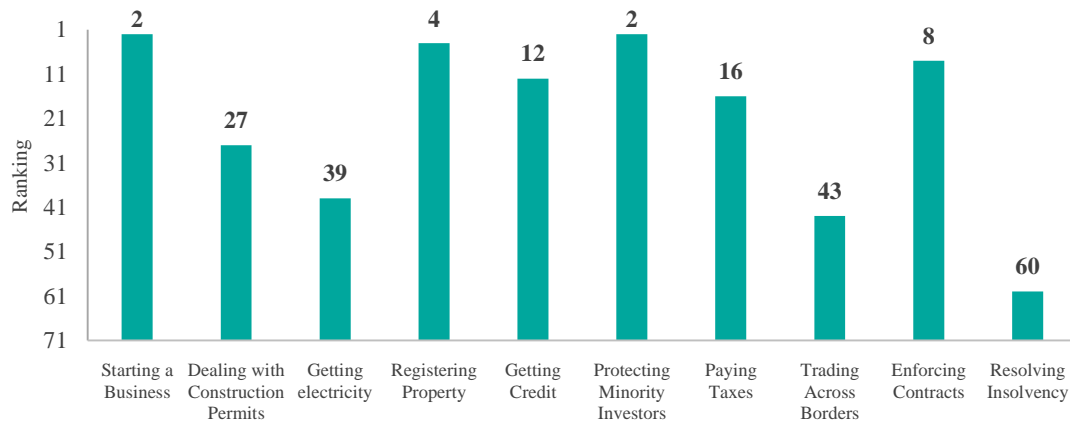
Georgia | top improver on World Bank's Ease of Doing Business Report

Ease of Doing Business | 2019

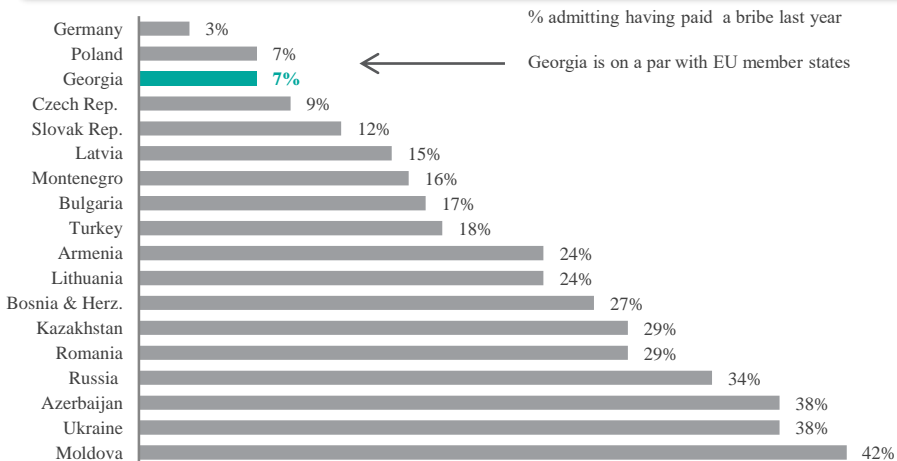


Source: WB-IFC Doing Business Report

Rankings on Doing Business Topics – Georgia

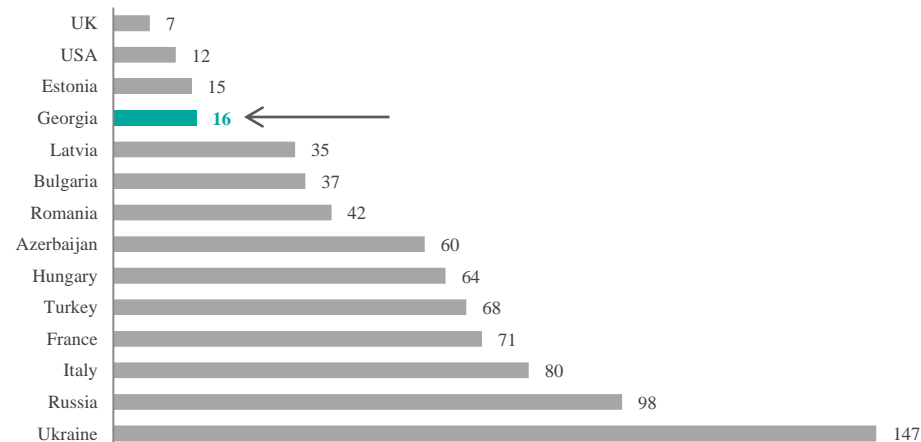


Global Corruption Barometer | 2017



Source: Transparency International

Economic Freedom Index | 2019

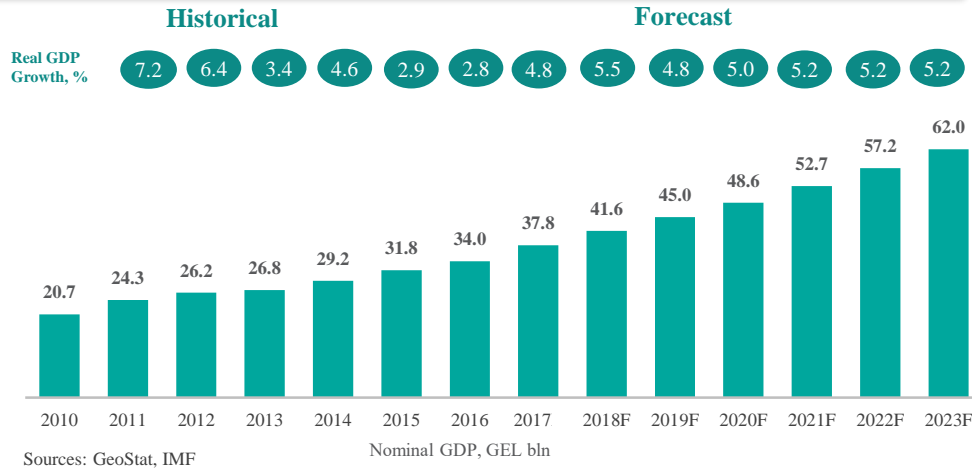


Source: Heritage Foundation



Long-term, high growth prospects Georgia | *positive economic outlook*

GDP Growth Expected to Continue



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 US\$ 3.2b in 2018 and total arrivals reached 8.7mln visitors in 2018 (up 9.8% y-o-y), out of which tourist arrivals were up 17.0% y-o-y to 4.8mln visitors

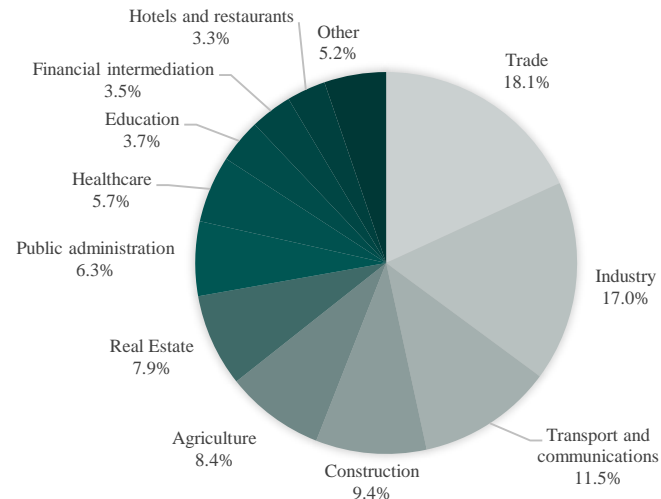
Strong FDI

- 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

Diversified nominal GDP structure, 1H18





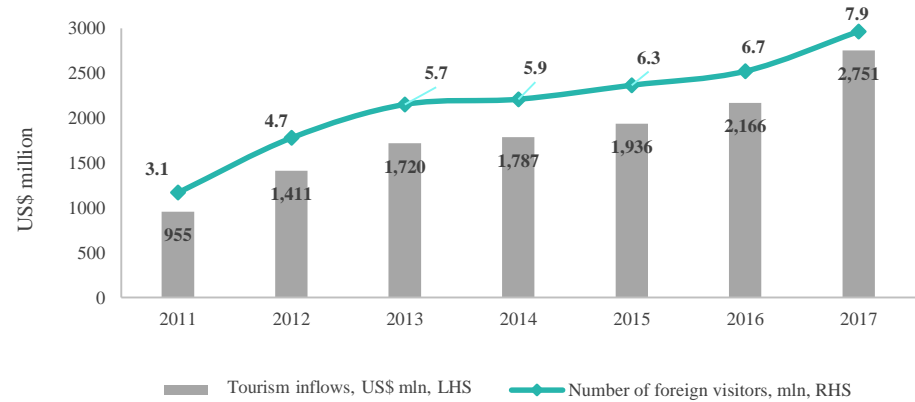
Diversified sources of capital

Current account balance (% of nominal GDP)



