

GEORGIA  
HEALTHCARE  
GROUP

# Investor Presentation

*Fourth quarter and full year of 2017 results*

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

*February 2018*  
*ghg.com.ge*



⌘ **GHG | Overview and strategy**

⌘ GHG | Results discussion – 4Q17 and FY17

⌘ 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:** 24.5% market share by number of beds (3,014)<sup>2</sup>. The number of beds will reach to 3,320 as a result of launch of Deka hospital in next few days
- ✓ **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:** 29.0% market share<sup>(4)</sup>, c.155,000 individuals insured as at January 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, 24 express outpatient clinics, and 255 pharmacies
- ✓ **Institutionalising the industry:** strong corporate governance; standardised processes; improving safety and quality by implementing the Joint Commission International ("JCI") benchmarked standards; own personnel training center

## 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: 15,078 full time employees, including 3,496 physicians, 3,205 nurses and 834 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

## 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\$39,800 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 2007-17F. 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

## GEORGIA HEALTHCARE GROUP

## 3 Strong management with proven track record

- ✓ **Strong business management team – an increased market share by beds from under 1% in 2009 to 24.5% currently,** with a built-in additional development capacity (Deka hospital)
- ✓ **Robust corporate governance:** exceptional in Georgia's healthcare sector, as it is the only Premium Listed company in the Georgian corporate industry (LSE:GHG LN)<sup>(12)</sup>; 57% shareholder is BGEO Group PLC – listed on the Premium segment of the Main Market of the London Stock Exchange (LSE:BGEO), part of the FTSE 250 index. 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**

### Sources:

- (1) Georgia Healthcare Group established in Georgia and in UK
- (2) National Center for Disease Control ("NCDC"). Data as of December 2016, updated by GHG to include the changes before 31 December 2017
- (3) Market size Frost and Sullivan analysis
- (4) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia ("ISSSG") as of 30 September 2017
- (5) Geostat.ge, data as of 2015. The coverage refers to the geographic areas served by GHG facilities
- (6) Frost and Sullivan analysis

(7) NCDC statistical yearbook 2016

(8) GHG internal reporting 2017. Revenue per referral hospital bed excludes data of newly launched Tbilisi Referral Hospital

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

(10) Ranked #9 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

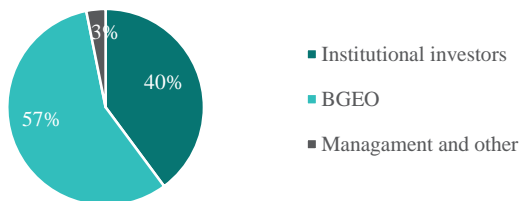


# GHG – shareholder structure and share price

## Investors

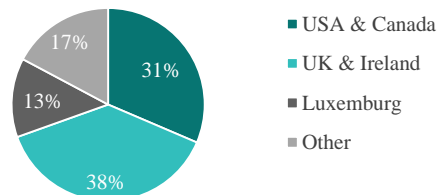
### Strong support from institutional investors at IPO<sup>(1)</sup>

Institutional Investors represent 40% of the shareholders



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

UK & Ireland – 38%  
USA & Canada – 31%  
Luxemburg – 13%  
Other – 17%

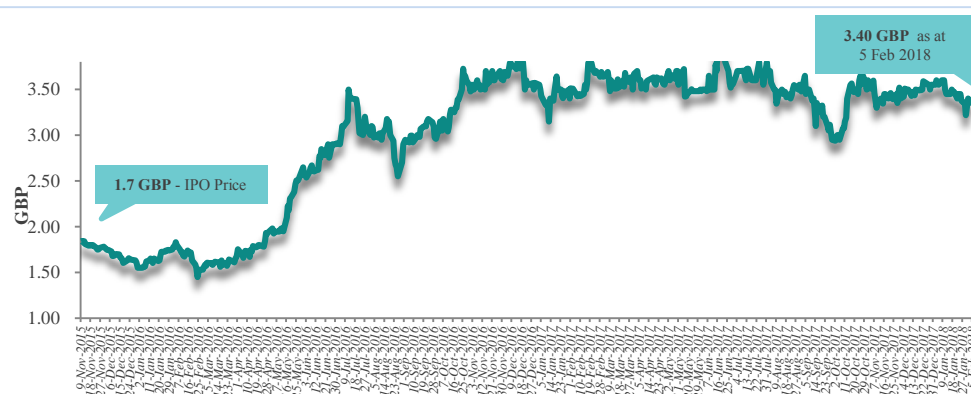


### Top Investors <sup>(1)</sup>

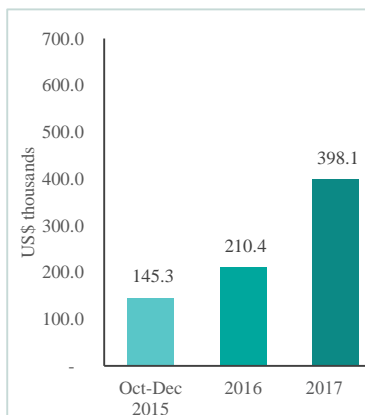
BGE0	57.0%
Wellington Management	7.4%
T – Rowe Price	6.1%

## Stock trading performance

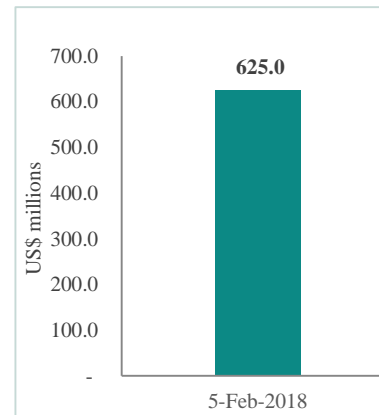
### Stock Price Performance<sup>(2)</sup>



### Average trading daily volume



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



Note: (1) As of 29 December 2017

(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 5 February 2018

(3) Source: Bloomberg; Market Capitalisation of GHG as of 5 February 2018, GBP/USD exchange rate 1.3959

## 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 2017	GEL 1.2bln addressable <sup>(1)</sup>			GEL 0.7bln <sup>(2)</sup>	GEL 1.5bln <sup>(2)</sup>	GEL 0.2bln <sup>(3)</sup>
Market Share	21% by revenue 24.5% by beds (total 3,014 beds)			2% by revenue	30% by revenue	29% by revenue
Selected Operating Data 2017	<p>84% 16 hospitals 2,519 beds</p>	<p>16% 21 hospitals 495 beds</p>	12 clusters with 16 district Polyclinics 24 express outpatient clinic	255 pharmacies in major cities	c.155,000 individuals insured as at January, 2018	
Financials 2017	<b>Gross Revenue</b> GEL 747.8mln <sup>(4)</sup>	<p>29% 2012-2017 CAGR 43% GEL 225.5 mln</p>	<p>3% 2012-2017 CAGR 12% GEL 22.1 mln</p>	<p>2% 2012-2017 CAGR 31% GEL 15.7 mln</p>	<p>59% 2012-2017 CAGR -5% GEL 450.3 mln</p>	<p>7% 2012-2017 CAGR -5% GEL 53.7 mln</p>
	<b>EBITDA</b> GEL 108.1mln <sup>(4)</sup>	<p>62% 2012-2017 CAGR 51% GEL 67.6 mln</p>	<p>2% 2012-2017 CAGR 30% GEL 2.0 mln</p>	<p>36% 2012-2017 CAGR 30% GEL 38.9 mln</p>	<p>0% 2012-2017 CAGR 30% GEL -0.4 mln</p>	
	<b>EBITDA Margin: 27.4%</b>			<b>EBITDA Margin: 13.2%</b>	<b>EBITDA Margin: 8.6%</b>	<b>EBITDA Margin: -0.8%</b>

Sources:

- (1) Frost & Sullivan analysis, 2017. Market adjusted by the company to exclude the revenue from specialty beds - addressable market  
 (2) Frost & Sullivan analysis 2017. Polyclinics market excludes revenue from dental and aesthetic services

- (3) ISSSG, 9M17 annualised  
 (4) Net of intercompany eliminations



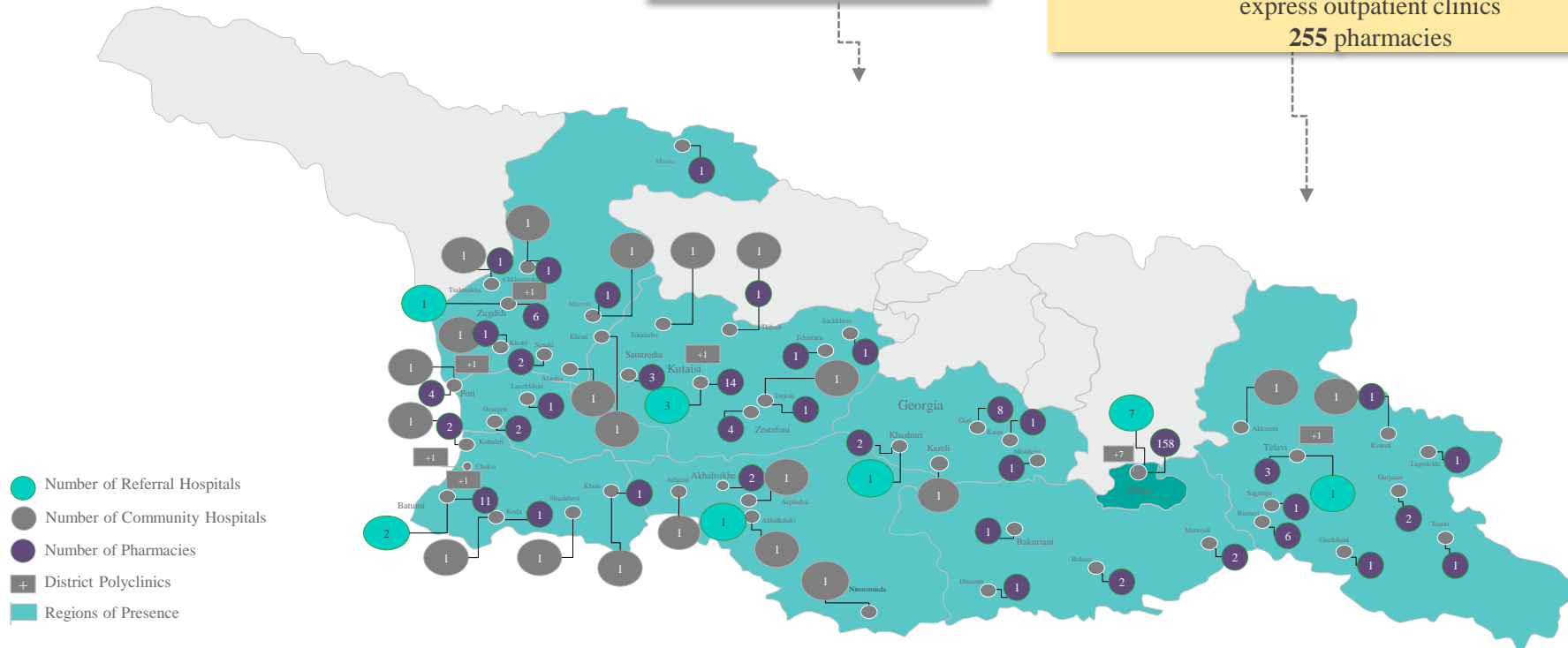
## Broad geographic coverage and diversified healthcare services and pharmacy network covering 3/4 of Georgia's population

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

Network of healthcare facilities and pharmacies

3/4 of population covered

3,014 hospital beds  
16 referral hospitals  
21 community hospitals  
12 polyclinic clusters with 16 district polyclinic and 24 express outpatient clinics  
255 pharmacies





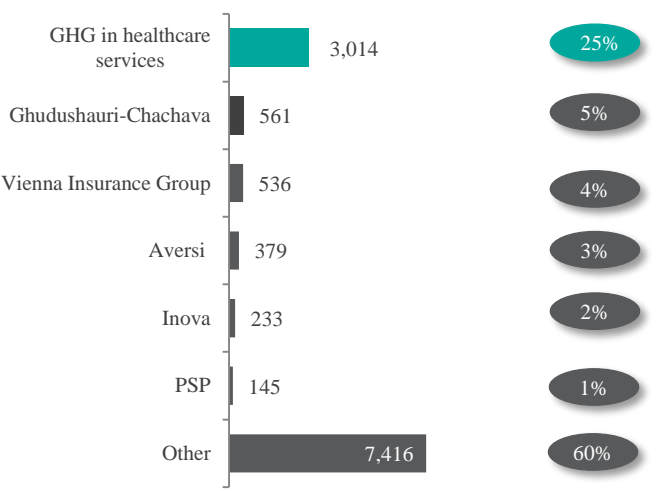
# Clear market leader (2/2) in a fragmented competitive landscape

*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*



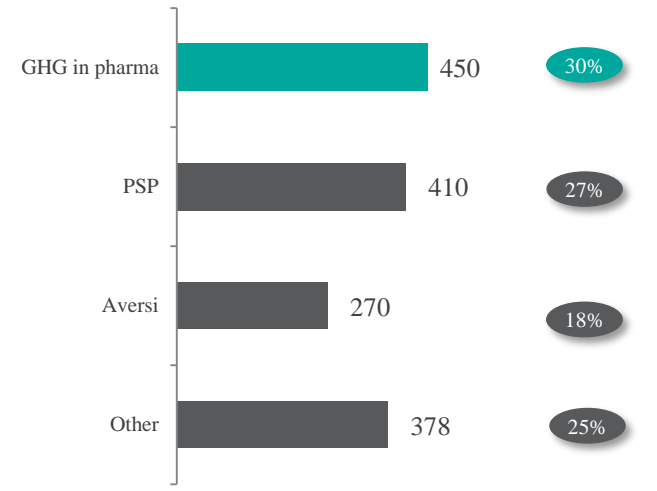
## Healthcare services (Hospitals)

(Number of Beds as of Dec 2017)<sup>(1)</sup>



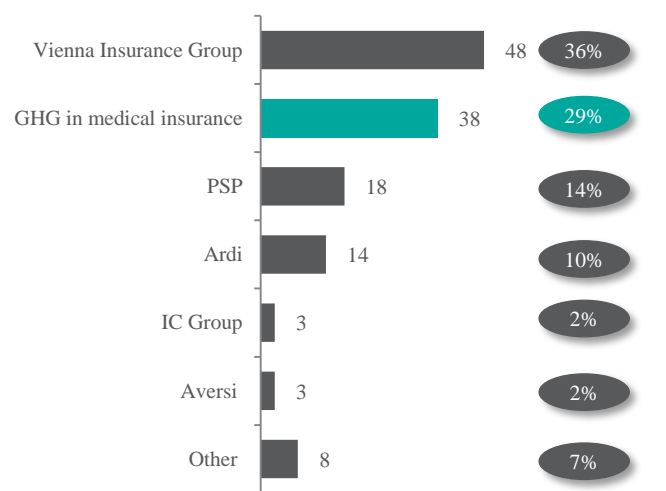
## Pharma

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



## Medical Insurance

(Gross premium revenue, GEL millions as of 30 Sep 2017)<sup>(3)</sup>

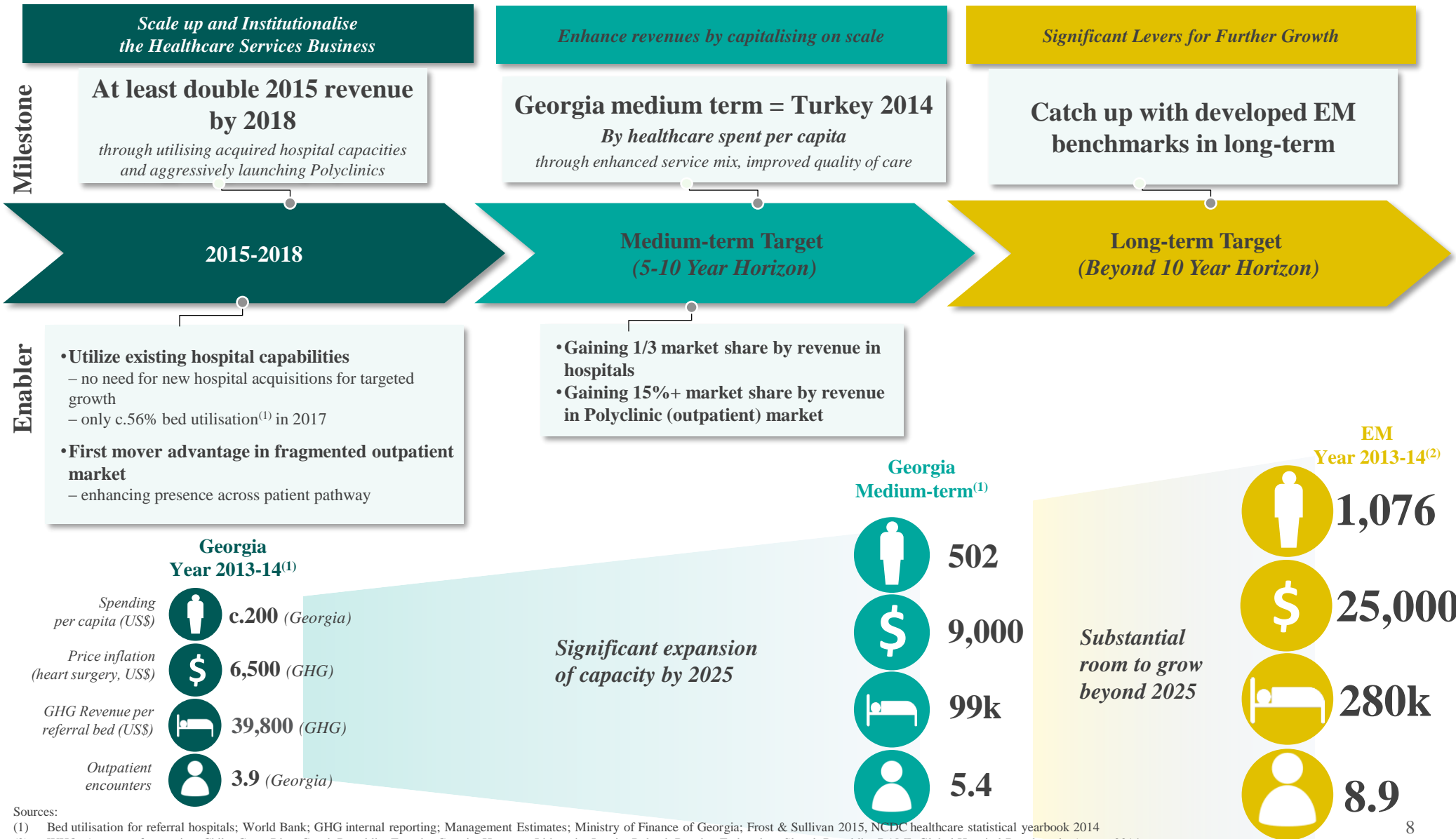


Market share

Sources:  
 (1) NCDC, data as of December 2016, updated by GHG to include changes before 30 December 2017; excluding speciality beds  
 (2) Total market Frost & Sullivan analysis 2017. Revenue distribution between competitors represents managements estimates.  
 (3) Insurance State Supervision Service Agency of Georgia as of 30 September 2017



