



GEORGIA  
HEALTHCARE  
GROUP

# Investor Presentation

*First quarter of 2017 results*


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

*May 2017*  
[www.ghg.com.ge](http://www.ghg.com.ge)



 **GHG | Overview and strategy**

 GHG | Results discussion

 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

- ✓ **Largest healthcare service provider in Georgia:** 23.4% market share by number of beds (2,557) as of 31 March 2017, which is expected to grow to c.29% as a result of full renovation and launch of two major hospital facilities: Deka and Sunstone - 1<sup>st</sup> phase of renovation of Sunstone has already completed and the hospital was launched with newly renovated 220 beds in April 2017, further increasing market share up to 24.6%. The full completion of Sunstone as well as launch of Deka are scheduled by the end of 2017<sup>(2)</sup>
- ✓ **Largest pharmaceuticals retailer and wholesaler in Georgia:** After acquisition of JSC ABC Pharmacia ("ABC") in January 2017, operating under the brand name **Pharmadepot**, we have merged it with our existing pharma business GPC and the integration process is still ongoing. The pharma business has 29% market share by sales<sup>(3)</sup>, over 2 million client interactions per month, with 0.5 million loyalty card members.
- ✓ **Largest medical insurer in Georgia:** c.135,000 persons insured as at 31 March 2017 and 35.3% market share as of 31 December 2016<sup>(4)</sup>
- ✓ **Widest Population Coverage :** coverage of over 3/4 of Georgia's 3.7 million population<sup>(5)</sup> with 35 high quality hospitals, 13 district and 28 express ambulatory clinics and 245 pharmacies<sup>(6)</sup>
- ✓ **Institutionalising the industry:** Strong corporate governance; standardised processes; improving safety and quality by implementing JCI benchmarked standards; own personnel training center

## 2 Business Model with Cost and Synergy Advantage

- ✓ **The single largest scale integrated player in the Georgia Healthcare ecosystem of GEL 3.4 billion aggregated value with cost advantage through scale:** purchasing, centralisation of administrative functions
  - Next healthcare services competitor has only 4% market share by beds
  - Largest purchaser of pharmaceutical products in Georgia
- ✓ **Better access to professional management and high calibre talent**
  - One of the largest employers in the country: 14,593 full time employees, including 3,278 physicians, 2,980 nurses and 721 pharmacists<sup>(6)</sup>.
- ✓ **Referral system & synergies with insurance and pharma business:**
  - Presence along patient pathway, and referral synergies
  - Insurance activities provide steady revenue stream for our ambulatory clinics and bolster hospital patient referrals
  - 0.5 million loyal customers at pharma business with upside to cross-sell

Sources:

(1) Georgia Healthcare Group established in Georgia and in UK

(2) Market share by number of beds. Source: National Center for Disease Control ("NCDC"), data as of December 2015, updated by GHG to include changes before 31 March 2017. Additional development capacity at Deka c.320 beds and at Sunstone c.332 beds

(3) Market share is based on 2015 revenue figures and for competitors represents management estimates

(4) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia

(5) Geostat.ge, data as of 2015. Coverage refers to geographic areas served by GHG facilities

(6) GHG internal reporting 1Q17

## Long-term High-growth Opportunities

- ✓ **Very low base:** healthcare services spending per capita only US\$217, outpatient encounters only 4.0 per capita annually<sup>(7)</sup>, GHG revenue per hospital bed only US\$39,800<sup>(6)</sup>
- ✓ **Supported by attractive macro:**<sup>(8)</sup> Georgia – one of the fastest growing countries in Eastern Europe, open and easy<sup>(9)</sup> emerging market to do business, with real GDP growth averaged 4.9% annually during 2006-16. Only 5.8% of GDP spent on healthcare services and spending at healthcare services growing at 9% CAGR 2008-2013; government spending nearly doubled between 2011-15<sup>(10)</sup>
- ✓ **Implying long-term, high-growth expansion** that is driven by:
  - Universal Healthcare Program (UHC) covering Georgia's population driving utilisation of basic healthcare services nationwide, primarily inpatient (inpatient market was GEL 1,075mln in 2014)
  - Pick-up in ambulatory growth (outpatient market was only GEL 802mln in 2014) driven by newly introduced prescription policy and improved quality in supply<sup>(11)</sup>
  - Even small investments in medical equipment expected to increase market, due to historical underinvestment