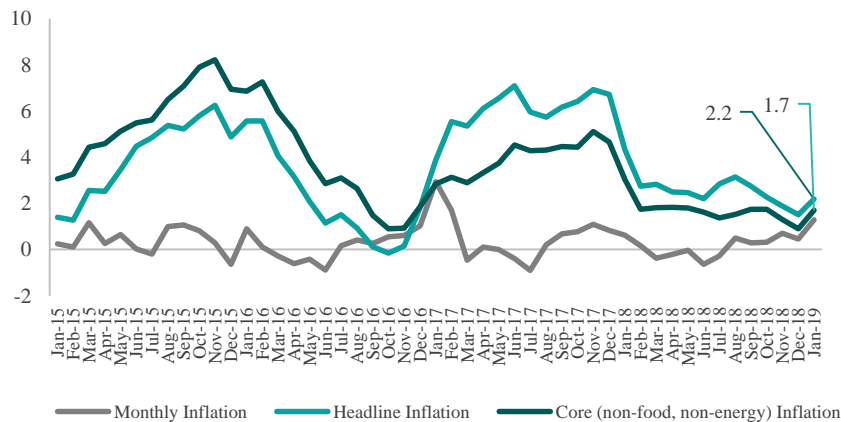
Sources: National Bank of Georgia

Visitors and tourism revenues on the rise



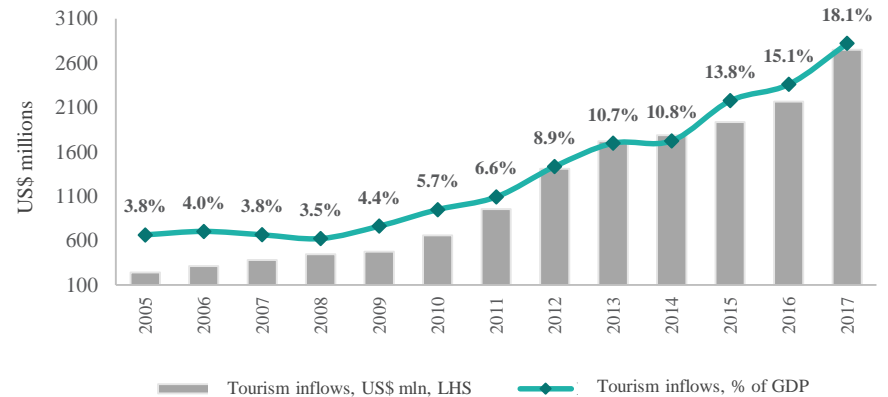
Sources: National Bank of Georgia

Inflation y/y



Sources: GeoStat

Tourism revenues to GDP



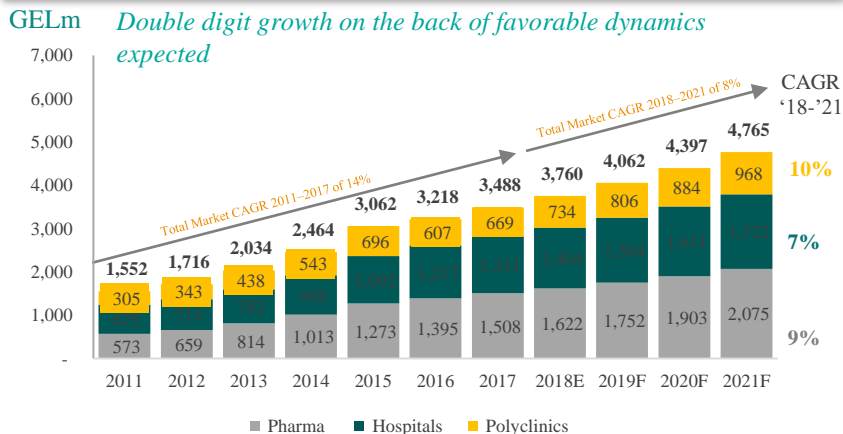
Source: National Bank of Georgia



Long-term, high growth prospects

Rapidly growing healthcare market

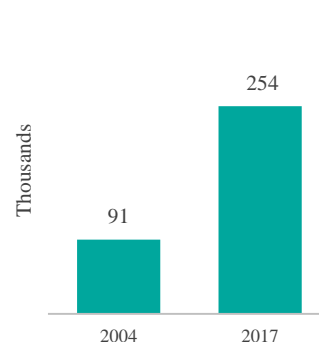
Growth in Healthcare Services Market Expected to Continue



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

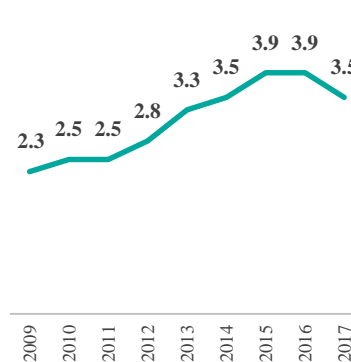
Demand Analysis

Number of Surgical Operations



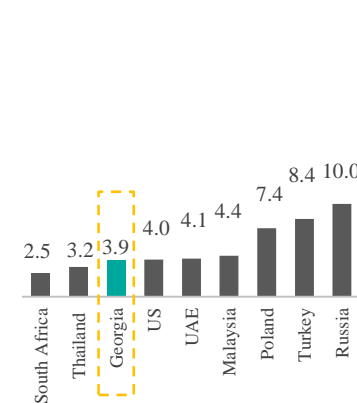
Source: NCDC

Outpatient encounters per capita,



Source: NCDC

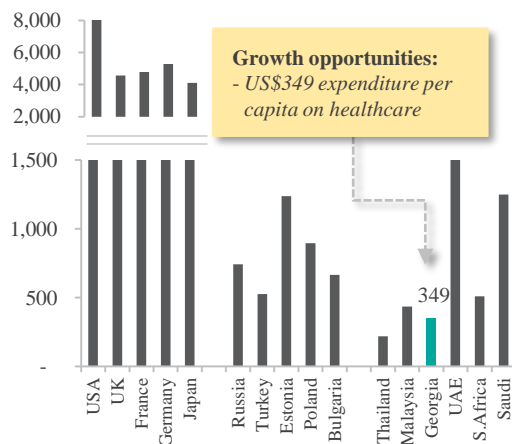
Outpatient encounters per capita, Georgia VS other countries



Source: Frost and Sullivan Analysis 2017

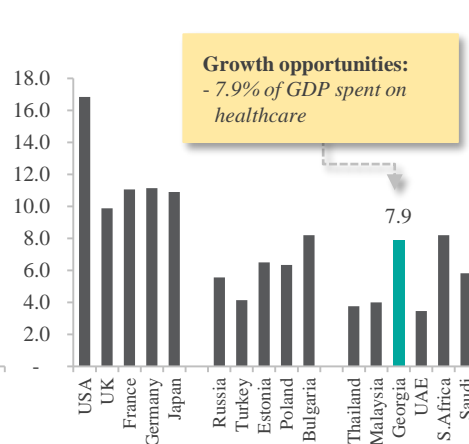
Low Expenditure on Healthcare

Per capita expenditure on healthcare, current US\$



Source: World Bank 2014

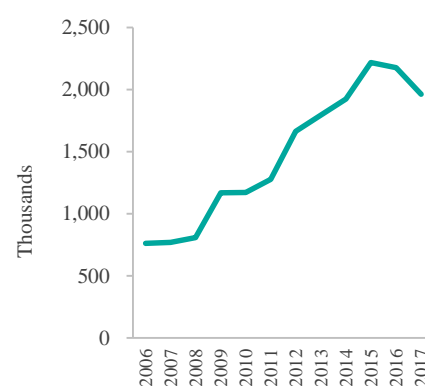
Expenditure on healthcare, % of GDP



Source: World Bank 2015

Increasing Overall Disease Incidence...