# Healthcare services - long-term, high-growth story







# Long-term, high-growth prospects

## *Accelerated revenue market share growth*

Segment	Hospitals	Polyclinics	Pharma	Insurance
Market Addressable (2017)	GEL 1.2bln	GEL 0.7bln	GEL 1.5bln	GEL 0.2bln*
Market shares	by revenue   by beds	by revenue	by revenue	by revenue
2017	21%   25%	2%	30%	29%
YE2018	c.25%   28%	c.5%	30%+	30%+
Long-term	30%+	c.15%+	30%+	30%+



# Focused growth strategy through 2018

Segment	Hospitals	Polyclinics	Pharma	Insurance
Market share Targets 2018	25%   28% by revenue   by beds	c.5% by revenue	30%+ by revenue	30%+ by revenue
Medium to long term P&L targets	gradually improving to c.30% EBITDA margin		8.0%+ EBITDA margin	<ul style="list-style-type: none"> <li>Combined ratio &lt;97%</li> <li>Claims retained within GHG &gt;50%</li> </ul>
Key focus areas in medium-term	<ol style="list-style-type: none"> <li>Enhancing footprint in Tbilisi</li> <li>Strengthening existing services in elective care (Investing in key doctors)</li> <li>Filling service gaps (Mental health, Home care, etc.)</li> <li>Developing fee business line</li> <li>Enhancing digital channels</li> </ol>	<ol style="list-style-type: none"> <li>Accelerated footprint growth</li> <li>Increasing number of registered customers</li> <li>Sales growth through various channels (new services, corporates, state)</li> <li>Enhancing digital channels</li> </ol>	<ol style="list-style-type: none"> <li>Enhancing retails footprint</li> <li>Enhancing retail margin (synergies; private label)</li> <li>Growing wholesale revenue</li> <li>Enhancing digital channels and customers loyalty</li> </ol>	<ol style="list-style-type: none"> <li>Portfolio re-pricing and cost-efficiencies</li> <li>Redirecting more patients to GHG Polyclinics &amp; pharmacies</li> </ol>



# Focused growth strategy in healthcare services business

## *Increasing footprint in capital with 332-bed first class Tbilisi Referral Hospital*

In April 2017, we launched the hospital with 220 beds, which has already generated a 36.7% occupancy rate in 4Q17. The remaining part of the hospital was launched in December 2017, with an additional 112 renovated beds.

**Before Renovation**  
*January 2016*



**After Renovation**  
*October 2017*



### Highlights

**Target population:**

- East Part of Tbilisi (350K Population)
- Capturing referrals from East Georgia (350K Population)

**Project details:**

- 332 Bed hospital
- 2.7 hectares
- 11 Operating Rooms

**Services offered:**

Full spectrum of inpatient and outpatient services, including:

- Cardio surgery
- Vascular surgery
- Neurosurgery
- General surgery
- Nephrology (including Dialysis)
- Gynaecology
- Obstetrics
- Orthopaedics
- Paediatrics
- Multi segmented Intensive Care Unit (“ICU”)
- Emergency (“ER”)
- Rehabilitation
- Diagnostics

**Services to be launched soon:**

- Psychiatry unit
- Palliative medicine
- Pain centre
- Transplantology



# Focused growth strategy in healthcare services business

## *Increasing footprint in capital with 306-bed flagship Deka Hospital*

The renovation of the 306-bed Deka hospital is now complete. The hospital has been already commissioned and will be launched in February 2018.

**Before Renovation**  
*January 2016*



**After Renovation**  
*October 2017*



### Highlights

**Target population:**

- Medium and high income patient
- Opportunity for medical tourism

**Project details:**

- 306 Bed hospital
- 2.4 hectares
- Targeting JCI Accreditation

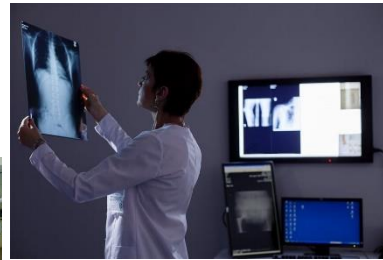
**Services offered:**

Full spectrum of inpatient and outpatient services, including:

- Cardio surgery
- Vascular surgery
- Neurosurgery
- General surgery
- Minimal invasive surgical centre
- Gynaecology
- Orthopaedics
- Ophthalmology
- Urology
- Oncology
- Haematology
- ICU
- ER
- Telemedicine
- Diagnostics

# Investing in and developing high quality elective care services

Developing new, high-quality medical services, particularly focusing on elective care, to cover existing service gaps in Georgia. In 2017 we launched 54 new services and in 2018 we also plan to launch up to 50 new services.



Launched 60 new services

2016

Including:

- In vitro Fertilization
- Kids Cardio Surgery
- Oncology Centre

Launched 54 new services

2017

Including:

- Bone Marrow Transplant
- Children's Oncology
- Onco surgery

Up to 50 services in the pipeline

2018

Including:

- Bariatric Surgery
- Mental Health
- Home care

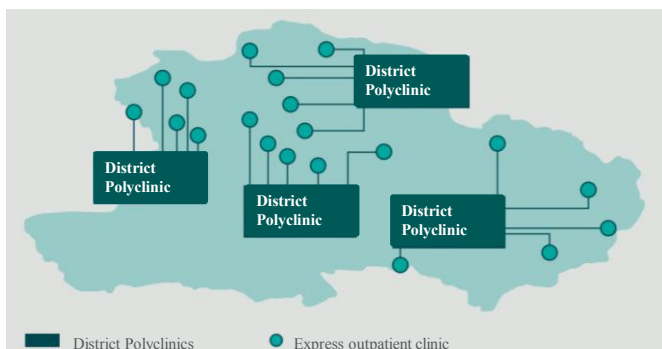
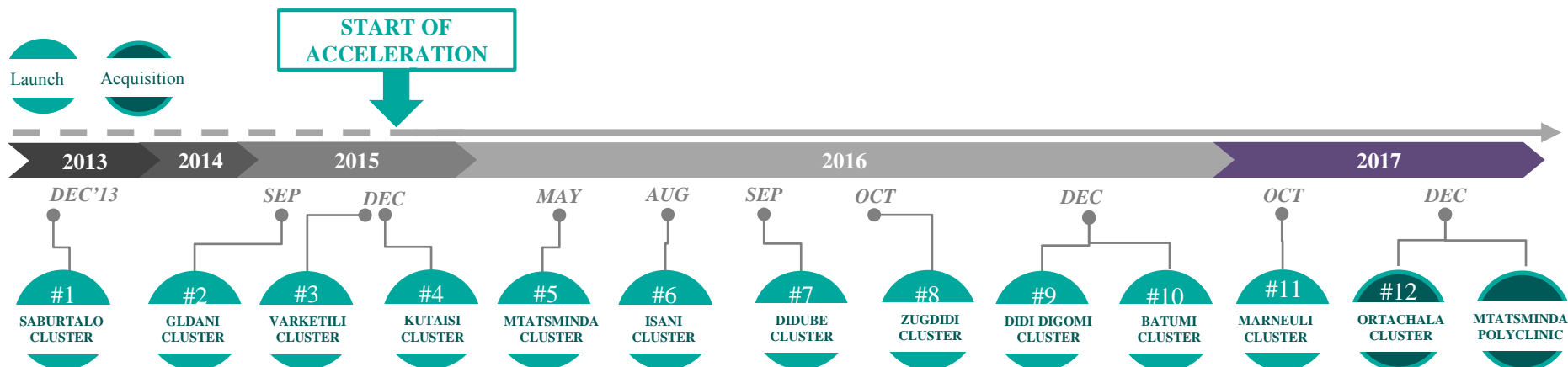
Also some basic services that are not presented in some of our regional hospitals, such as: neonatology, diagnostics, ophthalmology, mammography and breast surgery, gynaecology, cardio-surgery, traumatology, angio-surgery, maternity



# Focused growth strategy in outpatient market

## Increase in the 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.93,000. 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.



### 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



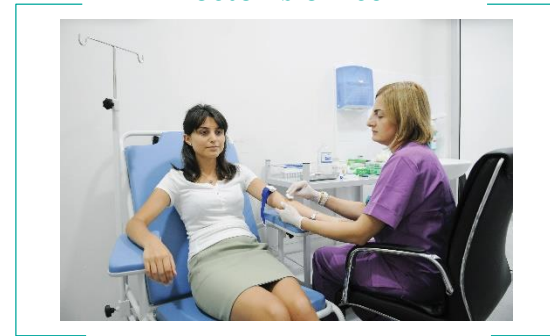
Express outpatient clinic, Tbilisi, December 2014

## Doctor's office



9th polyclinic, Tbilisi, September 2015

## Doctor's office

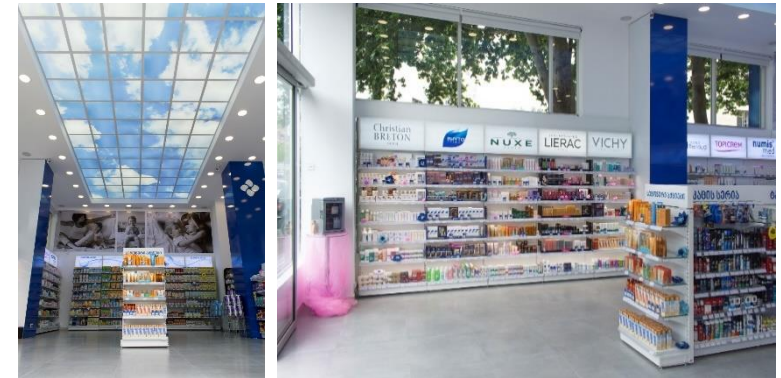
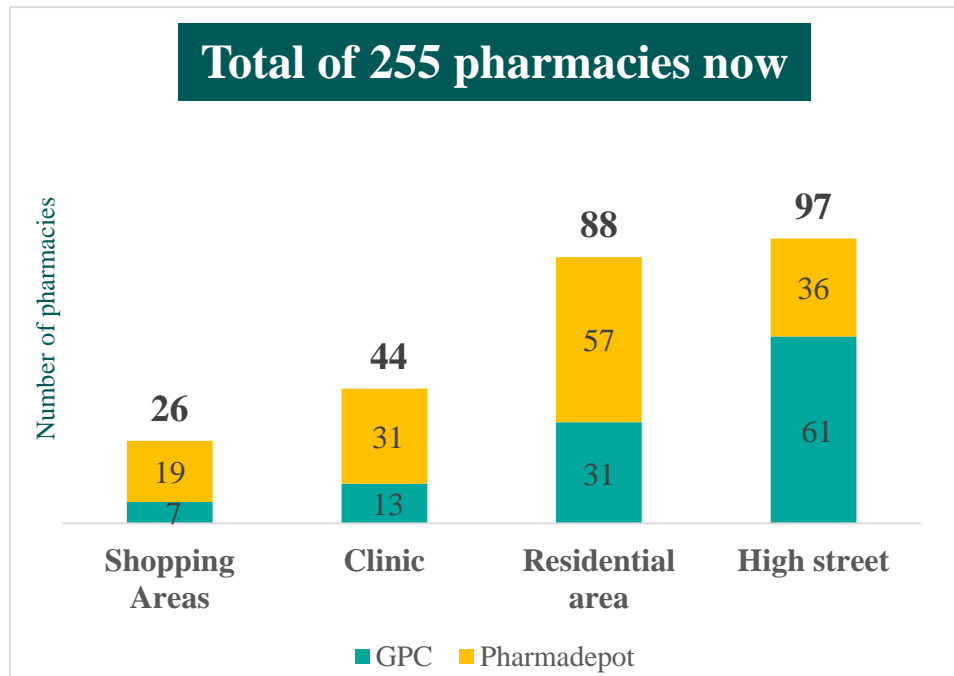


Express outpatient clinic, Tbilisi, December 2014



## GPC & Pharmadepot retail footprints complement each other

While GPC is a well established retailer with significant presence on high street, Pharmadepot is better represented in residential areas



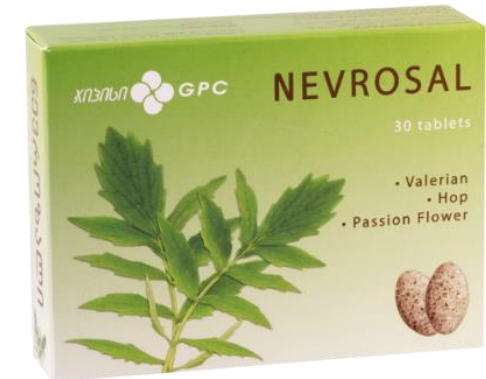
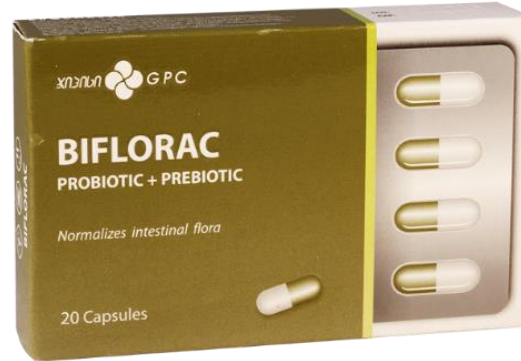
New concept GPC pharmacy store opened in 2017

**Heading to 300  
pharmacies over two  
years**





One of the top priorities in our pharma business is to increase profitability by increasing revenue share of private label products



34 private label medicines are presented in our pharmacies, out of which 18 products were added during the 2017 - sales c.GEL 3 million.



## 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
- 263 residents in 24 specialties
- 2 Major hospitals constructed

✓

Quality control framework up and  
running

✓

More than 1000 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 – 4Q17 and FY17**

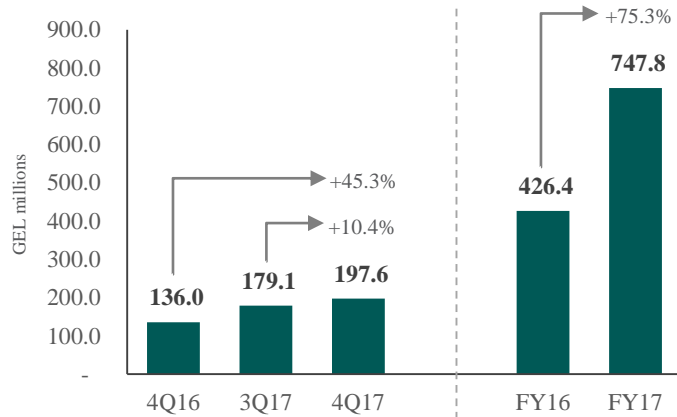
⌘ Macroeconomic and Industry Overview

⌘ Annexes



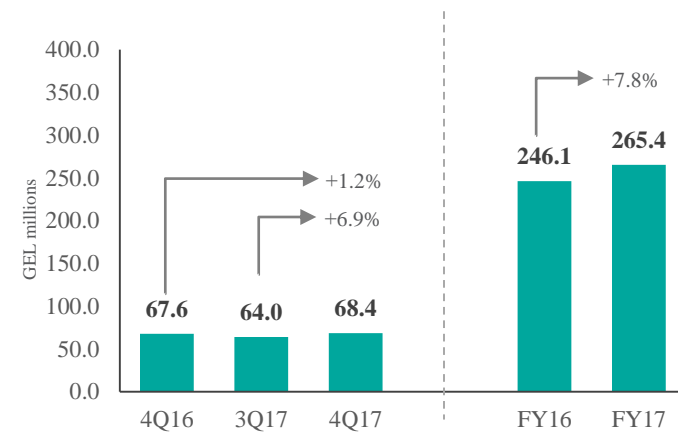
# GHG y-o-y revenue growth was driven by consolidating the pharma business

## Revenue – GHG\*



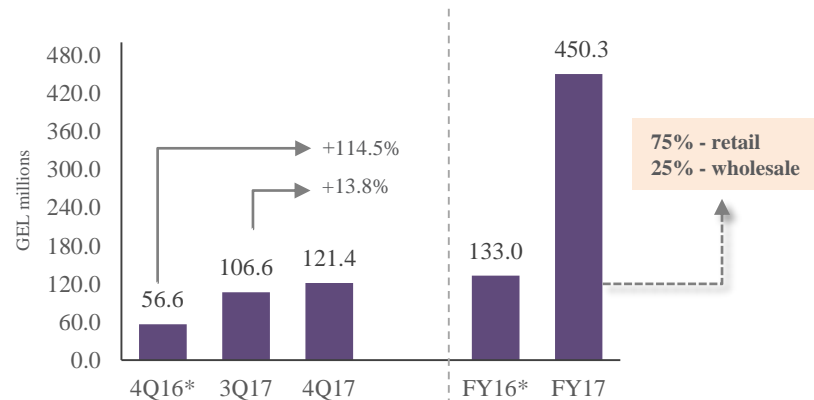
\* Gross revenue including corrections and rebates and is net of intercompany eliminations