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## Strong Management with Proven Track Record

- ✓ **Strong business management team – increased market share by beds from under 1% in 2009 to 23.4% currently, with built-in additional development capacity**
- ✓ **Robust corporate governance:** exceptional in Georgia's healthcare sector, as it is the only Premium listed company from healthcare sector (LSE:GHG LN)<sup>(12)</sup>; 64% shareholder is BGEO Group PLC – listed on the premium segment of the main market of the London Stock Exchange (LSE:BGEO), part of FTSE 250 index. The rest of shares are owned by Institutional Investors and Management as part of (ESOP)
- ✓ **In-depth knowledge of the local market**

(7) NCDC statistical yearbook 2015

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

(9) Ranked #24 (of 189 countries) in "World Bank's 2016"Ease of Doing Business Report", ahead of all its neighboring countries and several EU countries.

(10) Ministry of Finance, Ministry of Economy

(11) Frost & Sullivan 2015

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

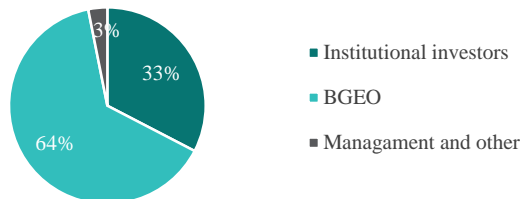


# GHG – shareholder structure and share price

## Investors

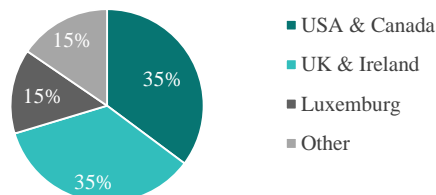
### Strong support from institutional investors at IPO<sup>(1)</sup>

Institutional Investors represent 33% of the shareholders



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

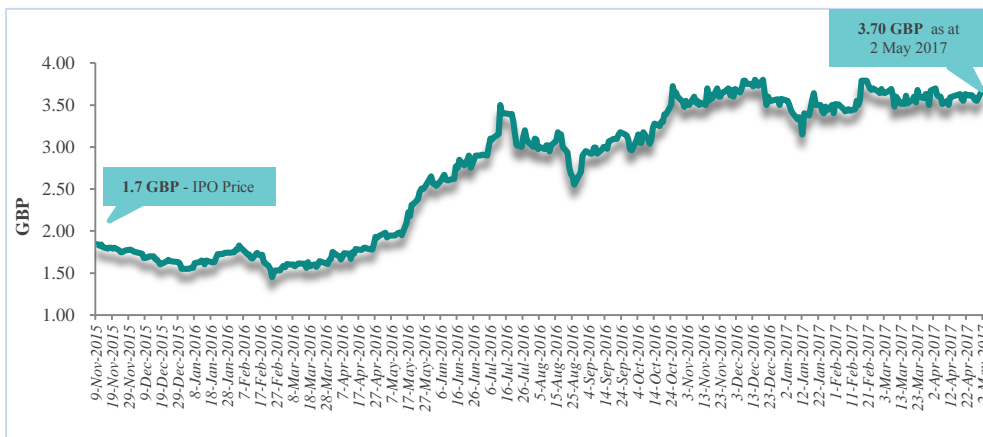
USA & Canada – 35%  
UK & Ireland – 35%  
Luxemburg – 15%  
Other – 15%



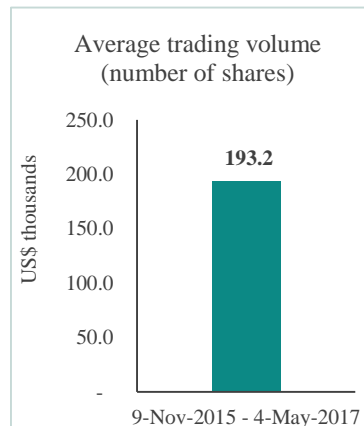
### Top Investors <sup>(1)</sup>

BGEO	64.3%
Wellington Management	7.0%
T – Row Price	5.0%

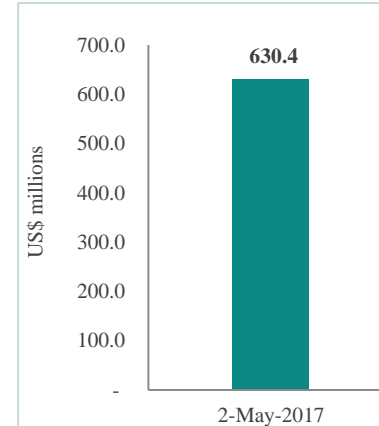
### Stock Price Performance<sup>(2)</sup>



### Average trading daily volume



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



Note: (1) As of 31 March 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 2 May 2017

(3) Source: Bloomberg; Market Capitalisation of GHG as of 2 May 2017, GBP/USD exchange rate 1.2939.