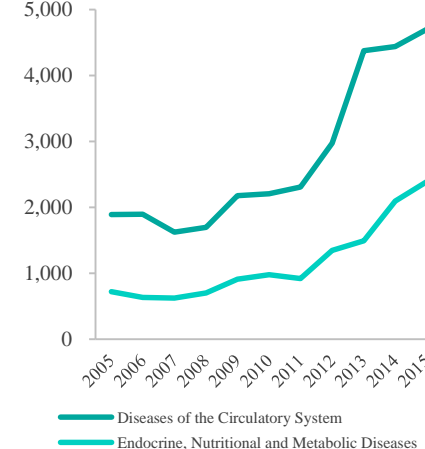
Number of Registered Patients with 1st Time Diagnosis



Source: Geostat

... Including a Growing Incidence of Lifestyle Diseases

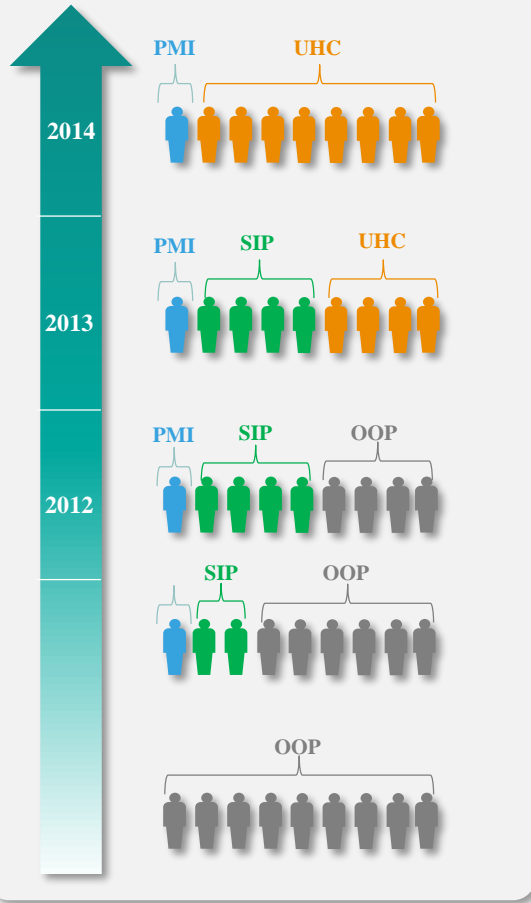
Per 100,000 Population



Source: NCDC



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



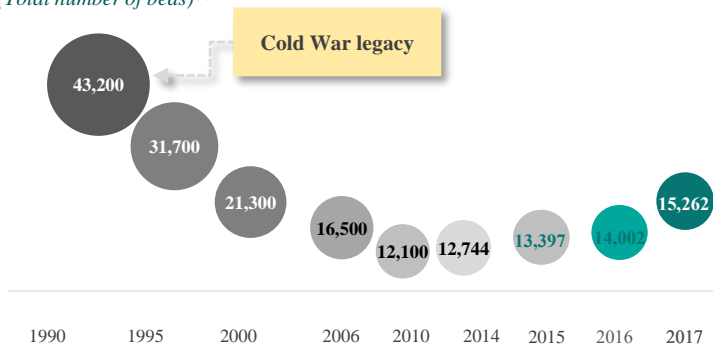
Long-term, high growth prospects

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

Infrastructure renewed, although significant opportunity remains to improve service quality

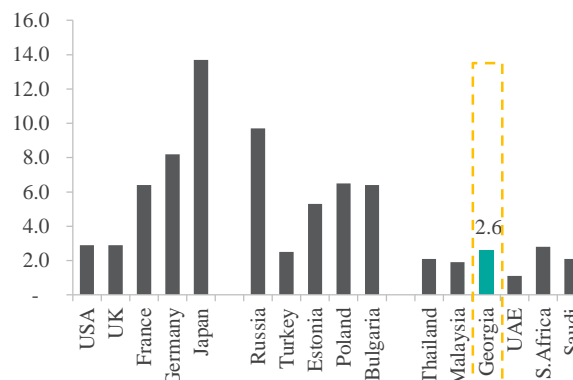
Capacity-wise Georgia stands alongside US, UK and Turkey

Optimising bed capacity over the years
(Total number of beds)⁽¹⁾



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

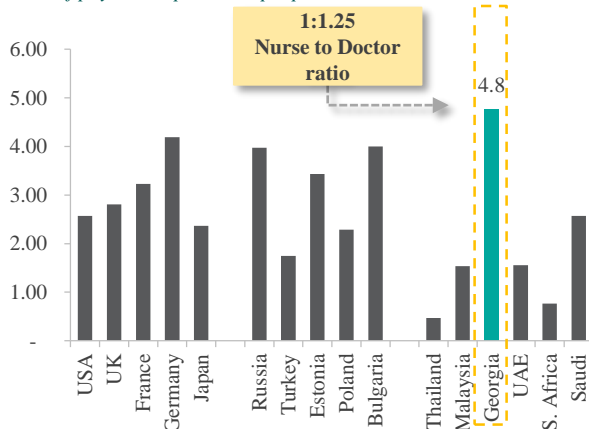
Beds per 1,000 people



Source: World Bank 2012

However, physician overcapacity yet to be addressed

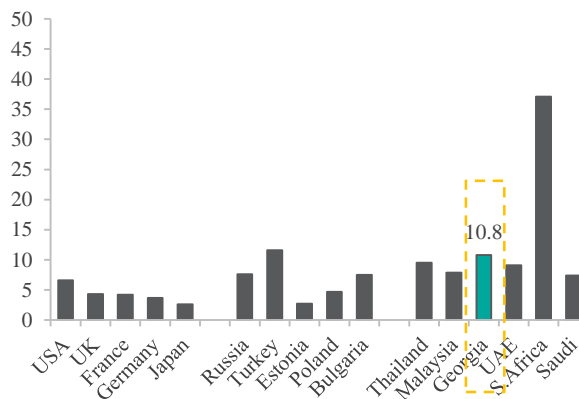
Number of physicians per 1,000 people



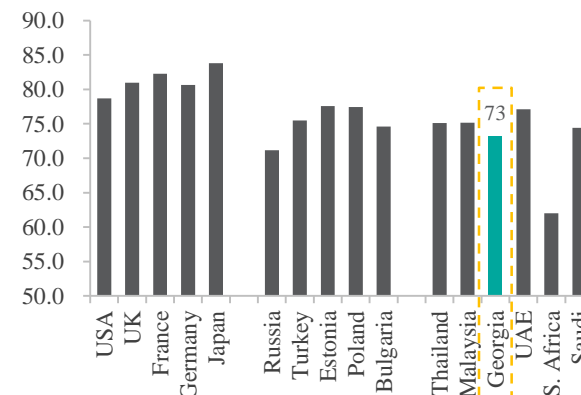
Source: World Bank 2015

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

Under 5 mortality per 1,000 live births



Life expectancy at birth, total (years)