## Revenue – Healthcare services business \*



\* Gross revenue including corrections and rebates

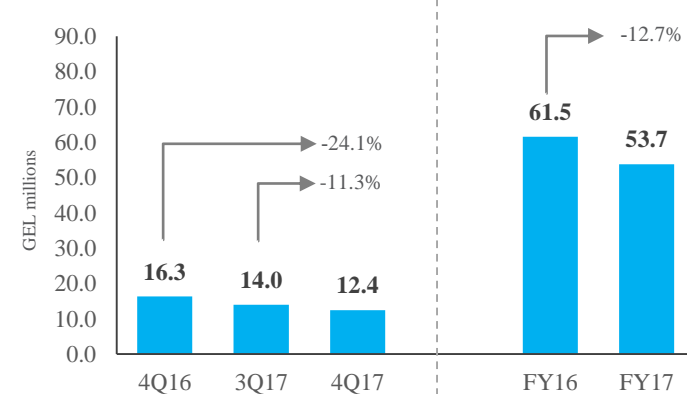
## Revenue – Pharma business\*



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting

## Revenue – Medical insurance business

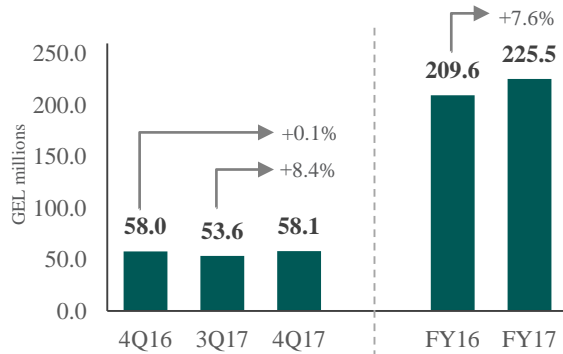




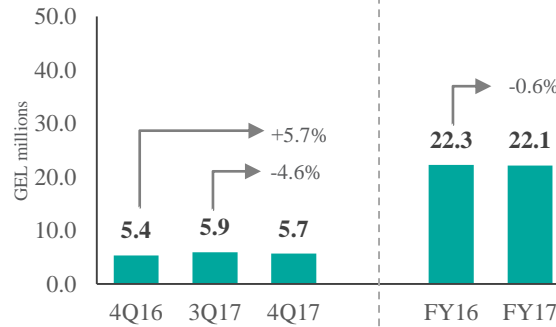
# In healthcare services business we made a strong progress towards diversifying our revenue stream by payment sources, out-of-pocket revenue up 32.4% y-o-y

## Healthcare services revenue breakdown by segments

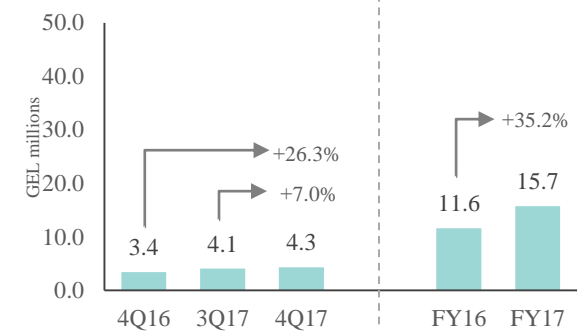
### Referral hospitals



### Community hospitals

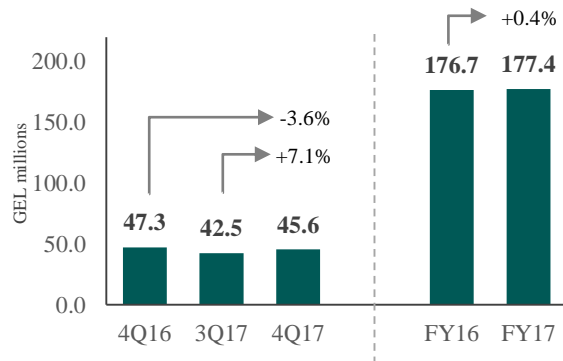


### Polyclinics

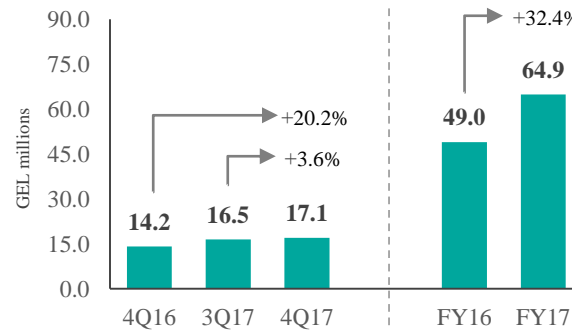


## Healthcare services revenue breakdown by source of payments

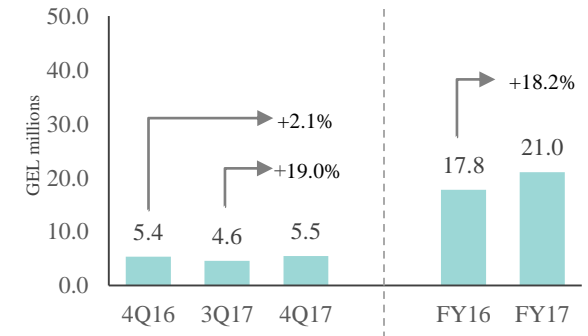
### Government-funded



### Out-of-pocket



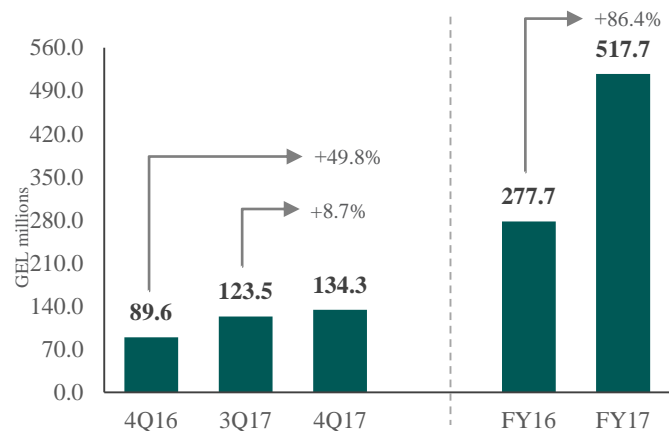
### Medical insurance





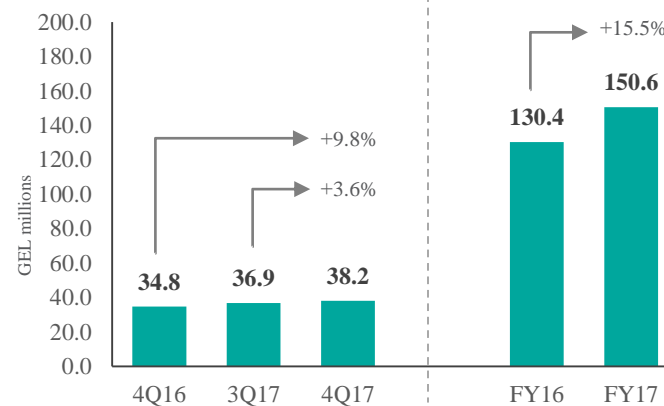
# GHG cost of services growth follows the pharma acquisition

## Cost of services – GHG\*

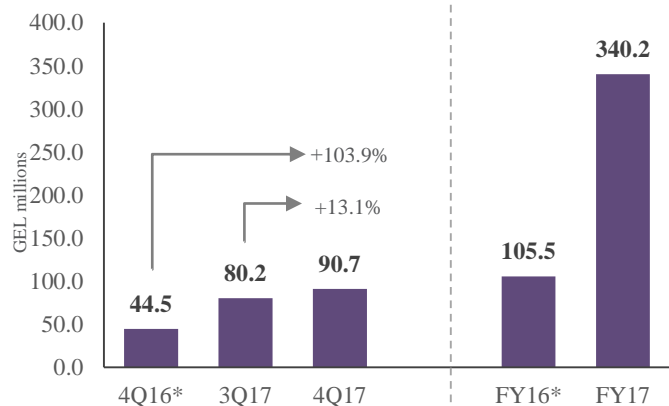


\* Net of intercompany eliminations

## Cost of services – Healthcare services business



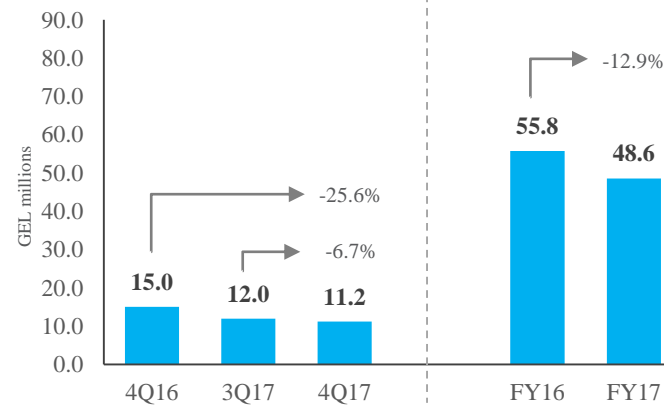
## Cost of services – Pharma business\*



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting

## Cost of services – Medical insurance business

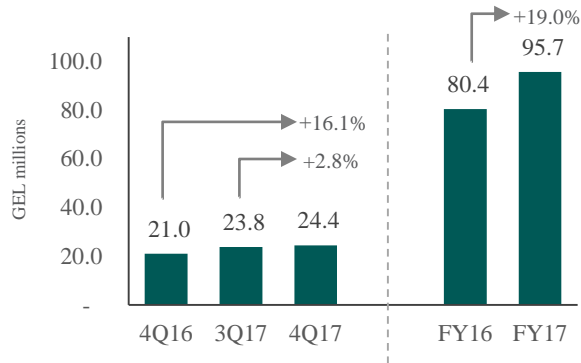




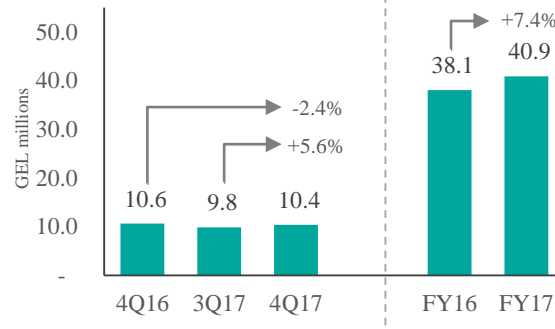
# The growth in cost of services in the healthcare services business was mainly driven by the cost of salaries and other employee benefits

## Healthcare services cost of services breakdown

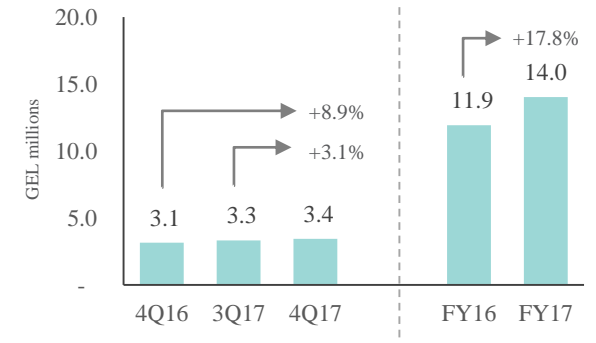
### Cost of salaries and other employee benefits



### Cost of materials and supplies

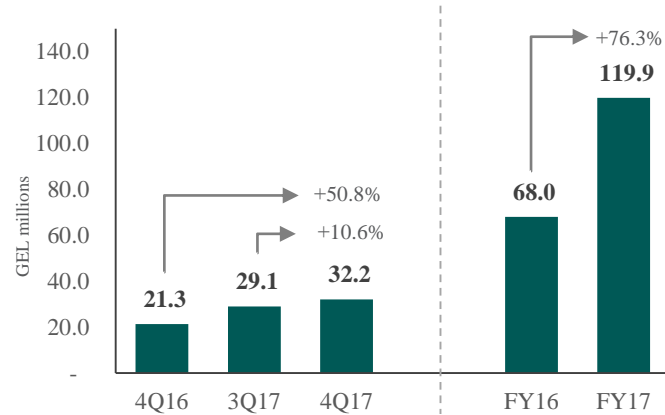


### Cost of utilities, providers and other

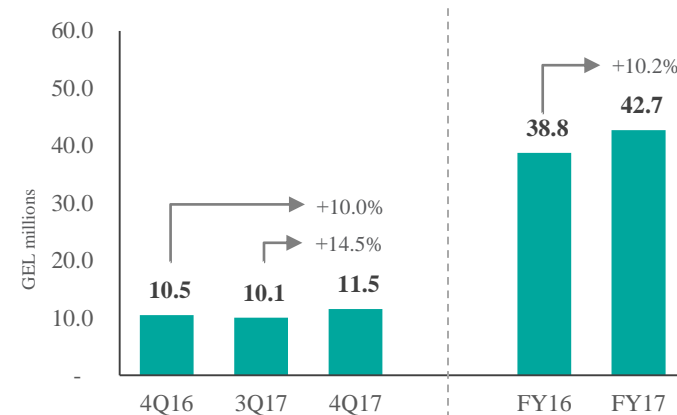


# GHG operating expenses growth mainly due to the pharma acquisition

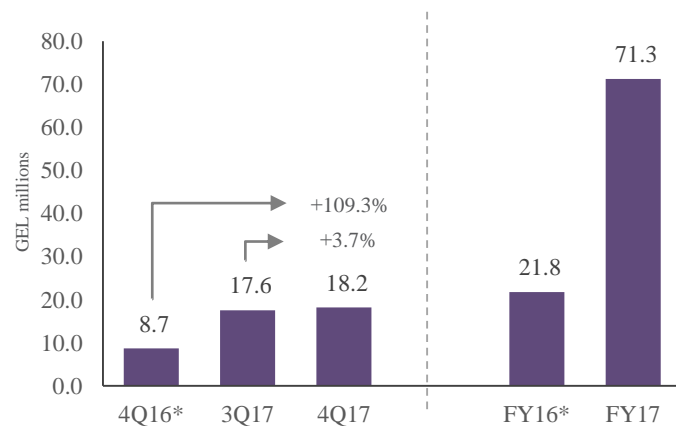
## Operating expense – GHG



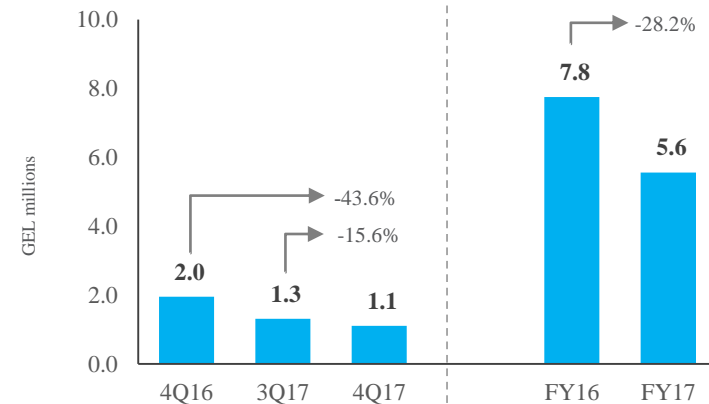
## Operating expense – Healthcare services business



## Operating expense – Pharma business\*



## Operating expense – Medical insurance business



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May  
Source: GHG Internal Reporting

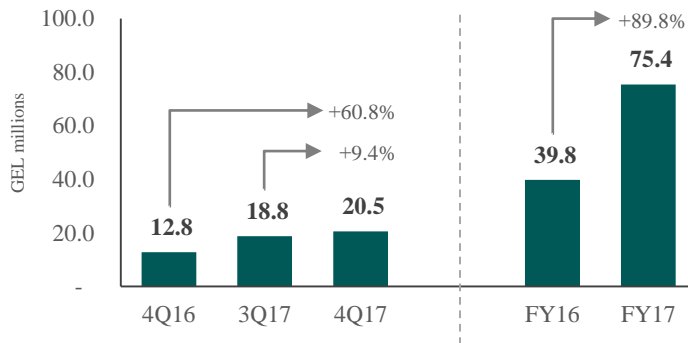




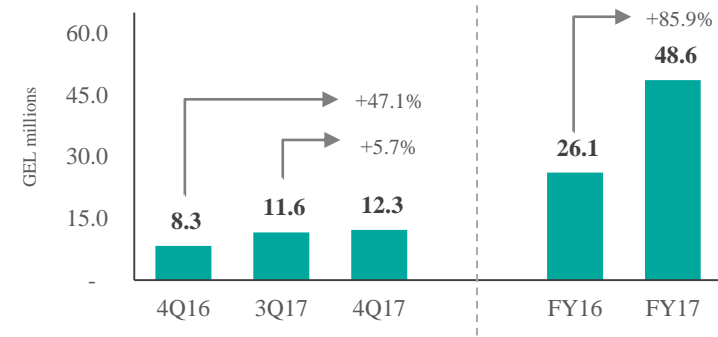
# The main operating cost drivers of GHG are the salaries and other employee benefits and the G&A

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

### Salaries and other employee benefits



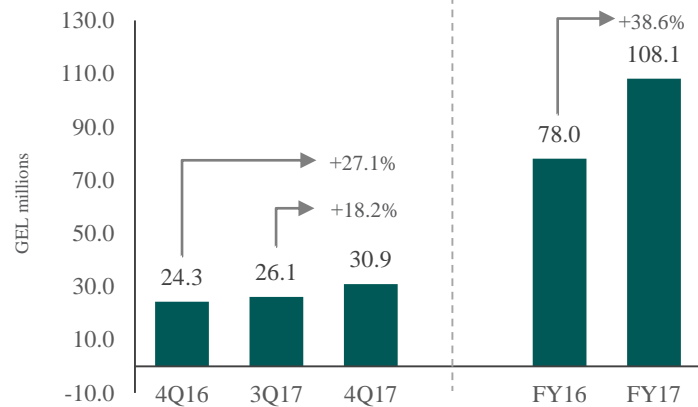
### General and administrative expenses



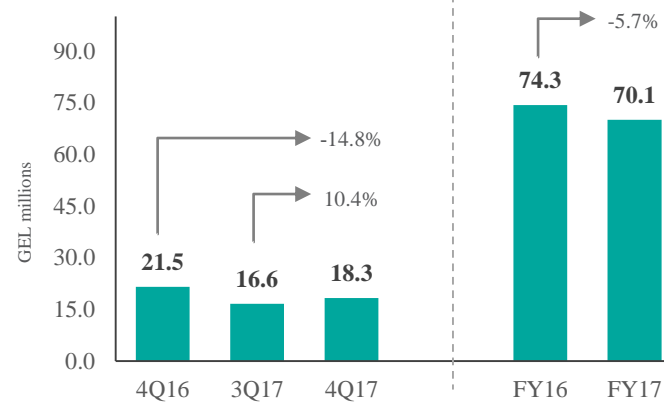


# EBITDA - GHG reported 2017 EBITDA of GEL 108.1 million

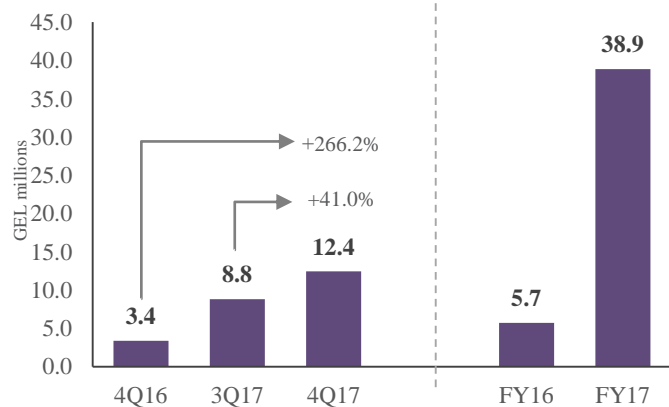
## EBITDA – GHG\*



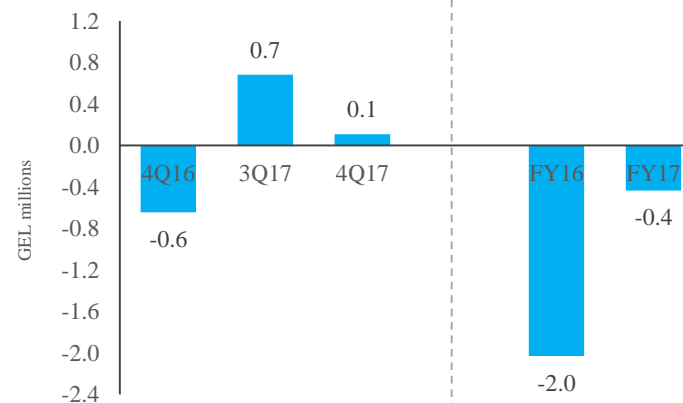
## EBITDA – Healthcare services business