## Georgia Healthcare Group

Key Segments	Healthcare services			Pharma	Medical insurance
	Hospitals		Ambulatory Clinics	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 <sup>(1)</sup>	GEL 1.2bln (2015)		GEL 0.9bln (2015)	GEL 1.3bln (2015)	GEL 0.17bln (2015)
Market Share	20% by revenue <sup>(2)</sup> 23.4% by beds (2,557), which is expected to grow to c.29% as a result of renovation and full launch of hospital facilities (additional c.600 beds);		1.5% by revenue <sup>(2)</sup>	29% by revenue <sup>(3)</sup>	35% by revenue
Selected Operating Data 1Q17	 15 hospitals 2,092 beds	 20 hospitals 465 beds	ten clusters with 13 district ambulatory clinics 28 express ambulatory clinics	245 pharmacies in major cities	135,000 individuals insured
Financials 1Q17	Gross Revenue	 GEL 56.6 mln 2012-1Q17 CAGR 52%	 GEL 5.7 mln 2012-1Q17 CAGR 15%	 GEL 3.6 mln 2012-1Q17 CAGR 32%	 GEL 111.4 mln 2012-1Q17 CAGR 15%
	EBITDA	 GEL 16.3 mln 2012-1Q17 CAGR 52%	 GEL 0.5 mln 2012-1Q17 CAGR 31%	 GEL 8.7 mln	 GEL -0.4 mln
		EBITDA Margin: 25.9%	EBITDA Margin: 14.2%	EBITDA Margin: 7.8%	EBITDA Margin: -3.2%

Sources:

(1) Frost & Sullivan analysis, 2015

(2) For hospitals and ambulatory clinics 2016 market shares represents management estimates

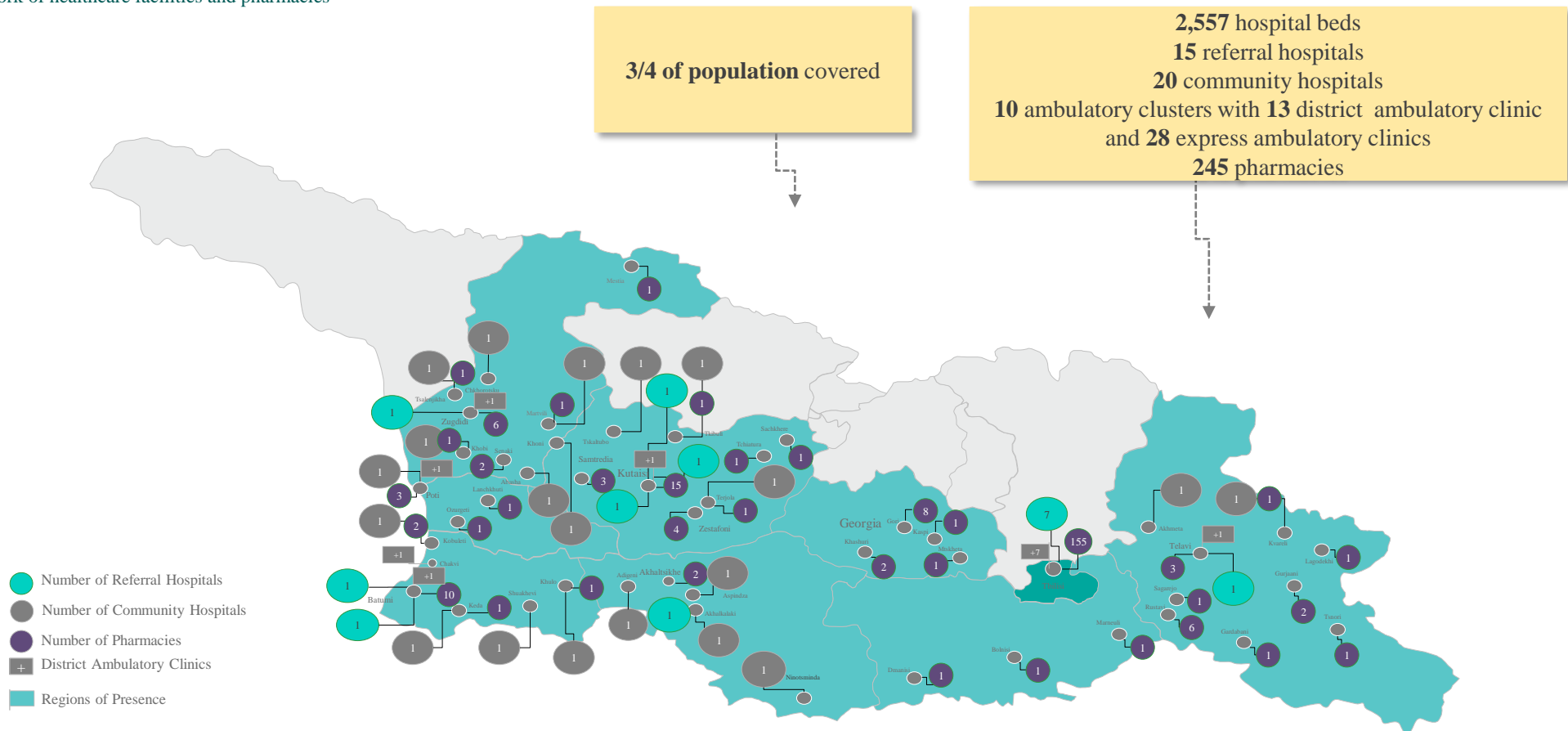
(3) Market share for pharma business is for 2015 year and is based on 2015 year's revenue figures. For competitors it represent management estimates