Source: World Bank 2016

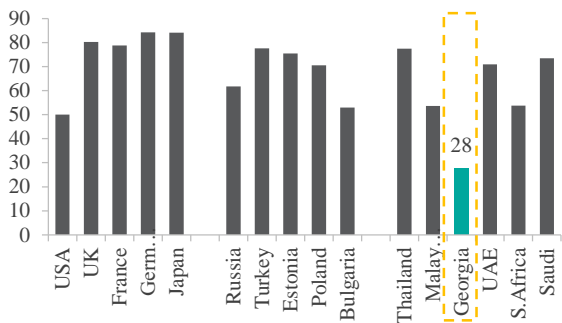


Long-term, high growth prospects

Favorable government healthcare policy

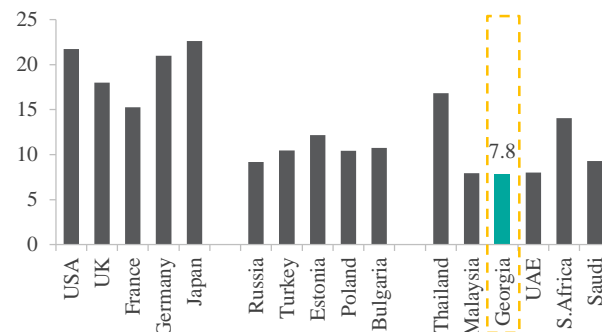
Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013

General government expenditure on health as a percentage of total expenditure on health in 2014⁽¹⁾



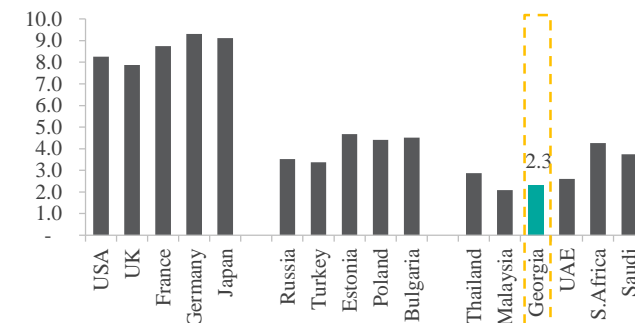
Government spending on healthcare was only 6.7% of state budget in 2013, which grew up to 9% in recent years

General government expenditure on health as a percentage of total government expenditure in 2015⁽¹⁾



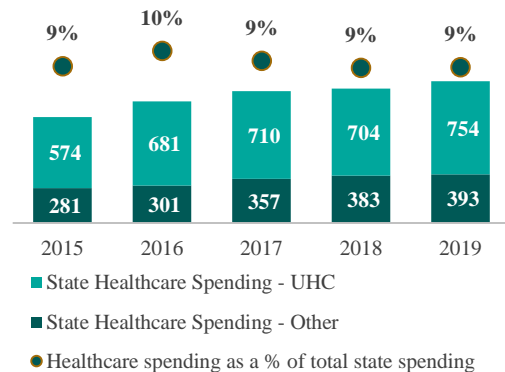
Government expenditure on healthcare as a % of GDP increased from c.2% in 2013, up to c.3% in 2016 year⁽⁴⁾

Government expenditure on health as % of GDP in 2014⁽¹⁾

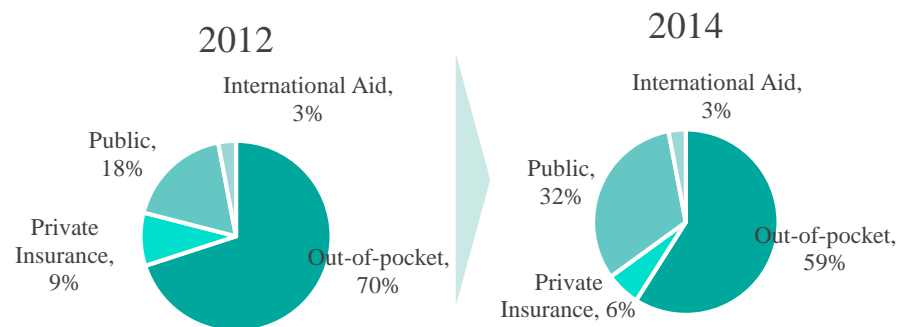


State financing of healthcare increasing for the last several years

State healthcare spending dynamics⁽²⁾
GELm



High private spending and growing public sector participation on the back of UHC implementation⁽³⁾



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

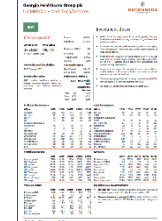
⊗ GHG | Results discussion – 4Q18 and FY18

⊗ Macroeconomic and industry overview

⊗ Annexes



Consensus Target Price is 3.17 GBP



GBP 3.1

*as of 13 Nov 2018

GBP 3.12

*as of 30 Dec 2018

GBP 4.00

*as of 12 Nov 2018

GBP 1.85

*as of 11 Jan 2019

GBP 3.60

*as of 12 Nov 2018

GBP 3.68

*as of 22 May 2018

GBP 2.60

*as of 12 Nov 2018

GBP 3.40

*as of 18 Jan 2019



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 Elsgood** | 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.



• **Fabian Blank** | Independent Non-Executive Director | Experience: Independent investor and senior advisor in healthcare and digital health. Former Co-owner and CEO of a mid-sized rehab clinic group focused on post acute treatment in orthopedics and cardiology. Previously Partner at McKinsey & Company, Inc., focused on growth topics in tech and healthcare.



• **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



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



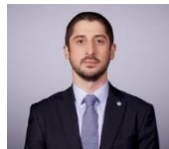
❁ **Enrico Beridze** | CEO GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly CEO of ABC Pharmacia



❁ **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.

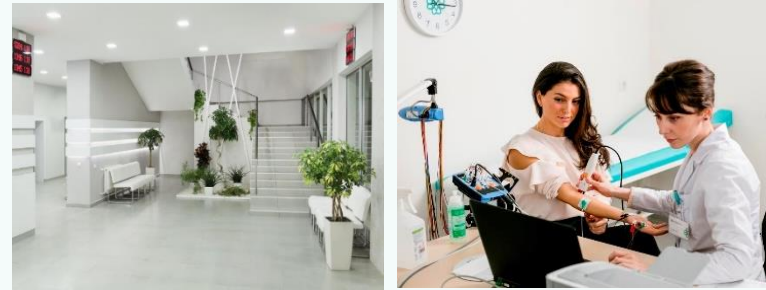


Competition – setting new standards

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

GHG	16 clinics, 10 in Tbilisi 6 in Regions Small (120-200 m ²), Medium (c.1000 m ²) and Large (1800-2500 m ²) Format Multiprofile
Tatishvili	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
Polyclinics	c.450 small Polyclinics Small formats Multiprofile Soviet style Privatized, with no development CT Scan not available