## EBITDA – Pharma business\*



## EBITDA – Medical insurance business



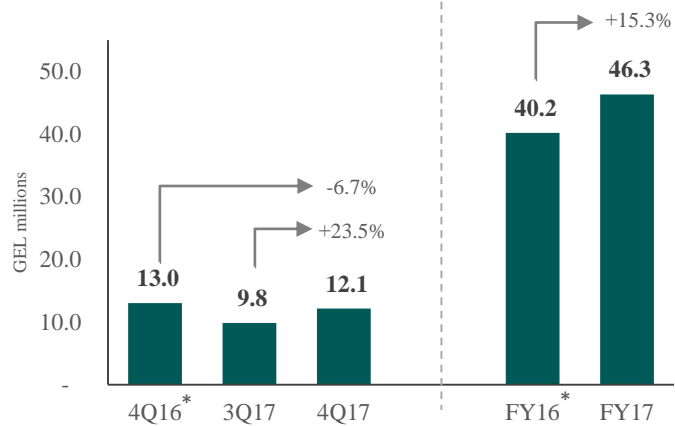
\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting

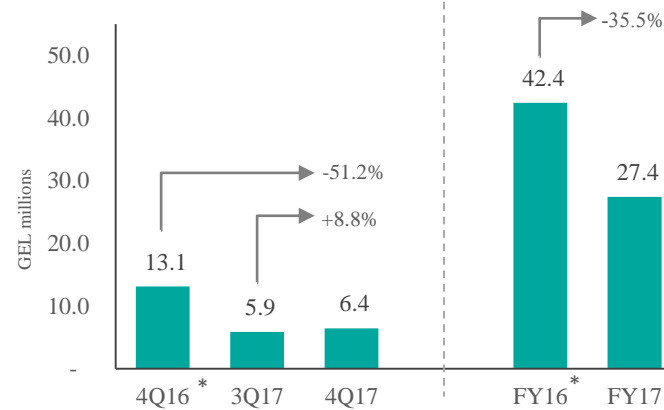


# Profit before tax- GHG reported 2017 profit before tax of GEL 46.3 million

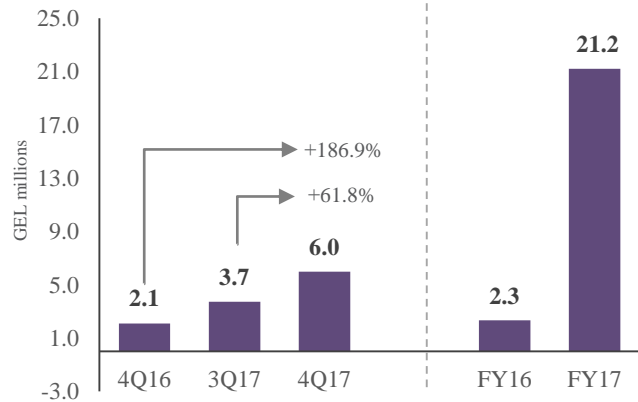
## Profit before tax – GHG\*



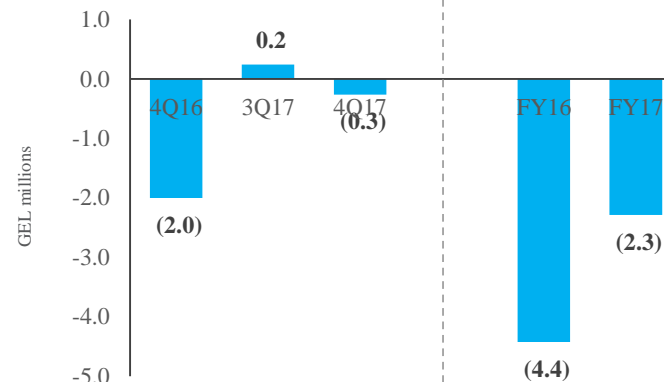
## Profit before tax – Healthcare services business



## Profit before tax – Pharma business\*



## Profit before tax – Medical insurance business



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May  
Source: GHG Internal Reporting



# Capex – Key driver for our 2016-2018 strategy

## Capex 2014-2017

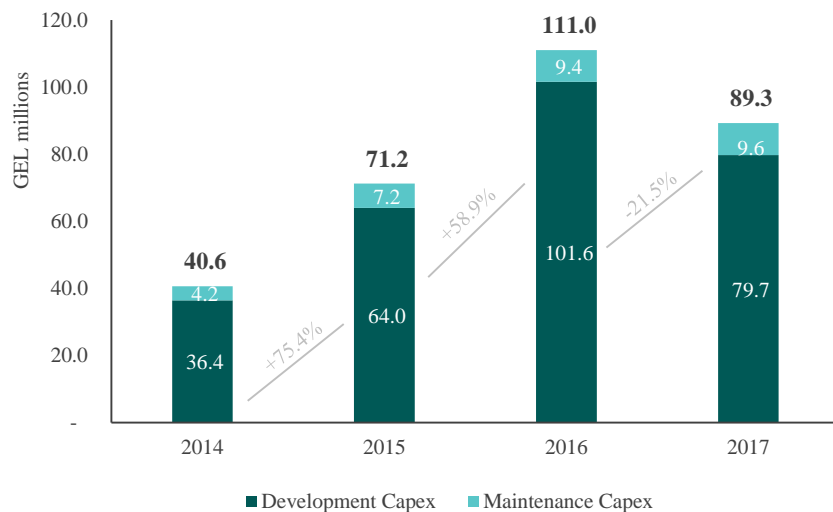
Maintenance capex as % of healthcare service revenue

2.8%

3.7%

3.8%

3.6%



## Capex 2016-2018 Strategy and performance

- During 2017 we spent a total of GEL 89.3 million on capital expenditures, from which:
  - Development Capex was 79.7 million
  - Maintenance Capex was GEL 9.6 million
- These expenditures already include commencement of the flagship projects of DEKA and Tbilisi Referral Hospital.



⌘ GHG | Overview and strategy

⌘ GHG | Results discussion – 4Q17 and FY17

⌘ **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)

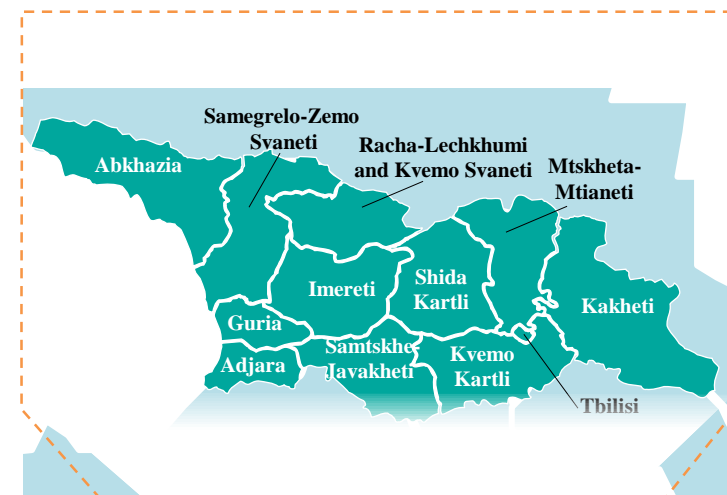


**Ease of Doing Business  
Best Improvement  
since 2005**

- Nominal GDP: 2017 GEL 38.0bln (US\$15.1bln)
- Real GDP growth rate 2013-2017: 3.4%, 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\$10,644
- Inflation rate (e-o-p) 2017: 6.7%
- External public debt to GDP 2017: 35.4%

- Sovereign ratings:

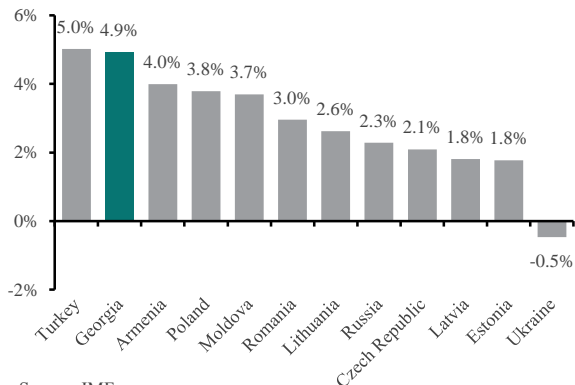
**S&P** BB-/Stable, affirmed in May 2017  
**Moody's** Ba2/Positive, affirmed in September 2017  
**Fitch** BB-/Stable, affirmed in September 2017



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

## Georgian Economy Grew Faster than DM and Most of EM Countries...

Real GDP growth, % 2006-16 Average



Source: IMF

## ...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 2005-2016

## ...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

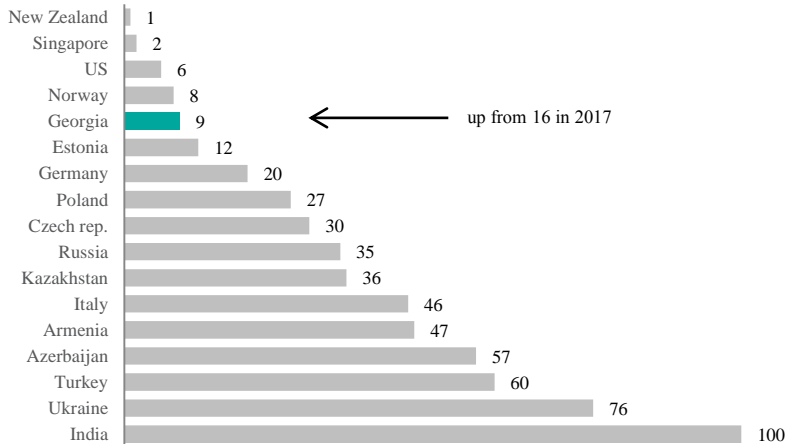




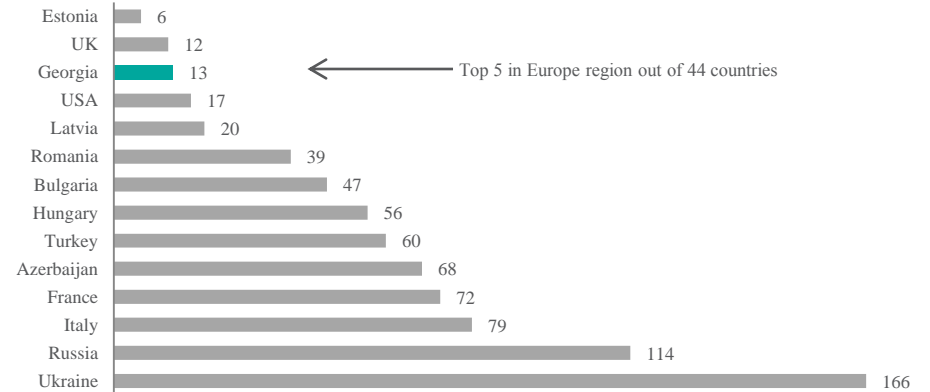
# Long-term, high growth prospects

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

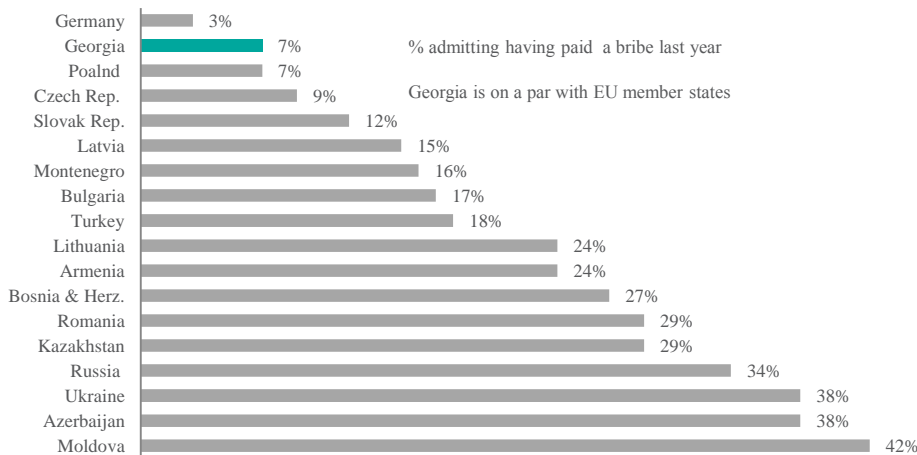
### Ease of Doing Business | 2018 (WB-IFC Doing Business Report)



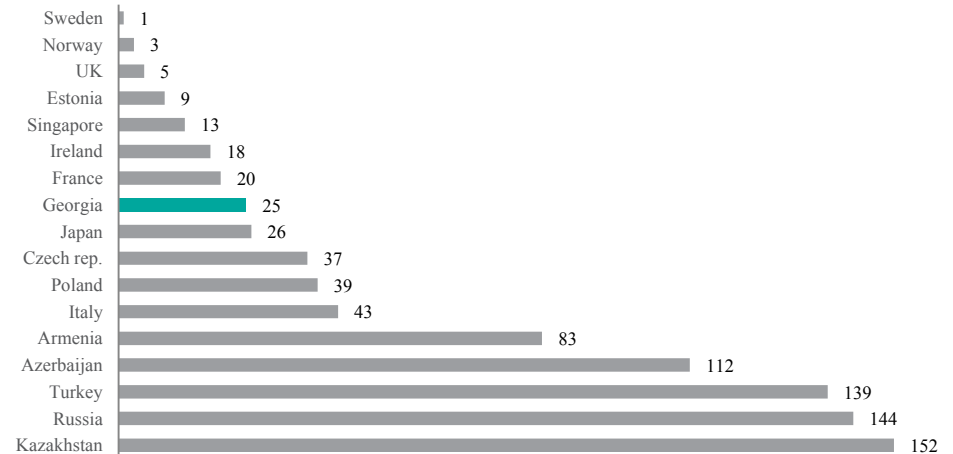
### Economic Freedom Index | 2017 (Heritage Foundation)



### Global Corruption Barometer | TI 2016



### Business Bribery Risk, 2017 | Trace International

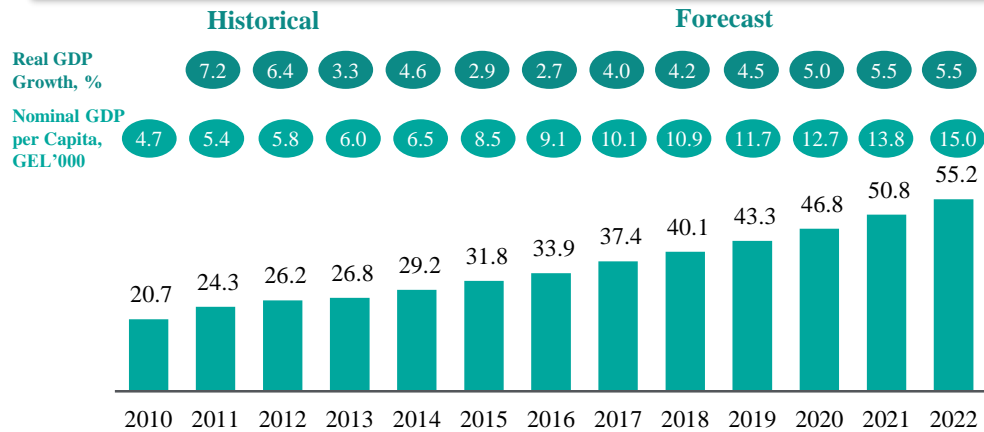




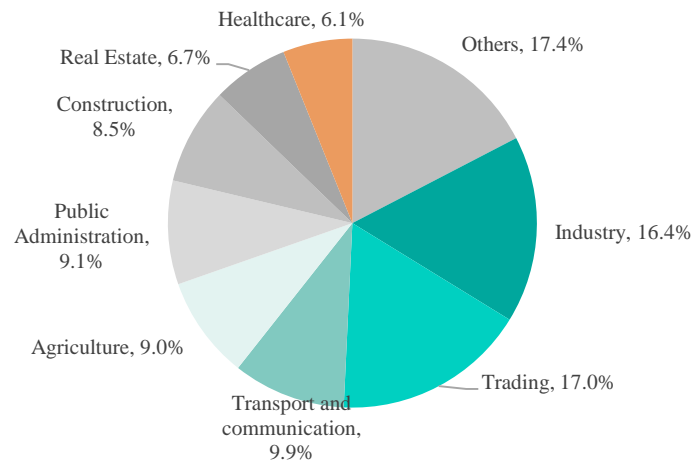


# Long-term, high growth prospects Georgia | *positive economic outlook*

## GDP Growth Expected to Continue



## GDP composition, FY 2016



## 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

- Tourism revenues on the rise: tourism inflows stood at 18.2% of GDP in 2017 and arrivals reached 7.6mln visitors in 2017 (up 18.8% y-o-y)
- Regional energy transit corridor accounting for 1.6% of world's oil and gas transit volumes

### Strong FDI

- FDI at US\$1.6bln (11.0% of GDP) in 2016; FDI stood at US\$1.4bln (12.1% of GDP) in 9M17
- FDI averaged 9.4% of GDP in 2007-2016

### Support from International Community

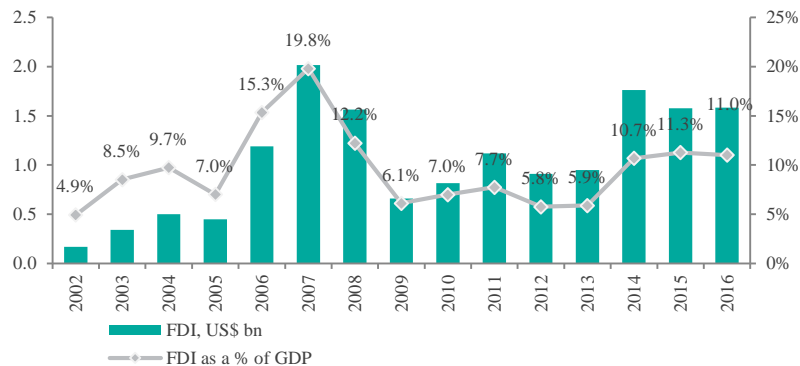
- Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free entrance to the EU countries from 28 March 2017
- Discussions commenced with the USA to drive inward investments and exports
- Strong political support from NATO, EU, US, UN and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

### Cheap Electricity

- Only 20% of hydropower capacity utilized; 145 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development
- Significantly boosted transmission capacity in recent years

## Strong foreign investor interest

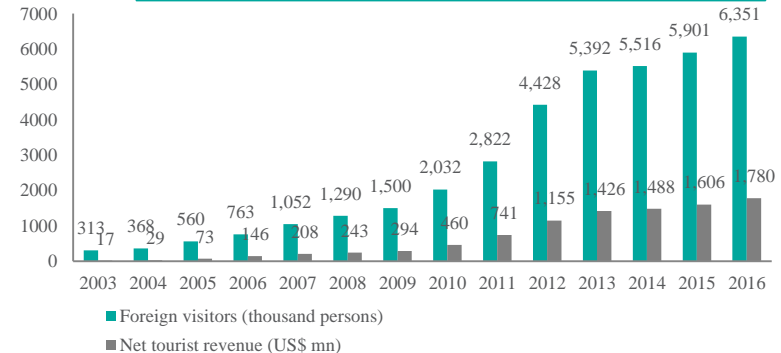
FDI stood at US\$1.4bln, up 2.9% y-o-y in 9M17



Sources: Geostat

## Tourist arrivals and revenues on the rise

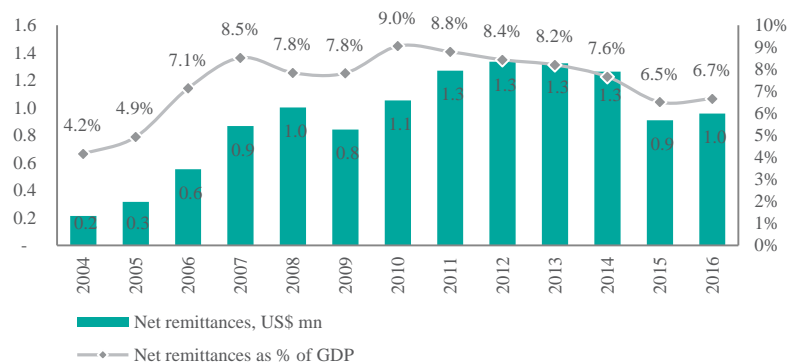
7.6mln visitors in 2017, up 18.8% y-o-y  
Tourism Inflows up 27.0% y-o-y to US\$2.8bln in 2017



Sources: Georgian National Tourism Agency, National Bank of Georgia

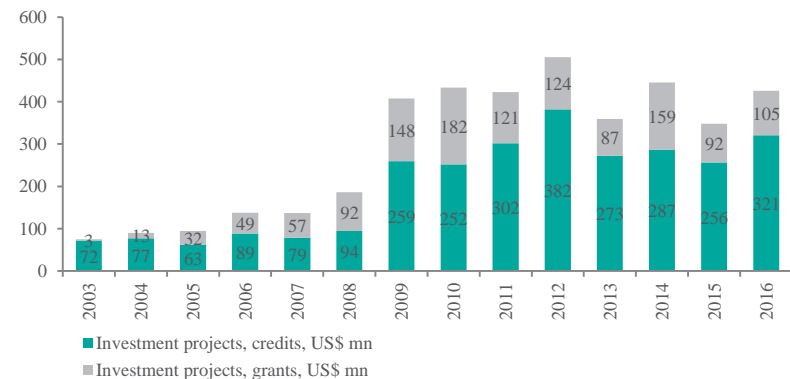
## Remittances - steady source of external funding

Remittances reached US\$1.4bln in 2017, up 19.8% y-o-y

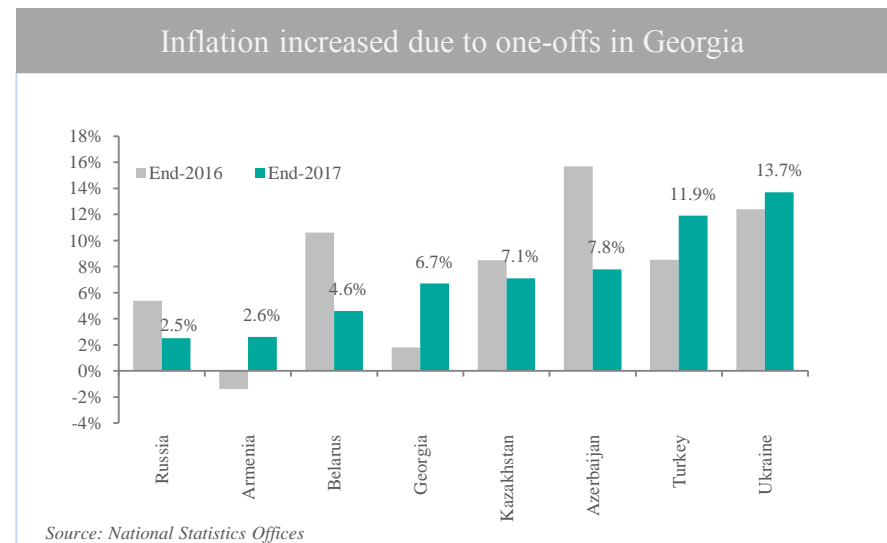
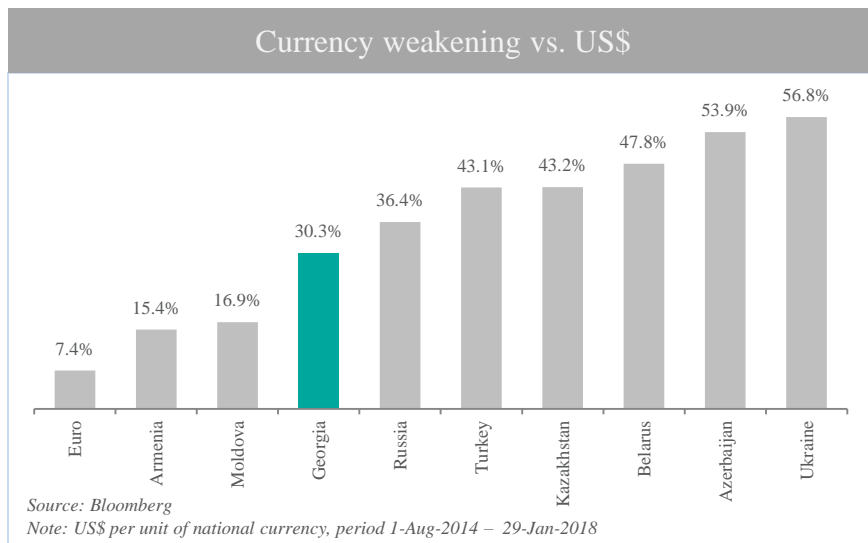
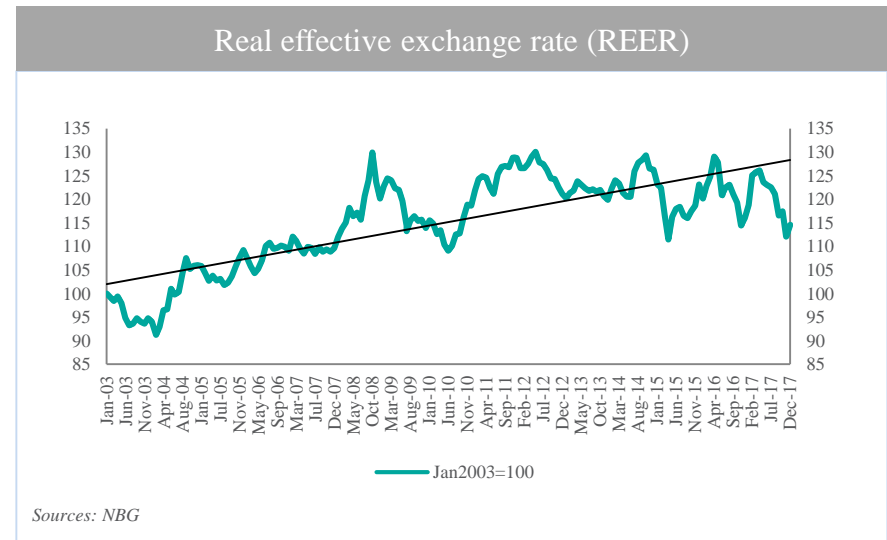
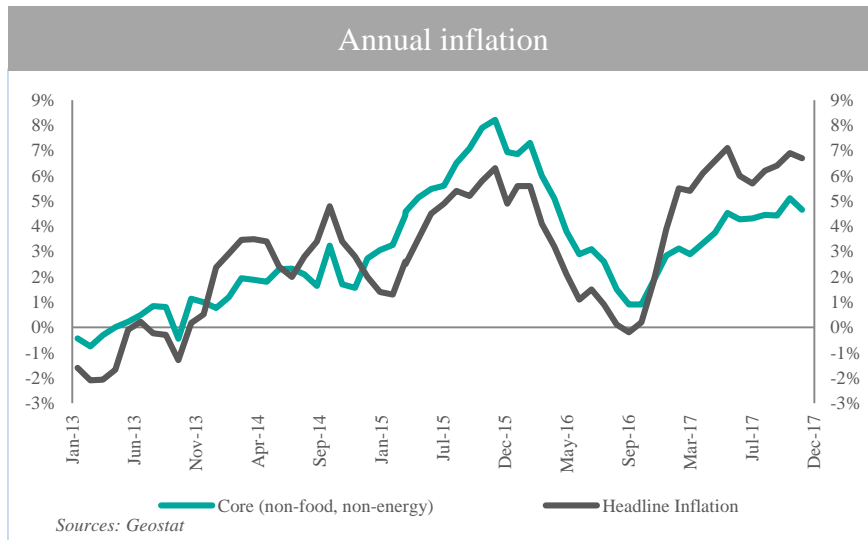


Source: National Bank of Georgia

## Public donor funding



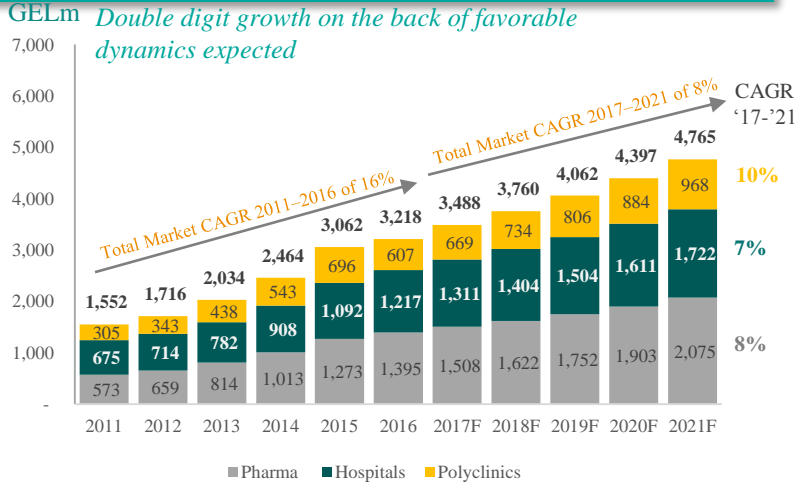
Source: Ministry of Finance of Georgia



# Long-term, high growth prospects

## Rapidly growing healthcare market

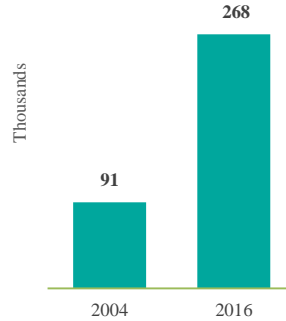
### Growth in Healthcare Services Market Expected to Continue



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

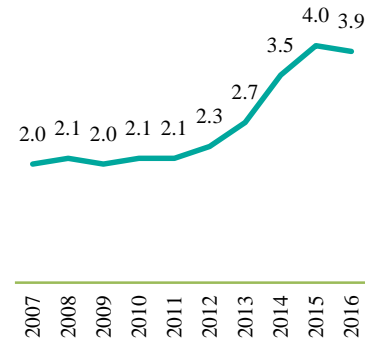
### Demand Analysis

Number of Surgical Operations



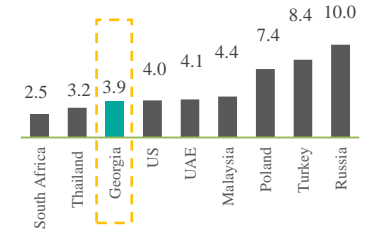
Source: NCDC

Outpatient encounters per capita,



Source: NCDC

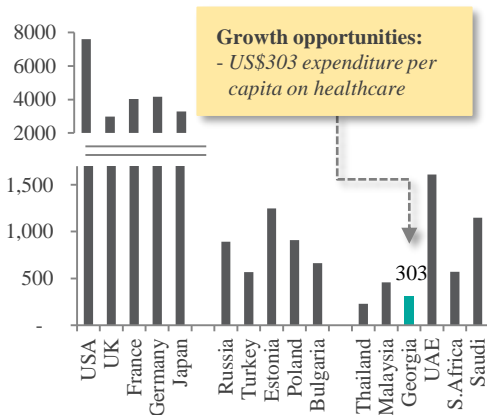
Outpatient encounters per capita, Georgia VS other countries



Source: Frost and Sullivan Analysis 2017

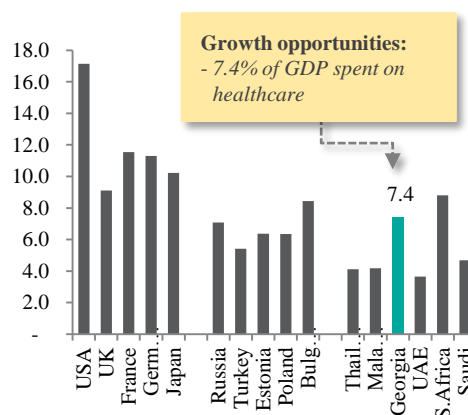
### Low Expenditure on Healthcare

Per capita expenditure on healthcare, current US\$



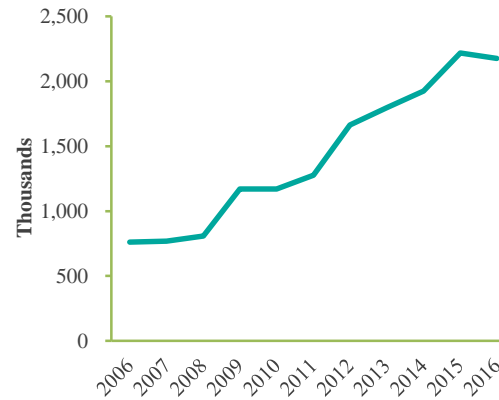
Source: World Bank 2014

Expenditure on healthcare, % of GDP



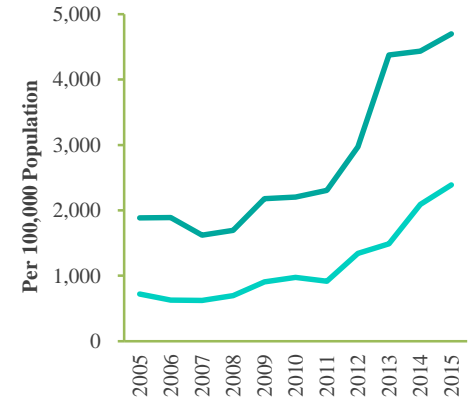
### Increasing Overall Disease Incidence...