GHG Polyclinic



Soviet-era polyclinics





GHG consolidated - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q18	4Q17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y
Revenue, gross	227,511	197,637	15.1%	849,917	747,750	13.7%
Corrections & rebates	(1,159)	(349)	232.1%	(3,611)	(2,039)	77.1%
Revenue, net	226,352	197,288	14.7%	846,306	745,711	13.5%
Revenue from healthcare services	80,739	68,094	18.6%	301,987	263,357	14.7%
Revenue from pharmacy and distribution	141,046	121,367	16.2%	518,578	450,315	15.2%
Net insurance premiums earned	13,870	12,376	12.1%	55,112	53,710	2.6%
Eliminations	(9,303)	(4,549)	104.5%	(29,371)	(21,671)	35.5%
Costs of services	(152,974)	(134,252)	13.9%	(577,705)	(517,712)	11.6%
Cost of healthcare services	(46,975)	(38,227)	22.9%	(174,073)	(150,572)	15.6%
Cost of pharmacy and distribution	(103,786)	(90,743)	14.4%	(386,372)	(340,210)	13.6%
Cost of insurance services	(11,628)	(11,163)	4.2%	(45,427)	(48,583)	-6.5%
Eliminations	9,413	5,882	60.0%	28,167	21,653	30.1%
Gross profit	73,378	63,036	16.4%	268,601	227,999	17.8%
Salaries and other employee benefits	(22,221)	(20,519)	8.3%	(84,509)	(75,430)	12.0%
General and administrative expenses	(15,001)	(12,266)	22.3%	(54,436)	(48,618)	12.0%
Impairment of receivables	(1,013)	(1,133)	-10.6%	(4,448)	(4,175)	6.5%
Other operating income	1,762	1,761	0.1%	7,066	8,372	-15.6%
EBITDA	36,905	30,879	19.5%	132,274	108,148	22.3%
Depreciation and amortisation	(8,634)	(6,967)	23.9%	(33,883)	(25,704)	31.8%
Net interest expense	(10,943)	(8,303)	31.8%	(39,470)	(30,941)	27.6%
Net gains/(losses) from foreign currencies	(1,550)	(2,825)	-45.1%	(2,879)	(397)	NMF
Net non-recurring income/(expense)	(473)	(638)	-25.9%	(2,187)	(4,780)	-54.2%
Profit before income tax expense	15,305	12,146	26.0%	53,855	46,326	16.3%
Income tax benefit/(expense)	(111)	(187)	-40.6%	(616)	(386)	59.6%
Profit for the period	15,194	11,959	27.1%	53,239	45,940	15.9%
<i>Attributable to:</i>						
- shareholders of the Company	9,925	7,785	27.5%	34,434	29,050	18.5%
- non-controlling interests	5,269	4,174	26.2%	18,805	16,890	11.3%



GHG consolidated - Balance Sheet

<i>GEL thousands; unless otherwise noted</i>	31-Dec-18	30-Sep-18	Change, Q-o-Q
Total assets, of which:	1,240,506	1,201,050	3.3%
Cash and bank deposits	47,961	31,900	50.3%
Receivables from healthcare services	106,841	112,438	-5.0%
Receivables from sale of pharmaceuticals	20,440	20,737	-1.4%
Insurance premiums receivable	23,643	30,061	-21.3%
Property and equipment	698,037	685,750	1.8%
Goodwill and other intangible assets	152,298	150,362	1.3%
Inventory	146,164	115,664	26.4%
Prepayments	13,064	21,162	-38.3%
Other assets	32,058	32,976	-2.8%
Total liabilities, of which:	665,475	637,087	4.5%
Borrowed funds	390,390	384,684	1.5%
Accounts payable	105,092	76,809	36.8%
Insurance contract liabilities	22,544	31,276	-27.9%
Other liabilities	147,449	144,318	2.2%
Total shareholders' equity attributable to:	575,031	563,963	2.0%
<i>Shareholders of the Company</i>	<i>508,194</i>	<i>498,704</i>	<i>1.9%</i>
<i>Non-controlling interest</i>	<i>66,837</i>	<i>65,258</i>	<i>2.4%</i>



Healthcare service business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q18	4Q17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y
Healthcare service revenue, gross	81,898	68,444	19.7%	305,598	265,396	15.1%
Corrections & rebates	(1,159)	(349)	232.1%	(3,611)	(2,039)	77.1%
Healthcare services revenue, net	80,739	68,094	18.6%	301,987	263,357	14.7%
Costs of healthcare services	(46,975)	(38,227)	22.9%	(174,073)	(150,572)	15.6%
Gross profit	33,764	29,867	13.0%	127,914	112,785	13.4%
Salaries and other employee benefits	(8,925)	(7,942)	12.4%	(35,178)	(30,998)	13.5%
General and administrative expenses	(4,652)	(4,085)	13.9%	(18,079)	(16,392)	10.3%
Impairment of receivables	(1,079)	(1,115)	-3.2%	(4,632)	(4,107)	12.8%
Other operating income	1,911	1,616	18.3%	5,983	8,783	-31.9%
EBITDA	21,019	18,341	14.6%	76,008	70,071	8.5%
EBITDA margin	25.7%	26.8%		24.9%	26.4%	
Depreciation and amortisation	(7,822)	(6,295)	24.3%	(30,772)	(22,699)	35.6%
Net interest income (expense)	(7,675)	(5,185)	48.0%	(27,567)	(18,210)	51.4%
Net gains/(losses) from foreign currencies	(50)	30	NMF	(171)	1,634	NMF
Net non-recurring income/(expense)	(451)	(513)	-12.1%	(1,328)	(3,425)	-61.2%
Profit before income tax expense	5,021	6,378	-21.3%	16,170	27,371	-40.9%
Income tax benefit/(expense)	37	-	-	(37)	(11)	236.4%
Profit for the period	5,058	6,378	-20.7%	16,133	27,360	-41.0%
Attributable to:						
- shareholders of the Company	3,992	5,278	-24.4%	12,306	21,643	-43.1%
- non-controlling interests	1,066	1,100	-3.1%	3,827	5,717	-33.1%



Healthcare services business - Revenue breakdowns

Healthcare services business revenue by types of healthcare facilities

<i>(GEL thousands, unless otherwise noted)</i>	4Q18	4Q17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y
Healthcare services revenue, net	80,739	68,094	18.6%	301,987	263,357	14.7%
Referral hospitals	68,974	58,094	18.7%	256,774	225,502	13.9%
Clinics:	11,765	10,000	17.7%	45,213	37,855	19.4%
<i>Community</i>	6,047	5,667	6.7%	24,283	22,147	9.6%
<i>Polyclinics</i>	5,718	4,333	32.0%	20,930	15,708	33.2%

Healthcare services business revenue by source of payment

<i>(GEL thousands, unless otherwise noted)</i>	4Q18	4Q17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y
Healthcare services revenue, net	80,739	68,094	18.6%	301,987	263,357	14.7%
Government-funded healthcare programmes	54,105	45,556	18.8%	201,163	177,449	13.4%
Out-of-pocket payments by patients	20,666	17,061	21.1%	78,492	64,878	21.0%
Private medical insurance companies, <i>of which</i>	5,968	5,477	9.0%	22,332	21,030	6.2%
<i>GHG medical insurance</i>	2,863	1,939	47.7%	10,727	9,475	13.2%



Pharmacy chain and distribution business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q18	4Q17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y
Pharma revenue	141,046	121,367	16.2%	518,578	450,315	15.2%
Costs of pharma	(103,786)	(90,743)	14.4%	(386,372)	(340,210)	13.6%
Gross profit	37,260	30,624	21.7%	132,206	110,105	20.1%
Salaries and other employee benefits	(12,198)	(11,029)	10.6%	(45,925)	(40,679)	12.9%
General and administrative expenses	(9,765)	(7,997)	22.1%	(35,169)	(31,180)	12.8%
Impairment of receivables	27	(5)	NMF	-	(44)	NMF
Other operating income	(88)	837	NMF	1,103	652	69.2%
EBITDA	15,236	12,430	22.6%	52,215	38,854	34.4%
EBITDA margin	10.8%	10.2%		10.1%	8.6%	
Depreciation and amortisation	(628)	(459)	36.8%	(2,352)	(2,110)	11.5%
Net interest income (expense)	(3,373)	(2,941)	14.7%	(11,924)	(11,936)	-0.1%
Net gains/(losses) from foreign currencies	(1,565)	(2,871)	-45.5%	(2,923)	(2,065)	41.5%
Net non-recurring income/(expense)	(22)	(125)	-82.4%	(859)	(1,496)	-42.6%
Profit before income tax expense	9,648	6,034	59.9%	34,157	21,247	60.8%
Income tax benefit/(expense)	-	(187)	NMF	-	(65)	NMF
Profit for the period	9,648	5,847	65.0%	34,157	21,182	61.3%