Number of Registered Patients with 1<sup>st</sup> Time Diagnosis



Source: Geostat

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



— Diseases of the Circulatory System

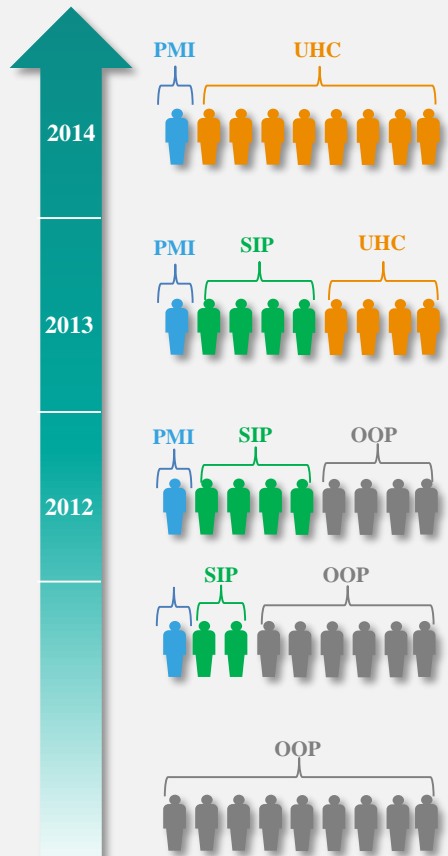
— Endocrine, Nutritional and Metabolic Diseases

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



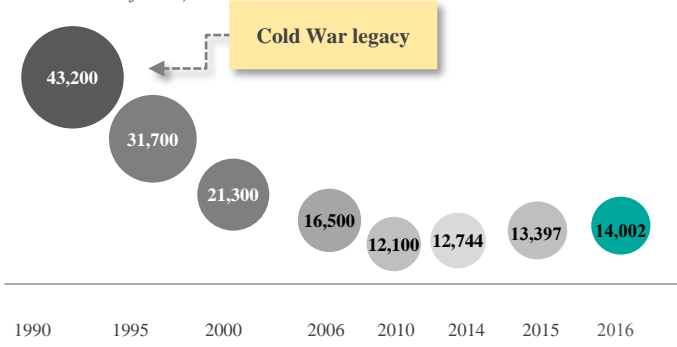
# Long-term, high growth prospects

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

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

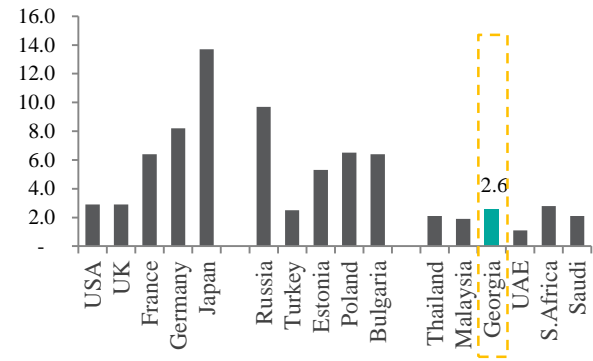
#### Capacity-wise Georgia stands alongside US, UK and Turkey

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



Note: (\*) Target market bed capacity = Total market bed capacity of 14,002 beds – 1,872 specialty beds at penitentiary, TB and psychiatric clinics

Beds per 1,000 people<sup>(2)</sup>

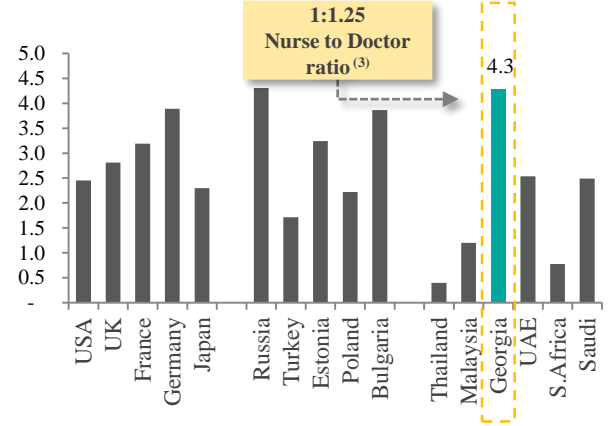


Source: World Bank 2012

#### However, physician overcapacity yet to be addressed

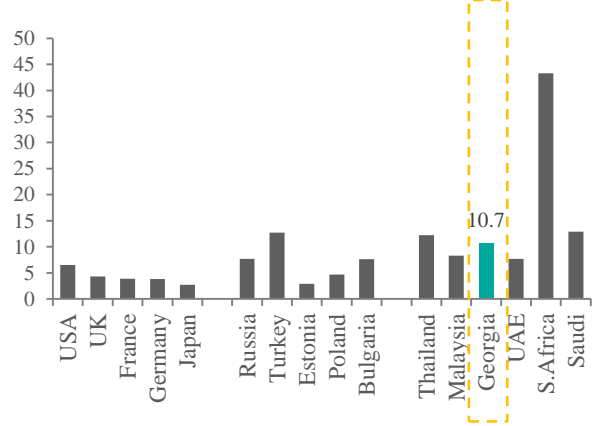
#### With significant room for optimisation in terms of service quality, as indicated by: Under 5 Mortality Rate... ... And Life Expectancy At Birth

Number of physicians per 1,000 people



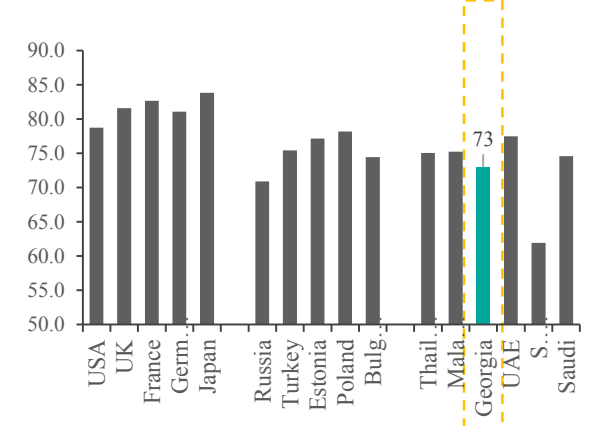
Source: World Bank 2013

Under 5 mortality per 1,000 live births



Source: World Bank 2016

Total (years)



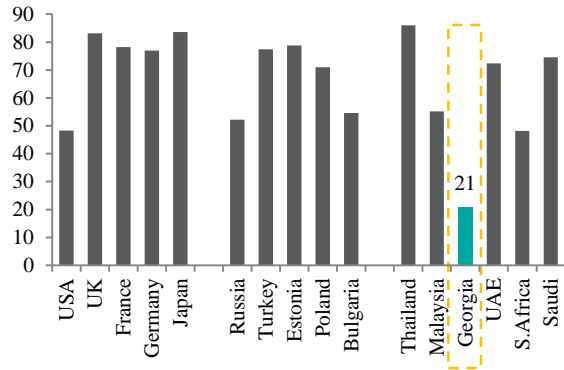
Source: World Bank 2015

# Long-term, high growth prospects

## Favorable government healthcare policy

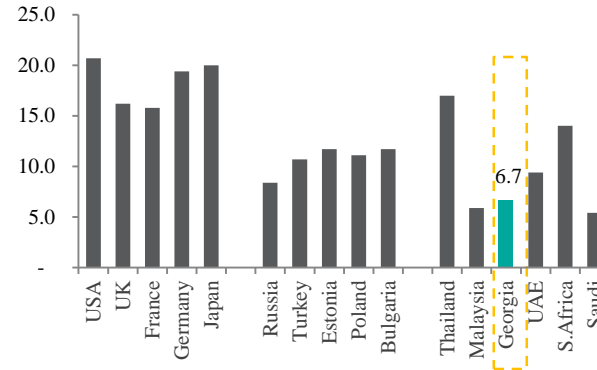
### Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013

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



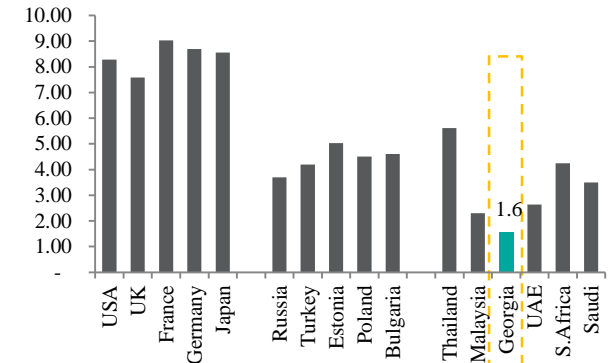
### Government spending on healthcare was only 6.7% of state budget in 2013, which grew up to 9% in recent years

General government expenditure on health as a percentage of total government expenditure in 2013<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>

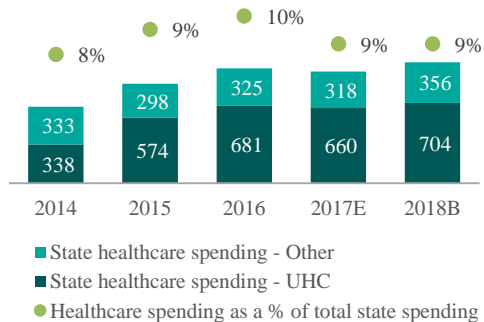
Government expenditure on health as % of GDP in 2013<sup>(1)</sup>



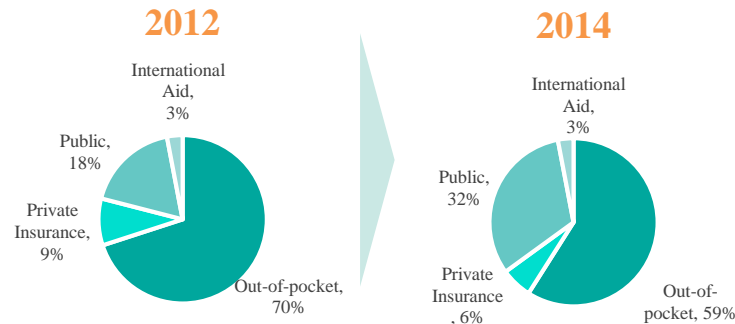
### State financing of healthcare increasing for the last several years

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

GELm

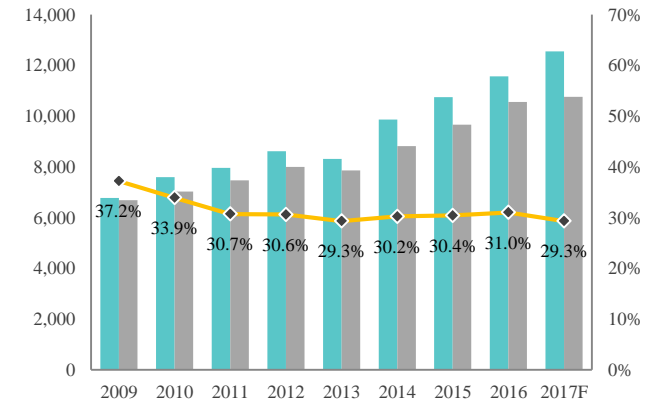


### High private spending and growing public sector participation on the back of UHC implementation<sup>(3)</sup>



### With total government expenditure c.30% as a percentage of GDP

Total government expenditures<sup>(2)</sup>



Sources:

(1) World Health Organisation and World Bank, 2013 data

(2) Ministry of Finance of Georgia;

(3) Global health expenditure database – World Health Organisation, Frost & Sullivan analysis

(4) GHG Internal reporting

Legend:  
■ Total budget receipt, GEL mln  
■ Expenditures (Capital + Current), GEL mln  
◆ Expenditures (Capital + Current) as % of GDP



⌘ GHG | Overview and strategy

⌘ GHG | Results discussion – 4Q17 and FY17

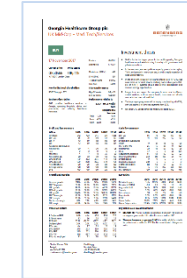
⌘ Macroeconomic and Industry Overview

⌘ **Annexes**





## Consensus Target Price is 3.96 GBP



GBP 4.00

\*as of 7 Sep 2017

GBP 3.70

\*as of 22 Aug 2017

GBP 4.00

\*as of 8 Nov 2017

GBP 4.00

\*as of 4 Dec 2017

GBP 3.95

\*as of 1 Feb 2018

GBP 4.07

\*as of 3 July 2017

GBP 3.80

\*as of 14 Nov 2017

GBP 4.15

\*as of 17 Nov 2017



# 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.



• **Irakli Gilauri** | Chairman of the board | Experience: currently BGEO CEO; formerly EBRD banker; MS in banking from Cass Business School, London; BBS from University of Limerick, Ireland



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



• **Neil Janin** | Independent Non-executive Director | Experience: formerly was director at McKinsey & Company in Paris and held previous roles as Co-Chairman of the commission of the French Institute of Directors (IFA); Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris; and Procter & Gamble in Toronto; currently also BGEO Chairman



• **Ingeborg Oie** | Independent Non-executive Director | Experience: Currently a VP of investor relations at Smith & Nephew plc, 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: Formally a Medical Director at Chelsea and Westminster hospital, currently medical director for North West London Reconfiguration Programme and physician at Chelsea and Westminster Hospital



• **William Huyett** | Independent Non-executive Director | Experience: (effective 18 June 2017). Currently Director Emeritus of McKinsey and Company, Inc. During his 28-year career there, he served clients in health care and other technology-intensive industries. Prior to joining McKinsey, Mr. Huyett held a variety of line management positions in the automation industry with Rockwell/Allen-Bradley.



• **Paul Goldfinch** | Independent Non-executive Director | Experience: (effective 1 January 2017). Currently the Group CFO of 4Finance. Formerly CFO of the Corporate and Investment Division of Sberbank. Mr Goldfinch spent 18 years at UBS AG, where as a Managing Director, he held a number of senior roles



• **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

Non-BGEO members

Non-BGEO members

### 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



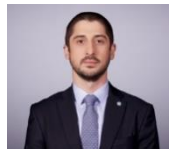
❁ **Enrico Beridze** | CEO GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly CEO of ABC Pharmacia



❁ **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	14 district clinics, 7 in Tbilisi 7 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**



## Quality Standards

- Reputation for high clinical standards
- Recruiting high-calibre and experienced physicians and providing them with ongoing professional development in the latest global best practices
- Developed internal quality requirements: the healthcare services Quality Standards (EQS)
  - Benchmark based on JCI and EU standards and adoption of global best practices
  - Focus on evidence based quality care such as infection control, medication safety, facility safety and quality of medical service
  - Audited on regular basis
  - Implemented across all facilities by end of 2015
- Accreditations received by GHG include:
  - ISO 9001:2008 - Accredited to GHG's key referral hospitals in Tbilisi, Kutaisi and Batumi
  - First and only Georgian healthcare company working towards JCI accreditation
- Adopted infection control procedures in partnership with outside consultants including JCI Consultancy, CDC Atlanta, Emory University and the WHO

## Staff training and education

- Training facility opened in 2014 in Kutaisi
- Partnerships including with Partners for International Development and the Tbilisi State Medical University
- Teaching up-to-date guidelines and protocols as well as clinical complications
- Training courses include emergency medicine, nursing care, obstetrics and gynaecology, IT and ICU
- Can serve over 150 students per day
- Modern infrastructure and practical/simulation skills labs
- In 2015 healthcare services business launched residency programme line with our strategy to develop a new generation of doctors. Currently we have accreditation for 23 specialties with the total number of slots for admission of 240 residents. To incentivise and support top talent's enrollment in our residency programme, we offer grants, student loans and employment after graduating from our residency programme
- Healthcare services signed MOU with Tvildiani Medical university and established mutual nurse collage. More than 200 nurses will graduate collage per year
- Healthcare services learning Center (ELC) also developed external nurse courses in 4 regions (Adjara, Samegrelo, Imereti and Samtskhe-Javakheti) of Georgia, where more than 200 new nurses from external institutions started their trainings





# GHG consolidated - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	FY17	FY16	Change, Y-o-Y
<b>Revenue, gross</b>	<b>197,637</b>	<b>136,031</b>	<b>45.3%</b>	<b>179,065</b>	<b>10.4%</b>	<b>747,750</b>	<b>426,439</b>	<b>75.3%</b>
Corrections & rebates	(349)	(790)	-55.8%	(407)	-14.3%	(2,039)	(2,686)	-24.1%
<b>Revenue, net</b>	<b>197,288</b>	<b>135,241</b>	<b>45.9%</b>	<b>178,658</b>	<b>10.4%</b>	<b>745,711</b>	<b>423,753</b>	<b>76.0%</b>
Revenue from healthcare services	68,094	66,814	1.9%	63,598	7.1%	263,357	243,453	8.2%
Revenue from pharma	121,367	56,586	114.5%	106,607	13.8%	450,315	133,002	238.6%
Net insurance premiums earned	12,376	16,312	-24.1%	13,959	-11.3%	53,710	61,494	-12.7%
Eliminations	(4,549)	(4,471)	1.7%	(5,506)	-17.4%	(21,671)	(14,196)	52.7%
<b>Costs of services</b>	<b>(134,252)</b>	<b>(89,626)</b>	<b>49.8%</b>	<b>(123,467)</b>	<b>8.7%</b>	<b>(517,712)</b>	<b>(277,735)</b>	<b>86.4%</b>
Cost of healthcare services	(38,227)	(34,802)	9.8%	(36,916)	3.6%	(150,572)	(130,369)	15.5%
Cost of pharma	(90,743)	(44,498)	103.9%	(80,237)	13.1%	(340,210)	(105,472)	222.6%
Cost of insurance services	(11,163)	(14,997)	-25.6%	(11,968)	-6.7%	(48,583)	(55,772)	-12.9%
Eliminations	5,882	4,671	25.9%	5,653	4.1%	21,653	13,878	56.0%
<b>Gross profit</b>	<b>63,036</b>	<b>45,615</b>	<b>38.2%</b>	<b>55,191</b>	<b>14.2%</b>	<b>227,999</b>	<b>146,018</b>	<b>56.1%</b>
Salaries and other employee benefits	(20,519)	(12,757)	60.8%	(18,759)	9.4%	(75,430)	(39,750)	89.8%
General and administrative expenses	(12,266)	(8,340)	47.1%	(11,600)	5.7%	(48,618)	(26,149)	85.9%
Impairment of receivables	(1,133)	56	NMF	(918)	23.4%	(4,175)	(2,332)	79.0%
Other operating income	1,761	(285)	NMF	2,200	-20.0%	8,372	240	NMF
<b>EBITDA</b>	<b>30,879</b>	<b>24,289</b>	<b>27.1%</b>	<b>26,114</b>	<b>18.2%</b>	<b>108,148</b>	<b>78,027</b>	<b>38.6%</b>
Depreciation and amortisation	(6,967)	(5,316)	31.1%	(6,384)	9.1%	(25,704)	(19,577)	31.3%
Net interest expense	(8,303)	(4,773)	74.0%	(7,691)	8.0%	(30,941)	(13,736)	125.3%
Net gains/(losses) from foreign currencies	(2,825)	(3,170)	-10.9%	(1,336)	NMF	(397)	(5,657)	NMF
Net non-recurring income/(expense)	(638)	1,982	NMF	(872)	-26.8%	(4,780)	1,118	NMF
<b>Profit before income tax expense</b>	<b>12,146</b>	<b>13,012</b>	<b>-6.7%</b>	<b>9,831</b>	<b>23.5%</b>	<b>46,326</b>	<b>40,175</b>	<b>15.3%</b>
Income tax benefit/(expense)	(187)	(6,682)	-97.2%	(92)	103.3%	(386)	21,156	NMF
<i>of which: Deferred tax adjustments</i>	-	(5,319)	NMF	-	-	-	23,992	NMF
<b>Profit for the period</b>	<b>11,959</b>	<b>6,330</b>	<b>88.9%</b>	<b>9,739</b>	<b>22.8%</b>	<b>45,940</b>	<b>61,331</b>	<b>-25.1%</b>
<b>Attributable to:</b>								
- shareholders of the Company	7,785	5,401	44.1%	6,261	24.3%	29,050	50,203	-42.1%
- non-controlling interests	4,174	929	349.3%	3,478	20.0%	16,890	11,128	51.8%
<i>of which: Deferred tax adjustments</i>	-	(516)	NMF	-	-	-	4,541	NMF