Medical insurance business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q18	4Q17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y
Net insurance premiums earned	13,870	12,376	12.1%	55,112	53,710	2.6%
Cost of insurance services	(11,628)	(11,163)	4.2%	(45,427)	(48,583)	-6.5%
Gross profit	2,242	1,213	84.8%	9,685	5,127	88.9%
Salaries and other employee benefits	(1,213)	(747)	62.4%	(4,434)	(3,601)	23.1%
General and administrative expenses	(435)	(394)	10.4%	(1,459)	(1,636)	-10.8%
Impairment of receivables	(103)	(111)	-7.2%	(362)	(479)	-24.4%
Other operating income	158	147	7.5%	621	153	NMF
EBITDA	649	108	NMF	4,051	(436)	NMF
EBITDA margin	4.7%	0.9%		7.4%	-0.8%	
Depreciation and amortisation	(184)	(212)	-13.2%	(759)	(895)	-15.2%
Net interest income/ (expense)	105	(177)	NMF	21	(795)	NMF
Net gains/(losses) from foreign currencies	65	16	NMF	215	34	NMF
Net non-recurring income/(expense)	-	-	-	-	(200)	NMF
Profit before income tax expense	635	(265)	NMF	3,528	(2,292)	NMF
Income tax benefit/(expense)	(148)	-	NMF	(579)	(310)	86.8%
Profit / (Loss) for the period	487	(265)	NMF	2,949	(2,602)	NMF

GHG – Income statement, FY18

Income Statement, YTD	Healthcare services			Pharma			Medical insurance			Eliminations		GHG		
	FY18	FY17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y	FY18	FY17	Change, Y-o-Y	FY18	FY18	FY18	FY17	Change, Y-o-Y
<i>GEL thousands; unless otherwise noted</i>														
Revenue, gross	305,598	265,396	15.1%	518,578	450,315	15.2%	55,112	53,710	2.6%	(29,371)	(21,671)	849,917	747,750	13.7%
Corrections & rebates	(3,611)	(2,039)	77.1%	-	-	-	-	-	-	-	-	(3,611)	(2,039)	77.1%
Revenue, net	301,987	263,357	14.7%	518,578	450,315	15.2%	55,112	53,710	2.6%	(29,371)	(21,671)	846,306	745,711	13.5%
Costs of services	(174,073)	(150,572)	15.6%	(386,372)	(340,210)	13.6%	(45,427)	(48,583)	-6.5%	28,167	21,653	(577,705)	(517,712)	11.6%
Cost of salaries and other employee benefits	(109,478)	(95,655)	14.5%	-	-	-	-	-	-	4,039	2,911	(105,439)	(92,744)	13.7%
Cost of materials and supplies	(47,504)	(40,887)	16.2%	-	-	-	-	-	-	13,492	6,872	(34,012)	(34,015)	0.0%
Cost of medical service providers	(3,347)	(1,920)	74.3%	-	-	-	-	-	-	121	66	(3,226)	(1,854)	74.0%
Cost of utilities and other	(13,744)	(12,110)	13.5%	-	-	-	-	-	-	496	997	(13,248)	(11,113)	19.2%
Net insurance claims incurred	-	-	-	-	-	-	(42,584)	(45,209)	-5.8%	9,799	10,057	(32,785)	(35,152)	-6.7%
Agents, brokers and employee commissions	-	-	-	-	-	-	(2,843)	(3,374)	-15.7%	-	-	(2,843)	(3,374)	-15.7%
Cost of pharma - wholesale	-	-	-	(110,485)	(93,900)	17.7%	-	-	-	220	750	(110,265)	(93,150)	18.4%
Cost of pharma - retail	-	-	-	(275,887)	(246,310)	12.0%	-	-	-	-	-	(275,887)	(246,310)	12.0%
Gross profit	127,914	112,785	13.4%	132,206	110,105	20.1%	9,685	5,127	88.9%	(1,204)	(18)	268,601	227,999	17.8%
Salaries and other employee benefits	(35,178)	(30,998)	13.5%	(45,925)	(40,679)	12.9%	(4,434)	(3,601)	23.1%	1,028	(152)	(84,509)	(75,430)	12.0%
General and administrative expenses	(18,079)	(16,392)	10.3%	(35,169)	(31,180)	12.8%	(1,459)	(1,636)	-10.8%	271	590	(54,436)	(48,618)	12.0%
Impairment of receivables	(4,632)	(4,107)	12.8%	-	(44)	NMF	(362)	(479)	-24.4%	546	455	(4,448)	(4,175)	6.5%
Other operating income	5,983	8,783	-31.9%	1,103	652	69.2%	621	153	NMF	(641)	(1,216)	7,066	8,372	-15.6%
EBITDA	76,008	70,071	8.5%	52,215	38,854	34.4%	4,051	(436)	NMF	-	(341)	132,274	108,148	22.3%
EBITDA margin	24.9%	26.4%		10.1%	8.6%		7.4%	-0.8%				15.6%	14.5%	
Depreciation and amortisation	(30,772)	(22,699)	35.6%	(2,352)	(2,110)	11.5%	(759)	(895)	-15.2%	-	-	(33,883)	(25,704)	31.8%
Net interest income (expense)	(27,567)	(18,210)	51.4%	(11,924)	(11,936)	-0.1%	21	(795)	NMF	-	-	(39,470)	(30,941)	27.6%
Net gains/(losses) from foreign currencies	(171)	1,634	NMF	(2,923)	(2,065)	41.5%	215	34	NMF	-	-	(2,879)	(397)	NMF
Net non-recurring income/(expense)	(1,328)	(3,425)	-61.2%	(859)	(1,496)	-42.6%	-	(200)	NMF	-	341	(2,187)	(4,780)	-54.2%
Profit before income tax expense	16,170	27,371	-40.9%	34,157	21,247	60.8%	3,528	(2,292)	NMF	-	-	53,855	46,326	16.3%
Income tax benefit/(expense)	(37)	(11)	-236.4%	-	(65)	NMF	(579)	(310)	86.8%	-	-	(616)	(386)	59.6%
Profit for the period	16,133	27,360	-41.0%	34,157	21,182	61.3%	2,949	(2,602)	NMF	-	-	53,239	45,940	15.9%
Attributable to:														
- shareholders of the Company	12,306	21,643	-43.1%	19,179	10,009	91.6%	2,949	(2,602)	NMF	-	-	34,434	29,050	18.5%
- non-controlling interests	3,827	5,717	-33.1%	14,978	11,173	34.1%	-	-	-	-	-	18,805	16,890	11.3%

GHG – Income statement, 4Q18

Income Statement, Quarterly

GEL thousands; unless otherwise noted

	Healthcare services					Pharma					Medical insurance					Eliminations			GHG				
	4Q18	4Q17	Change Y-o-Y	3Q18	Change Q-o-Q	4Q18	4Q17	Change Y-o-Y	3Q18	Change Q-o-Q	4Q18	4Q17	Change Y-o-Y	3Q18	Change Q-o-Q	4Q18	4Q17	3Q18	4Q18	4Q17	Change Y-o-Y	3Q18	Change Q-o-Q
Revenue, gross	81,898	68,444	19.7%	72,676	12.7%	141,046	121,367	16.2%	123,341	14.4%	13,870	12,376	12.1%	14,237	-2.6%	(9,303)	(4,549)	(7,328)	227,511	197,637	15.1%	202,926	12.1%
Corrections & rebates	(1,159)	(349)	232.1%	(672)	72.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,159)	(349)	232.1%	(672)	72.5%
Revenue, net	80,739	68,094	18.6%	72,004	12.1%	141,046	121,367	16.2%	123,341	14.4%	13,870	12,376	12.1%	14,237	-2.6%	(9,303)	(4,549)	(7,328)	226,352	197,288	14.7%	202,254	11.9%
Costs of services	(46,975)	(38,227)	22.9%	(41,549)	13.1%	(103,786)	(90,743)	14.4%	(91,174)	13.8%	(11,628)	(11,163)	4.2%	(10,007)	16.2%	9,413	5,882	6,846	(152,974)	(134,252)	13.9%	(135,884)	12.6%
Cost of salaries and other employee benefits	(29,185)	(24,440)	19.4%	(26,734)	9.2%	-	-	-	-	-	-	-	-	-	-	1,140	329	883	(28,044)	(24,111)	16.3%	(25,851)	8.5%
Cost of materials and supplies	(13,136)	(10,363)	26.8%	(10,819)	21.4%	-	-	-	-	-	-	-	-	-	-	5,318	2,006	3,448	(7,818)	(8,357)	-6.4%	(7,371)	6.1%
Cost of medical service providers	(912)	(463)	97.0%	(894)	2.0%	-	-	-	-	-	-	-	-	-	-	33	13	30	(879)	(450)	95.3%	(864)	1.7%
Cost of utilities and other	(3,742)	(2,961)	26.4%	(3,102)	20.6%	-	-	-	-	-	-	-	-	-	-	134	665	101	(3,607)	(2,296)	57.1%	(3,001)	20.2%
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	(10,843)	(10,299)	5.3%	(9,229)	17.5%	2,568	2,119	2,384	(8,275)	(8,180)	1.2%	(6,845)	20.9%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	(785)	(864)	-9.1%	(778)	0.9%	-	-	-	(785)	(864)	-9.1%	(778)	0.9%
Cost of pharma - wholesale	-	-	-	-	-	(30,382)	(25,244)	20.4%	(26,800)	13.4%	-	-	-	-	-	220	750	-	(30,162)	(24,494)	23.1%	(26,800)	12.5%
Cost of pharma - retail	-	-	-	-	-	(73,404)	(65,499)	12.1%	(64,374)	14.0%	-	-	-	-	-	-	-	-	(73,404)	(65,499)	12.1%	(64,374)	14.0%
Gross profit	33,764	29,867	13.0%	30,455	10.9%	37,260	30,624	21.7%	32,167	15.8%	2,242	1,213	84.8%	4,230	-47.0%	110	1,333	(482)	73,378	63,036	16.4%	66,370	10.6%
Salaries and other employee benefits	(8,925)	(7,942)	12.4%	(8,807)	1.3%	(12,198)	(11,029)	10.6%	(11,234)	8.6%	(1,213)	(747)	62.4%	(1,375)	-11.8%	115	(801)	360	(22,221)	(20,519)	8.3%	(21,056)	5.5%
General and administrative expenses	(4,652)	(4,085)	13.9%	(4,252)	9.4%	(9,765)	(7,997)	22.1%	(8,681)	12.5%	(435)	(394)	10.4%	(342)	27.2%	(149)	210	42	(15,001)	(12,266)	22.3%	(13,233)	13.4%
Impairment of other receivables	(1,079)	(1,115)	-3.2%	(1,052)	2.6%	27	(5)	NMF	(2)	NMF	(103)	(111)	-7.2%	(100)	3.0%	142	97	120	(1,013)	(1,133)	-10.6%	(1,034)	-2.0%
Other operating income	1,911	1,616	18.3%	1,290	48.1%	(88)	837	NMF	168	NMF	158	147	7.5%	273	-42.1%	(219)	(839)	(40)	1,762	1,761	0.1%	1,691	4.2%
EBITDA	21,019	18,341	14.6%	17,634	19.2%	15,236	12,430	22.6%	12,418	22.7%	649	108	NMF	2,686	-75.8%	-	-	-	36,905	30,879	19.5%	32,738	12.7%
EBITDA margin	25.7%	26.8%		24.3%		10.8%	10.2%		10.1%		4.7%	0.9%		18.9%					16.2%	15.6%		16.1%	
Depreciation and amortisation	(7,822)	(6,295)	24.3%	(7,903)	-1.0%	(628)	(459)	36.8%	(600)	4.7%	(184)	(212)	-13.2%	(184)	0.0%	-	-	-	(8,634)	(6,967)	23.9%	(8,687)	-0.6%
Net interest income (expense)	(7,675)	(5,185)	48.0%	(7,382)	4.0%	(3,373)	(2,941)	14.7%	(3,036)	11.1%	105	(177)	NMF	41	156.1%	-	-	-	(10,943)	(8,303)	31.8%	(10,377)	5.5%
Net gains/(losses) from foreign currencies	(50)	30	NMF	(154)	-67.5%	(1,565)	(2,871)	-45.5%	(3,487)	-55.1%	65	16	NMF	62	4.8%	-	-	-	(1,550)	(2,825)	-45.1%	(3,579)	-56.7%
Net non-recurring income/(expense)	(451)	(513)	-12.1%	-	NMF	(22)	(125)	-82.4%	(52)	-57.7%	-	-	-	-	-	-	-	-	(473)	(638)	-25.9%	(52)	NMF
Profit before income tax expense	5,021	6,378	-21.3%	2,195	128.7%	9,648	6,034	59.9%	5,243	84.0%	635	(265)	NMF	2,605	-75.6%	-	-	-	15,305	12,146	26.0%	10,043	52.4%
Income tax benefit/(expense)	37	-	-	-	-	-	(187)	NMF	-	-	(148)	-	NMF	(388)	-61.9%	-	-	-	(111)	(187)	-40.6%	(388)	-71.4%
Profit for the period	5,058	6,378	-20.7%	2,195	130.4%	9,648	5,847	65.0%	5,243	84.0%	487	(265)	NMF	2,217	-78.0%	-	-	-	15,194	11,959	27.1%	9,655	57.4%
Attributable to:																							
- shareholders of the Company	3,992	5,278	-24.4%	1,603	149.0%	5,445	2,774	96.3%	2,500	117.8%	487	(265)	NMF	2,217	-78.0%	-	-	-	9,925	7,785	27.5%	6,320	57.0%
- non-controlling interests	1,066	1,100	-3.1%	592	80.1%	4,203	3,073	36.8%	2,743	53.2%	-	-	-	-	-	-	-	-	5,269	4,174	26.2%	3,335	58.0%