<i>GEL thousands; unless otherwise noted</i>	<b>31-Dec-17</b>	<b>31-Dec-16</b>	<b>Change, Y-o-Y</b>	<b>30-Sep-17</b>	<b>Change, Q-o-Q</b>
<b>Total assets, of which:</b>	<b>1,167,800</b>	<b>915,357</b>	<b>27.6%</b>	<b>1,123,735</b>	<b>3.9%</b>
Cash and bank deposits	63,608	47,115	35.0%	42,790	48.7%
Receivables from healthcare services	100,944	81,927	23.2%	99,387	1.6%
Receivables from sale of pharmaceuticals	19,798	4,925	NMF	20,224	-2.1%
Insurance premiums receivable	20,233	24,207	-16.4%	26,085	-22.4%
Property and equipment	642,859	574,972	11.8%	637,328	0.9%
Goodwill and other intangible assets	143,674	73,028	96.7%	125,550	14.4%
Inventory	118,811	54,920	116.3%	117,111	1.5%
Prepayments	30,354	30,803	-1.5%	34,118	-11.0%
Other assets	27,519	23,460	17.3%	21,142	30.2%
<b>Total liabilities, of which:</b>	<b>619,400</b>	<b>373,325</b>	<b>65.9%</b>	<b>579,822</b>	<b>6.8%</b>
Borrowed funds	360,503	223,581	61.2%	329,199	9.5%
Accounts payable	92,925	64,367	44.4%	92,597	0.4%
Insurance contract liabilities	20,953	26,787	-21.8%	25,128	-16.6%
Other liabilities	145,019	58,590	147.5%	132,898	9.1%
<b>Total shareholders' equity attributable to:</b>	<b>548,400</b>	<b>542,032</b>	<b>1.2%</b>	<b>543,913</b>	<b>0.8%</b>
<i>Shareholders of the Company</i>	<i>483,684</i>	<i>485,888</i>	<i>-0.5%</i>	<i>479,854</i>	<i>0.8%</i>
<i>Non-controlling interest</i>	<i>64,716</i>	<i>56,144</i>	<i>15.3%</i>	<i>64,059</i>	<i>1.0%</i>



# Healthcare service business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	FY17	FY16	Change, Y-o-Y
<b>Healthcare service revenue, gross</b>	<b>68,444</b>	<b>67,604</b>	<b>1.2%</b>	<b>64,004</b>	<b>6.9%</b>	<b>265,396</b>	<b>246,139</b>	<b>7.8%</b>
Corrections & rebates	(349)	(790)	-55.8%	(407)	-14.3%	(2,039)	(2,686)	-24.1%
<b>Healthcare services revenue, net</b>	<b>68,094</b>	<b>66,814</b>	<b>1.9%</b>	<b>63,598</b>	<b>7.1%</b>	<b>263,357</b>	<b>243,453</b>	<b>8.2%</b>
<b>Costs of healthcare services</b>	<b>(38,227)</b>	<b>(34,802)</b>	<b>9.8%</b>	<b>(36,916)</b>	<b>3.6%</b>	<b>(150,572)</b>	<b>(130,369)</b>	<b>15.5%</b>
<b>Gross profit</b>	<b>29,867</b>	<b>32,012</b>	<b>-6.7%</b>	<b>26,682</b>	<b>11.9%</b>	<b>112,785</b>	<b>113,084</b>	<b>-0.3%</b>
Salaries and other employee benefits	(7,942)	(6,676)	19.0%	(7,881)	0.8%	(30,998)	(24,048)	28.9%
General and administrative expenses	(4,085)	(3,368)	21.3%	(4,071)	0.3%	(16,392)	(12,617)	29.9%
Impairment of receivables	(1,115)	145	NMF	(979)	13.9%	(4,107)	(1,881)	118.3%
Other operating income	1,616	(575)	NMF	2,865	-43.6%	8,783	(218)	NMF
<b>EBITDA</b>	<b>18,341</b>	<b>21,538</b>	<b>-14.8%</b>	<b>16,616</b>	<b>10.4%</b>	<b>70,071</b>	<b>74,320</b>	<b>-5.7%</b>
<b>EBITDA margin</b>	<b>26.8%</b>	<b>31.9%</b>		<b>26.0%</b>		<b>26.4%</b>	<b>30.2%</b>	
Depreciation and amortisation	(6,295)	(5,292)	19.0%	(5,691)	10.6%	(22,699)	(18,287)	24.1%
Net interest income (expense)	(5,185)	(3,815)	35.9%	(4,474)	15.9%	(18,210)	(12,198)	49.3%
Net gains/(losses) from foreign currencies	30	(2,053)	NMF	(209)	NMF	1,634	(4,270)	NMF
Net non-recurring income/(expense)	(513)	2,704	NMF	(381)	34.6%	(3,425)	2,883	NMF
<b>Profit before income tax expense</b>	<b>6,378</b>	<b>13,082</b>	<b>-51.2%</b>	<b>5,861</b>	<b>8.8%</b>	<b>27,371</b>	<b>42,448</b>	<b>-35.5%</b>
Income tax benefit/(expense)	-	(5,439)	NMF	-	-	(11)	22,054	NMF
<i>of which: Deferred tax adjustments</i>	-	(4,321)	NMF	-	-	-	24,990	-
<b>Profit for the period</b>	<b>6,378</b>	<b>7,643</b>	<b>-16.6%</b>	<b>5,861</b>	<b>8.8%</b>	<b>27,360</b>	<b>64,502</b>	<b>-57.6%</b>
<b>Attributable to:</b>								
- shareholders of the Company	5,278	6,714	-21.4%	4,965	6.3%	21,643	53,374	-59.5%
- non-controlling interests	1,100	929	18.4%	896	22.8%	5,717	11,128	-48.6%
<i>of which: Deferred tax adjustments</i>	-	(516)	NMF	-	-	-	4,541	NMF





# Healthcare services business - Revenue breakdowns

## Healthcare services business revenue by types of healthcare facilities

*(GEL thousands, unless otherwise noted)*

	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	FY17	FY16	Change, Y-o-Y
<b>Healthcare services revenue, net</b>	<b>68,094</b>	<b>66,814</b>	<b>1.9%</b>	<b>63,598</b>	<b>7.1%</b>	<b>263,357</b>	<b>243,453</b>	<b>8.2%</b>
Referral hospitals	58,094	58,020	0.1%	53,604	8.4%	225,502	209,563	7.6%
Community hospitals	5,667	5,363	5.7%	5,943	-4.6%	22,147	22,273	-0.6%
Polyclinics	4,333	3,430	26.3%	4,051	7.0%	15,708	11,616	35.2%

## Healthcare services business revenue by source of payment

*(GEL thousands, unless otherwise noted)*

	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	FY17	FY16	Change, Y-o-Y
<b>Healthcare services revenue, net</b>	<b>68,094</b>	<b>66,814</b>	<b>1.9%</b>	<b>63,598</b>	<b>7.1%</b>	<b>263,357</b>	<b>243,453</b>	<b>8.2%</b>
Government-funded healthcare programmes	45,556	47,262	-3.6%	42,535	7.1%	177,449	176,668	0.4%
Out-of-pocket payments by patients	17,061	14,189	20.2%	16,461	3.6%	64,878	48,991	32.4%
Private medical insurance companies, of which	5,477	5,363	2.1%	4,602	19.0%	21,030	17,794	18.2%
<i>GHG medical insurance</i>	<i>1,939</i>	<i>3,614</i>	<i>-46.3%</i>	<i>2,133</i>	<i>-9.1%</i>	<i>9,475</i>	<i>10,453</i>	<i>-9.4%</i>

# Pharma business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	FY17	May- Dec 2016 *
<b>Pharma revenue</b>	<b>121,367</b>	<b>56,586</b>	<b>114.5%</b>	<b>106,607</b>	<b>13.8%</b>	<b>450,315</b>	<b>133,002</b>
<b>Costs of pharma</b>	<b>(90,743)</b>	<b>(44,498)</b>	<b>103.9%</b>	<b>(80,237)</b>	<b>13.1%</b>	<b>(340,210)</b>	<b>(105,472)</b>
<b>Gross profit</b>	<b>30,624</b>	<b>12,088</b>	<b>153.3%</b>	<b>26,370</b>	<b>16.1%</b>	<b>110,105</b>	<b>27,530</b>
Salaries and other employee benefits	(11,029)	(4,561)	141.8%	(10,350)	6.6%	(40,679)	(11,357)
General and administrative expenses	(7,997)	(4,564)	75.2%	(7,192)	11.2%	(31,180)	(11,104)
Impairment of receivables	(5)	-	NMF	92	NMF	(44)	-
Other operating income	837	431	94.2%	(103)	NMF	652	667
<b>EBITDA</b>	<b>12,430</b>	<b>3,394</b>	<b>266.2%</b>	<b>8,817</b>	<b>41.0%</b>	<b>38,854</b>	<b>5,736</b>
<b>EBITDA margin</b>	<b>10.2%</b>	<b>6.0%</b>		<b>8.3%</b>		<b>8.6%</b>	<b>4.3%</b>
Depreciation and amortisation	(459)	202	-327.2%	(475)	-3.4%	(2,110)	(447)
Net interest income (expense)	(2,941)	(548)	436.7%	(3,015)	-2.5%	(11,936)	(1,602)
Net gains/(losses) from foreign currencies	(2,871)	(928)	NMF	(1,109)	158.9%	(2,065)	(1,277)
Net non-recurring income/(expense)	(125)	(17)	NMF	(489)	-74.4%	(1,496)	(88)
<b>Profit before income tax expense</b>	<b>6,034</b>	<b>2,103</b>	<b>186.9%</b>	<b>3,729</b>	<b>61.8%</b>	<b>21,247</b>	<b>2,322</b>
Income tax benefit/(expense)	(187)	(398)	NMF	(92)	NMF	(65)	(398)
<i>of which: Deferred tax adjustments</i>	-	(200)	NMF	-	NMF	-	(200)
<b>Profit for the period</b>	<b>5,847</b>	<b>1,705</b>	<b>242.9%</b>	<b>3,637</b>	<b>60.8%</b>	<b>21,182</b>	<b>1,924</b>

Sources: GHG Internal Reporting

\* 4Q16 includes only May-June GPC's results



# Medical insurance business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	FY17	FY16	Change, Y-o-Y
<b>Net insurance premiums earned</b>	<b>12,376</b>	<b>16,312</b>	<b>-24.1%</b>	<b>13,959</b>	<b>-11.3%</b>	<b>53,710</b>	<b>61,494</b>	<b>-12.7%</b>
<b>Cost of insurance services</b>	<b>(11,163)</b>	<b>(14,997)</b>	<b>-25.6%</b>	<b>(11,968)</b>	<b>-6.7%</b>	<b>(48,583)</b>	<b>(55,772)</b>	<b>-12.9%</b>
<b>Gross profit</b>	<b>1,213</b>	<b>1,315</b>	<b>-7.8%</b>	<b>1,991</b>	<b>-39.1%</b>	<b>5,127</b>	<b>5,722</b>	<b>-10.4%</b>
Salaries and other employee benefits	(747)	(1,320)	-43.4%	(834)	-10.4%	(3,601)	(4,663)	-22.8%
General and administrative expenses	(394)	(408)	-3.4%	(369)	6.8%	(1,636)	(2,428)	-32.6%
Impairment of receivables	(111)	(89)	24.7%	(138)	-19.6%	(479)	(451)	6.2%
Other operating income	147	(141)	-204.3%	31	NMF	153	(209)	NMF
<b>EBITDA</b>	<b>108</b>	<b>(643)</b>	<b>-116.8%</b>	<b>681</b>	<b>NMF</b>	<b>(436)</b>	<b>(2,029)</b>	<b>-78.5%</b>
<b>EBITDA margin</b>	<b>0.9%</b>	<b>-3.9%</b>		<b>4.9%</b>		<b>-0.8%</b>	<b>-3.3%</b>	
Depreciation and amortisation	(212)	(226)	-6.2%	(219)	-3.2%	(895)	(843)	6.2%
Net interest income (expense)	(177)	(242)	-26.9%	(202)	-12.4%	(795)	232	NMF
Net gains/(losses) from foreign currencies	16	(189)	NMF	(18)	NMF	34	(110)	NMF
Net non-recurring income/(expense)	-	(704)	NMF	(2)	NMF	(200)	(1,677)	NMF
<b>Profit before income tax expense</b>	<b>(265)</b>	<b>(2,004)</b>	<b>NMF</b>	<b>240</b>	<b>NMF</b>	<b>(2,292)</b>	<b>(4,427)</b>	<b>-48.2%</b>
Income tax benefit/(expense)	-	(845)	NMF	-	NMF	(310)	(500)	NMF
<i>of which: Deferred tax adjustments</i>	-	(798)	NMF	-	NMF	-	(798)	NMF
<b>Profit / (Loss) for the period</b>	<b>(265)</b>	<b>(2,849)</b>	<b>NMF</b>	<b>240</b>	<b>NMF</b>	<b>(2,602)</b>	<b>(4,927)</b>	<b>-47.2%</b>

## Income Statement, full year

	<u>Healthcare services</u>			<u>Pharma</u>		<u>Medical insurance</u>			<u>Eliminations</u>		<u>GHG</u>		
<i>GEL thousands; unless otherwise noted</i>	FY17	FY16	Change, Y-o-Y	FY17	(May-Dec) *FY16	FY17	FY16	Change, Y-o-Y	FY17	FY16	FY17	FY16	Change, Y-o-Y
<b>Revenue, gross</b>	<b>265,396</b>	<b>246,139</b>	<b>7.8%</b>	<b>450,315</b>	<b>133,002</b>	<b>53,710</b>	<b>61,494</b>	<b>-12.7%</b>	<b>(21,671)</b>	<b>(14,196)</b>	<b>747,750</b>	<b>426,439</b>	<b>75.3%</b>
Corrections & rebates	(2,039)	(2,686)	-24.1%	-	-	-	-	-	-	-	(2,039)	(2,686)	-24.1%
<b>Revenue, net</b>	<b>263,357</b>	<b>243,453</b>	<b>8.2%</b>	<b>450,315</b>	<b>133,002</b>	<b>53,710</b>	<b>61,494</b>	<b>-12.7%</b>	<b>(21,671)</b>	<b>(14,196)</b>	<b>745,711</b>	<b>423,753</b>	<b>76.0%</b>
<b>Costs of services</b>	<b>(150,572)</b>	<b>(130,369)</b>	<b>15.5%</b>	<b>(340,210)</b>	<b>(105,472)</b>	<b>(48,583)</b>	<b>(55,772)</b>	<b>-12.9%</b>	<b>21,653</b>	<b>13,878</b>	<b>(517,712)</b>	<b>(277,735)</b>	<b>86.4%</b>
Cost of salaries and other employee benefits	(95,655)	(80,397)	19.0%	-	-	-	-	-	2,911	4,762	(92,744)	(75,635)	22.6%
Cost of materials and supplies	(40,887)	(38,059)	7.4%	-	-	-	-	-	6,872	2,254	(34,015)	(35,805)	-5.0%
Cost of medical service providers	(1,920)	(1,842)	4.2%	-	-	-	-	-	66	109	(1,854)	(1,733)	7.0%
Cost of utilities and other	(12,110)	(10,071)	20.2%	-	-	-	-	-	997	596	(11,113)	(9,475)	17.3%
Net insurance claims incurred	-	-	-	-	-	(45,209)	(51,701)	-12.6%	10,057	6,157	(35,152)	(45,544)	-22.8%
Agents, brokers and employee commissions	-	-	-	-	-	(3,374)	(4,071)	-17.1%	-	-	(3,374)	(4,071)	-17.1%
Cost of pharma - wholesale	-	-	-	(93,900)	(30,332)	-	-	-	750	-	(93,150)	(30,332)	207.1%
Cost of pharma - retail	-	-	-	(246,310)	(75,140)	-	-	-	-	-	(246,310)	(75,140)	227.8%
<b>Gross profit</b>	<b>112,785</b>	<b>113,084</b>	<b>-0.3%</b>	<b>110,105</b>	<b>27,530</b>	<b>5,127</b>	<b>5,722</b>	<b>-10.4%</b>	<b>(18)</b>	<b>(318)</b>	<b>227,999</b>	<b>146,018</b>	<b>56.1%</b>
Salaries and other employee benefits	(30,998)	(24,048)	28.9%	(40,679)	(11,357)	(3,601)	(4,663)	-22.8%	(152)	318	(75,430)	(39,750)	89.8%
General and administrative expenses	(16,392)	(12,617)	29.9%	(31,180)	(11,104)	(1,636)	(2,428)	-32.6%	590	-	(48,618)	(26,149)	85.9%
Impairment of receivables	(4,107)	(1,881)	118.3%	(44)	-	(479)	(451)	6.2%	455	-	(4,175)	(2,332)	79.0%
Other operating income	8,783	(218)	NMF	652	667	153	(209)	NMF	(1,216)	-	8,372	240	NMF
<b>EBITDA</b>	<b>70,071</b>	<b>74,320</b>	<b>-5.7%</b>	<b>38,854</b>	<b>5,736</b>	<b>(436)</b>	<b>(2,029)</b>	<b>-78.5%</b>	<b>(341)</b>	<b>-</b>	<b>108,148</b>	<b>78,027</b>	<b>38.6%</b>
<b>EBITDA margin</b>	<b>26.4%</b>	<b>30.2%</b>		<b>8.6%</b>	<b>4.3%</b>	<b>-0.8%</b>	<b>-3.3%</b>				<b>14.5%</b>	<b>18.3%</b>	
Depreciation and amortisation	(22,699)	(18,287)	24.1%	(2,110)	(447)	(895)	(843)	6.2%	-	-	(25,704)	(19,577)	31.3%
Net interest income (expense)	(18,210)	(12,198)	49.3%	(11,936)	(1,602)	(795)	232	NMF	-	(168)	(30,941)	(13,736)	125.3%
Net gains/(losses) from foreign currencies	1,634	(4,270)	NMF	(2,065)	(1,277)	34	(110)	NMF	-	-	(397)	(5,657)	-93.0%
Net non-recurring income/(expense)	(3,425)	2,883	NMF	(1,496)	(88)	(200)	(1,677)	-88.1%	341	-	(4,780)	1,118	NMF
<b>Profit before income tax expense</b>	<b>27,371</b>	<b>42,448</b>	<b>-35.5%</b>	<b>21,247</b>	<b>2,322</b>	<b>(2,292)</b>	<b>(4,427)</b>	<b>-48.2%</b>	<b>-</b>	<b>(168)</b>	<b>46,326</b>	<b>40,175</b>	<b>15.3%</b>
Income tax benefit/(expense)	(11)	22,054	NMF	(65)	(398)	(310)	(500)	-38.0%	-	-	(386)	21,156	NMF
<i>of which: Deferred tax adjustments</i>	-	24,990	NMF	-	(200)	-	(798)	NMF	-	-	-	23,992	NMF
<b>Profit for the period</b>	<b>27,360</b>	<b>64,502</b>	<b>-57.6%</b>	<b>21,182</b>	<b>1,924</b>	<b>(2,602)</b>	<b>(4,927)</b>	<b>-47.2%</b>	<b>-</b>	<b>(168)</b>	<b>45,940</b>	<b>61,331</b>	<b>-25.1%</b>
<b>Attributable to:</b>													
- shareholders of the Company	21,643	53,374	-59.5%	10,009	1,924	(2,602)	(4,927)	-47.2%	-	(168)	29,050	50,203	-42.1%
- non-controlling interests	5,717	11,128	-48.6%	11,173	-	-	-	-	-	-	16,890	11,128	51.8%
<i>of which: Deferred tax adjustments</i>	-	4,541	NMF	-	-	-	-	-	-	-	-	4,541	NMF