Direct Cash flow, YTD

GEL thousands; unless otherwise noted

	FY18	FY17	Change, Y-o-Y
Cash flows from operating activities			
Healthcare services revenue received	269,992	229,871	17.5%
Cost of healthcare services paid	(152,208)	(138,691)	9.7%
Revenue from pharma received	500,593	426,672	17.3%
Cost of sales of pharmaceuticals paid	(401,157)	(342,385)	17.2%
Net insurance premiums received	51,161	50,251	1.8%
Net insurance claims paid	(28,141)	(40,035)	-29.7%
Salaries and other employee benefits paid	(79,341)	(75,500)	5.1%
General and administrative expenses paid	(56,167)	(49,935)	12.5%
Acquisition costs paid	(2,575)	(3,105)	-17.1%
Other operating income received	5,453	7,319	-25.5%
Other operating expenses paid	(7,190)	(5,891)	22.1%
Net cash flows from operating activities before income tax	100,420	58,571	71.5%
Income tax paid	(840)	(332)	153.0%
Net cash flows from operating activities	99,580	58,239	71.0%
Cash flows used in investing activities			
Acquisition of subsidiaries, net of cash acquired	(16,626)	(46,404)	-64.2%
Purchase of property and equipment	(60,986)	(78,468)	-22.3%
Purchase of intangible assets	(10,999)	(15,340)	-28.3%
Loans issued	-	(527)	NMF
Interest income received	1,112	2,607	-57.3%
Withdrawals and redemptions of amounts due from credit institutions	4,384	14,940	-70.7%
Placements of amounts due from credit institutions	(4,094)	(5,997)	-31.7%
Proceeds from sale of property and equipment	1,862	441	NMF
Net cash used in investing activities	(85,347)	(128,748)	-33.7%
Cash flows from financing activities			
Repurchase of debt securities issued	-	(34,197)	NMF
Proceeds from debt securities issued	-	89,011	NMF
Proceeds from borrowings	83,241	217,121	-61.7%
Repayment of borrowings	(61,818)	(139,343)	-55.6%
Payment of finance lease liabilities	(736)	(3,110)	-76.3%
Purchase of treasury shares	(3,055)	(1,950)	56.7%
Dividends paid to non-controlling interests	(9,801)	(553)	NMF
Interest expense paid	(34,748)	(30,332)	14.6%
Net cash flows from financing activities	(26,917)	96,647	-127.9%
Effect of exchange rates changes on cash and cash equivalents	(2)	(537)	-99.6%
Net increase /(decrease) in cash and cash equivalents	(12,686)	25,601	NMF
Cash and cash equivalents, beginning	48,840	23,239	110.2%
Cash and cash equivalents, end	36,154	48,840	-26.0%

Selected Balance Sheet items

<i>GEL thousands; unless otherwise noted</i>	<u>Healthcare services</u>					<u>Pharma</u>					<u>Medical insurance</u>				
	31-Dec-18	31-Dec -17	Change, Y-o-Y	30-Sep-18	Change, Q-o-Q	31-Dec-18	31-Dec -17	Change, Y-o-Y	30-Sep-18	Change, Q-o-Q	31-Dec-18	31-Dec -17	Change, Y-o-Y	30-Sep-18	Change, Q-o-Q
Assets:															
Cash and bank deposits	18,293	43,081	-57.5%	9,303	96.6%	17,305	10,464	65.4%	10,626	62.9%	12,363	10,063	22.9%	11,971	3.3%
Property and equipment	651,531	610,810	6.7%	644,907	1.0%	31,292	26,212	19.4%	28,549	9.6%	15,214	5,837	160.6%	15,022	1.3%
Inventory	18,240	19,873	-8.2%	16,824	8.4%	127,924	98,938	29.3%	98,840	29.4%	-	-	-	-	-
Liabilities:															
Borrowed Funds	284,001	262,772	8.1%	280,739	1.2%	100,423	88,145	13.9%	96,988	3.5%	5,966	9,586	-37.8%	6,957	-14.2%
Accounts payable	37,859	53,458	-29.2%	33,274	13.8%	79,772	63,387	25.8%	52,014	53.4%	-	-	-	-	-

Selected Balance Sheet items

<i>GEL thousands; unless otherwise noted</i>	<u>Consolidation and eliminations</u>			<u>GHG</u>				
	31-Dec-18	31-Dec -17	30-Sep-18	31-Dec-18	31-Dec -17	Change, Y-o-Y	30-Sep-18	Change, Q-o-Q
Assets								
Cash and bank deposits	-	-	-	47,961	63,608	-24.6%	31,900	50.3%
Property and equipment	-	-	(2,728)	698,037	642,859	8.6%	685,750	1.8%
Inventory	-	-	-	146,164	118,811	23.0%	115,664	26.4%
Liabilities:								
Borrowed Funds	-	-	-	390,390	360,503	8.3%	384,684	1.5%
Accounts payable	(12,539)	(23,920)	(8,479)	105,092	92,925	13.1%	76,809	36.8%

Selected ratios and KPIs

Selected ratios and KPIs

	4Q18	4Q17	3Q18	FY18	FY17		4Q18	4Q17	3Q18	FY18	FY17
GHG						Pharmacy and distribution					
EPS, GEL	0.08	0.06	0.05	0.27	0.23	EBITDA margin	10.8%	10.2%	10.1%	10.1%	8.6%
ROIC (%)	12.0%	11.0%	10.6%	11.0%	10.8%					27.10m	
ROIC adjusted ¹ (%)	14.3%	13.2%	14.0%	14.0%	13.9%	Number of bills issued	7.15mln	6.57mln	6.52mln	ln	25.28mln
Group rent expenditure	5,144	4,302	4,866	19,488	18,613	Average bill size	13.9	13.6	13.2	13.4	13.3
<i>of which, Pharma</i>	<i>4,442</i>	<i>4,174</i>	<i>3,868</i>	<i>16,839</i>	<i>16,912</i>	Revenue from wholesale as a percentage of total revenue from pharma	25.8%	25.3%	26.2%	25.9%	25.3%
Group capex (maintenance)	4,050	2,081	2,601	11,091	9,604	Revenue from retail as a percentage of total revenue from pharma	74.2%	74.7%	73.8%	74.1%	74.7%
Group capex (growth)	11,003	15,679	5,498	52,561	79,720	Revenue from para-pharmacy as a percentage of retail revenue from pharma	30.1%	30.2%	32.2%	29.6%	29.3%
Number of employees	15,922	15,078	15,643	15,922	15,078	Number of pharmacies	270	255	267	270	255
Number of physicians	3,603	3,496	3,592	3,603	3,496	Medical insurance					
Number of nurses	3,342	3,205	3,313	3,342	3,205	Loss ratio	78.2%	83.2%	64.8%	77.3%	84.2%
Nurse to doctor ratio, referral hospitals	0.93	0.92	0.92	0.93	0.92	Expense ratio, <i>of which</i>	18.5%	17.6%	17.6%	16.8%	18.3%
Number of pharmacists	3,339	2,942	2,859	3,339	2,942	<i>Commission ratio</i>	5.7%	7.0%	5.5%	5.2%	6.3%
Total number of shares	131,681,820	131,681,820	131,681,820	131,681,820	131,681,820	Combined ratio	96.6%	100.8%	82.4%	94.0%	102.5%
Less: Treasury shares	(2,937,273)	(3,379,629)	(2,763,916)	(2,937,273)	(3,379,629)	Renewal rate	65.8%	71.8%	76.8%	69.7%	76.9%
Shares outstanding	128,744,547	128,302,191	128,917,904	128,744,547	128,302,191						
<i>Of which:</i>											
Total free float	53,994,727	53,183,688	53,799,401	53,994,727	53,183,688						
Shares held by Georgia Capital PLC	74,749,820	75,118,503	75,118,503	74,749,820	75,118,503						
Healthcare services											
EBITDA margin of healthcare services	25.7%	26.8%	24.3%	24.9%	26.4%						
Direct salary rate (direct salary as % of revenue)	35.6%	35.7%	36.8%	35.8%	36.0%						
Materials rate (direct materials as % of revenue)	16.0%	15.1%	14.9%	15.5%	15.4%						
Administrative salary rate (administrative salaries as % of revenue)	10.9%	11.6%	12.1%	11.5%	11.7%						
SG&A rate (SG&A expenses as % of revenue)	5.7%	6.0%	5.9%	5.9%	6.2%						
Number of hospitals	37	37	37	37	37						
Number of polyclinics	16	16	16	16	16						
Number of beds	3,320	3,014	3,320	3,320	3,014						
Number of referral hospital beds	2,825	2,519	2,825	2,825	2,519						
Bed occupancy rate, referral hospitals ²	57.9%	60.4%	51.7%	56.2%	61.6%						
Bed occupancy rate, referral hospitals excluding Tbilisi Referral Hospital and Regional Hospital beds ²	63.2%	63.1%	58.5%	63.3%	64.5%						
Average length of stay (days), referral hospitals ³	5.3	5.5	5.4	5.4	5.5						

(1) Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase

(2) Excluding emergency beds

(3) Excludes data for Emergency beds



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