Sources: GHG Internal Reporting

\* 2016 includes only May-June GPC's results

# GHG – Income statement, quarterly

Income Statement, <i>Quarterly</i>	Healthcare services			Pharma			Medical insurance			Eliminations			GHG											
	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q	4Q17	4Q16	Change, Y-o-Y	3Q17	Change, Q-o-Q				
<i>GEL thousands; unless otherwise noted</i>							*																	
<b>Revenue, gross</b>	68,444	67,604	1.2%	64,004	6.9%	121,367	56,586	114.5%	106,607	13.8%	12,376	16,312	-24.1%	13,959	-11.3%	(4,549)	(4,471)	(5,506)	197,637	136,031	45.3%	179,065	10.4%	
Corrections & rebates	(349)	(790)	-55.8%	(407)	-14.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	(349)	(790)	-55.8%	(407)	-14.3%	
<b>Revenue, net</b>	68,094	66,814	1.9%	63,598	7.1%	121,367	56,586	114.5%	106,607	13.8%	12,376	16,312	-24.1%	13,959	-11.3%	(4,549)	(4,471)	(5,506)	197,288	135,241	45.9%	178,658	10.4%	
<b>Costs of services</b>	(38,227)	(34,802)	9.8%	(36,916)	3.6%	(90,743)	(44,498)	103.9%	(80,237)	13.1%	(11,163)	(14,997)	-25.6%	(11,968)	-6.7%	5,882	4,671	5,653	(134,252)	(89,626)	49.8%	(123,467)	8.7%	
Cost of salaries and other employee benefits	(24,440)	(21,042)	16.1%	(23,777)	2.8%	-	-	-	-	-	-	-	-	-	329	1,534	798	798	(24,111)	(19,508)	23.6%	(22,979)	4.9%	
Cost of materials and supplies	(10,363)	(10,616)	-2.4%	(9,817)	5.6%	-	-	-	-	-	-	-	-	-	2,006	761	1,921	1,921	(8,357)	(9,855)	-15.2%	(7,896)	5.8%	
Cost of medical service providers	(463)	(550)	-15.8%	(651)	-28.9%	-	-	-	-	-	-	-	-	-	13	39	22	22	(450)	(511)	-11.9%	(629)	-28.5%	
Cost of utilities and other	(2,961)	(2,594)	14.1%	(2,671)	10.9%	-	-	-	-	-	-	-	-	-	665	189	88	88	(2,296)	(2,405)	-4.5%	(2,583)	-11.1%	
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	(10,299)	(13,911)	-26.0%	(11,162)	-7.7%	2,119	2,148	2,824	(8,180)	(11,763)	-30.5%	(8,338)	-1.9%	
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	(864)	(1,086)	-20.4%	(806)	7.2%	-	-	-	(864)	(1,086)	-20.4%	(806)	7.2%	
Cost of pharma - wholesale	-	-	-	-	-	(25,244)	(13,700)	84.3%	(23,171)	8.9%	-	-	-	-	750	-	-	-	(24,494)	(13,700)	78.8%	(23,171)	5.7%	
Cost of pharma - retail	-	-	-	-	-	(65,499)	(30,797)	112.7%	(57,066)	14.8%	-	-	-	-	-	-	-	-	(65,499)	(30,797)	112.7%	(57,066)	14.8%	
<b>Gross profit</b>	29,867	32,012	-6.7%	26,682	11.9%	30,624	12,088	153.3%	26,370	16.1%	1,213	1,315	-7.8%	1,991	-39.1%	1,333	200	147	63,036	45,615	38.2%	55,191	14.2%	
Salaries and other employee benefits	(7,942)	(6,676)	19.0%	(7,881)	0.8%	(11,029)	(4,561)	141.8%	(10,350)	6.6%	(747)	(1,320)	-43.4%	(834)	-10.4%	(801)	(200)	306	(20,519)	(12,757)	60.8%	(18,759)	9.4%	
General and administrative expenses	(4,085)	(3,368)	21.3%	(4,071)	0.3%	(7,997)	(4,564)	75.2%	(7,192)	11.2%	(394)	(408)	-3.4%	(369)	6.8%	210	-	32	(12,266)	(8,340)	47.1%	(11,600)	5.7%	
Impairment of other receivables	(1,115)	145	NMF	(979)	13.9%	(5)	-	NMF	92	NMF	(111)	(89)	24.7%	(138)	-19.6%	97	-	108	(1,133)	56	NMF	(918)	23.4%	
Other operating income	1,616	(575)	NMF	2,865	-43.6%	837	431	94.2%	(103)	NMF	147	(141)	NMF	31	NMF	(839)	-	(593)	1,761	(285)	NMF	2,200	-20.0%	
<b>EBITDA</b>	18,341	21,538	-14.8%	16,616	10.4%	12,430	3,394	266.2%	8,817	41.0%	108	(643)	NMF	681	-84.1%	-	-	-	30,879	24,289	27.1%	26,114	18.2%	
<b>EBITDA margin</b>	26.8%	31.9%		26.0%		10.2%	6.0%		8.3%		0.9%	-3.9%		4.9%					15.6%	17.9%		14.6%		
Depreciation and amortisation	(6,295)	(5,292)	19.0%	(5,691)	10.6%	(459)	202	NMF	(475)	-3.4%	(212)	(226)	-6.2%	(219)	-3.2%	-	-	-	(6,967)	(5,316)	31.1%	(6,384)	9.1%	
Net interest income (expense)	(5,185)	(3,815)	35.9%	(4,474)	15.9%	(2,941)	(548)	NMF	(3,015)	-2.5%	(177)	(242)	-26.9%	(202)	-12.4%	-	(168)	-	(8,303)	(4,773)	74.0%	(7,691)	8.0%	
Net gains/(losses) from foreign currencies	30	(2,053)	NMF	(209)	NMF	(2,871)	(928)	209.4%	(1,109)	158.9%	16	(189)	NMF	(18)	NMF	-	-	-	(2,825)	(3,170)	-10.9%	(1,336)	111.5%	
Net non-recurring income/(expense)	(513)	2,704	NMF	(381)	34.6%	(125)	(17)	NMF	(489)	-74.4%	-	(704)	NMF	(2)	NMF	-	-	-	(638)	1,982	NMF	(872)	-26.8%	
<b>Profit before income tax expense</b>	6,378	13,082	-51.2%	5,861	8.8%	6,034	2,103	186.9%	3,729	61.8%	(265)	(2,004)	-86.8%	240	NMF	-	(168)	-	12,146	13,012	-6.7%	9,831	23.5%	
Income tax benefit/(expense)	-	(5,439)	NMF	-	-	(187)	(398)	-53.0%	(92)	103.3%	-	(845)	NMF	-	-	-	-	-	(187)	(6,682)	-97.2%	(92)	103.3%	
<i>of which: Deferred tax adjustments</i>	-	(4,321)	NMF	-	-	(200)	NMF			-	(798)	NMF	-	-	-	-	-	-	-	(5,319)	NMF	-	-	
<b>Profit for the period</b>	6,378	7,643	-16.6%	5,861	8.8%	5,847	1,705	242.9%	3,637	60.8%	(265)	(2,849)	-90.7%	240	NMF	-	(168)	-	11,959	6,330	88.9%	9,739	22.8%	
<b>Attributable to:</b>																								
- shareholders of the Company	5,278	6,714	-21.4%	4,965	6.3%	2,774	1,705	62.7%	1,054	163.2%	(265)	(2,849)	-90.7%	240	NMF	-	(168)	-	7,785	5,401	44.1%	6,261	24.3%	
- non-controlling interests	1,100	929	18.4%	896	22.8%	3,073	-	NMF	2,583	19.0%	-	-	-	-	-	-	-	-	4,174	929	349.3%	3,478	20.0%	
<i>of which: Deferred tax adjustments</i>	-	(516)	NMF	-	NMF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(516)	NMF	-	-	

Sources: GHG Internal Reporting

\* 4Q16 includes only May-June GPC's results

## Selected Balance Sheet items

GEL thousands; unless otherwise noted	<u>Healthcare services</u>					<u>Pharma</u>					<u>Medical insurance</u>				
	31-Dec-17	31-Dec-16	Change, Y-o-Y	30-Sep-17	Change, Q-o-Q	31-Dec-17	31-Dec-16	Change, Y-o-Y	30-Sep-17	Change, Q-o-Q	31-Dec-17	31-Dec-16	Change, Y-o-Y	30-Sep-17	Change, Q-o-Q
<b>Assets:</b>															
Cash and bank deposits	43,081	30,242	42.5%	25,894	66.4%	10,464	2,498	318.9%	7,423	41.0%	10,063	14,375	-30.0%	9,474	6.2%
Property and equipment	610,810	560,407	9.0%	606,492	0.7%	26,212	9,003	191.1%	24,955	5.0%	5,837	5,562	4.9%	5,881	-0.7%
Inventory	19,873	14,712	35.1%	19,119	3.9%	98,938	40,004	147.3%	97,754	1.2%	-	204	-100.0%	237	-100.0%
<b>Liabilities:</b>															
Borrowed Funds	262,772	192,145	36.8%	232,002	13.3%	88,145	19,613	349.4%	88,263	-0.1%	9,586	11,823	-18.9%	8,935	7.3%
Accounts payable	53,458	33,969	57.4%	33,407	60.0%	63,387	34,193	85.4%	64,497	-1.7%	-	-	-	-	-

## Selected Balance Sheet items

GEL thousands; unless otherwise noted	<u>Consolidation and eliminations</u>			<u>GHG</u>				
	31-Dec-17	31-Dec-16	30-Sep-17	31-Dec-17	31-Dec-16	Change, Y-o-Y	30-Sep-17	Change, Q-o-Q
<b>Assets</b>								
Cash and bank deposits	-	-	-	63,608	47,115	35.0%	42,790	48.7%
Property and equipment	-	-	-	642,859	574,972	11.8%	637,328	0.9%
Inventory	-	-	-	118,811	54,920	116.3%	117,111	1.5%
<b>Liabilities:</b>								
Borrowed Funds	-	-	-	360,503	223,581	61.2%	329,199	9.5%
Accounts payable	(23,920)	(3,795)	(5,308)	92,925	64,367	44.4%	92,597	0.4%

# Selected ratios and KPIs

## Selected ratios and KPIs

	4Q17	4Q16	3Q17	FY17	FY16		4Q17	4Q16	3Q17	FY17	FY16
<b>GHG</b>						<b>Pharma</b>					
EPS, GEL	0.06	0.08 <sup>1</sup>	0.05	0.23	0.24 <sup>1</sup>	EBITDA margin	10.2%	6.0%	8.3%	8.6%	4.3%
ROAE	6.5%	6.6%	5.3%	6.0%	8.1%	Number of bills issued	6.57mln	3.11mln	6.03mln	25.28mln	7.87mln
ROAE, normalised <sup>2</sup>	11.8%	12.5% <sup>3</sup>	10.0%	11.6%	11.5% <sup>3</sup>	Average bill size	13.6	13.4	13.2	13.3	13.7
Group rent expenditure	4,302	3,530	4,564	18,613	9,382	Revenue from wholesale as a percentage of total revenue from pharma	25.3%	30.7%	26.8%	25.3%	27.7%
<i>of which, Pharma</i>	<i>4,174</i>	<i>2,729</i>	<i>4,036</i>	<i>16,912</i>	<i>6,966</i>	Revenue from retail as a percentage of total revenue from pharma	74.7%	69.3%	73.2%	74.7%	72.3%
Group capex (maintenance)	2,081	2,471	2,307	9,604	9,436	Revenue from para-pharmacy as a percentage of retail revenue from pharma	30.2%	31.5%	32.8%	29.3%	33.1%
Group capex (growth)	15,679	27,036	25,104	79,720	101,599	Number of pharmacies	255	118	251	255	112
Number of employees	15,078	12,811	15,151	15,078	12,811	<b>Medical insurance</b>					
Number of physicians	3,496	3,218	3,505	3,496	3,218	Loss ratio	83.2%	85.3%	80.0%	84.2%	84.1%
Number of nurses	3,205	2,869	3,224	3,205	2,869	Expense ratio, <i>of which</i>	17.6%	20.0%	16.7%	18.3%	20.6%
Nurse to doctor ratio, referral hospitals	0.92	0.93	0.93	0.92	0.93	<i>Commission ratio</i>	7.0%	6.7%	5.8%	6.3%	6.6%
Total number of shares	131,681,820	131,681,820	131,681,820	131,681,820	131,681,820	Combined ratio	100.8%	105.3%	96.7%	102.5%	104.7%
Less: Treasury shares	(3,379,629)	(3,727,835)	(3,379,629)	(3,379,629)	(3,727,835)	Renewal rate	71.8%	75.6%	71.8%	76.9%	73.4%
Shares outstanding	128,302,191	127,953,985	128,302,191	128,302,191	127,953,985	<b>Healthcare services</b>					
<i>Of which:</i>						EBITDA margin of healthcare services	26.8%	31.9%	26.0%	26.4%	30.2%
Total free float	53,183,688	42,322,165	53,183,688	53,183,688	42,322,165	Direct salary rate (direct salary as % of revenue)	35.7%	31.1%	37.1%	36.0%	32.7%
Shares held by BGEO GROUP PLC	75,118,503	85,631,820	75,118,503	75,118,503	85,631,820	Materials rate (direct materials as % of revenue)	15.1%	15.7%	15.3%	15.4%	15.5%
						Administrative salary rate (administrative salaries as % of revenue)	11.6%	9.9%	12.3%	11.7%	9.8%
						SG&A rate (SG&A expenses as % of revenue)	6.0%	5.0%	6.4%	6.2%	5.1%
						Number of hospitals	37	35	37	37	35
						Number of polyclinics	16	13	14	16	13
						Number of express outpatient clinics	24	28	24	24	28
						Number of beds	3,014	2,557	2,893	3,014	2,557
						Number of referral hospital beds	2,519	2,092	2,398	2,519	2,092
						Bed occupancy rate	55.8% <sup>4</sup>	57.6%	49.7%	55.7% <sup>4</sup>	55.7%
						<i>Bed occupancy rate, referral hospitals</i>	<i>60.4%<sup>5</sup></i>	<i>65.3%</i>	<i>55.4%</i>	<i>61.6%<sup>5</sup></i>	<i>63.0%</i>
						<i>Bed occupancy rate, community hospitals</i>	<i>33.2%</i>	<i>21.1%</i>	<i>21.3%</i>	<i>26.8%</i>	<i>22.9%</i>
						Average length of stay (days)	5.3 <sup>6</sup>	5.0	5.2	5.3 <sup>6</sup>	5.0
						<i>Average length of stay (days), referral hospitals</i>	<i>5.5<sup>6</sup></i>	<i>5.2</i>	<i>5.4</i>	<i>5.5<sup>6</sup></i>	<i>5.2</i>
						<i>Average length of stay (days), community hospitals</i>	<i>3.8</i>	<i>3.3</i>	<i>3.5</i>	<i>3.8</i>	<i>3.4</i>

(1) Comparison on a normalised basis – 4Q and FY 2016 EPS is calculated on adjusted net profit, with 4Q16 and FY16 net profit normalised for the one-off non-recurring gain/loss due to deferred tax adjustments (in the amount of GEL 5.3 million loss in 4Q16 and GEL 25.0 million gain in the aggregate for FY16). The full year profit is also adjusted for a one-off currency translation loss in June (in the amount of GEL 2.1 million), which resulted from the settlement of the US Dollar denominated payable for the acquisition of GPC.

(2) Normalised ROAE is calculated as net profit for the period attributable to shareholders, net of non-recurring items, divided by average equity attributable to shareholders for the same period net of unutilised portion of IPO proceeds.

(3) Comparison on a normalised basis – 4Q16 and FY16 Return on equity (ROAE) is calculated on adjusted net profit (explained in footnote 1).

(4) Bed occupancy rate excludes 112 beds of Tbilisi Referral Hospital, launched in December 2017. Bed occupancy rate, excluding 220 beds of Tbilisi Referral Hospital, launched in April 2017, was 57.7% and 57.6% in 4Q17 and FY17 respectively

(5) Referral hospital bed occupancy rate excludes 112 beds of Tbilisi Referral Hospital launched in December 2017. Referral hospital bed occupancy rate, excluding 220 beds of Tbilisi Referral Hospital, launched in April 2017, was 63.1% and 64.5% in 4Q17 and FY17 respectively

(6) Excluding 112 beds of Tbilisi Referral Hospital launched in December 2017



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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 2016 and in its Half Year 2017 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.*