(4) Revenue 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





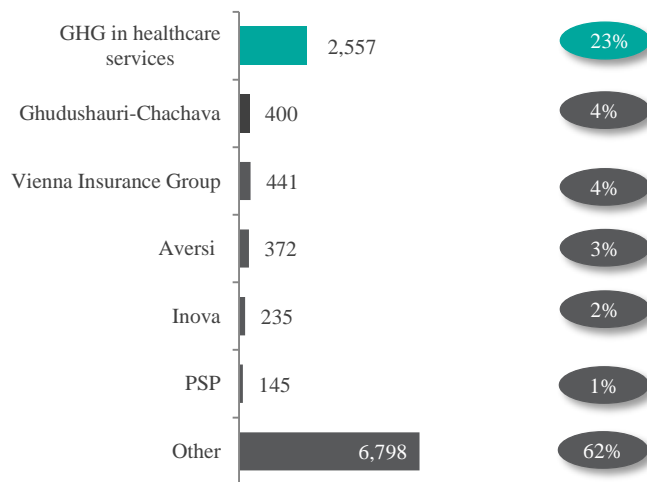
# Clear market leader (2/2) in a fragmented competitive landscape

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



## Healthcare services (Hospitals)

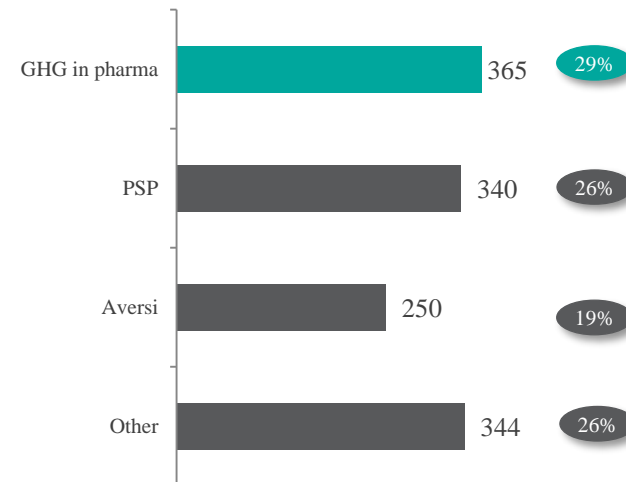
(Number of Beds as of March 2017)<sup>(1)</sup>



Market share

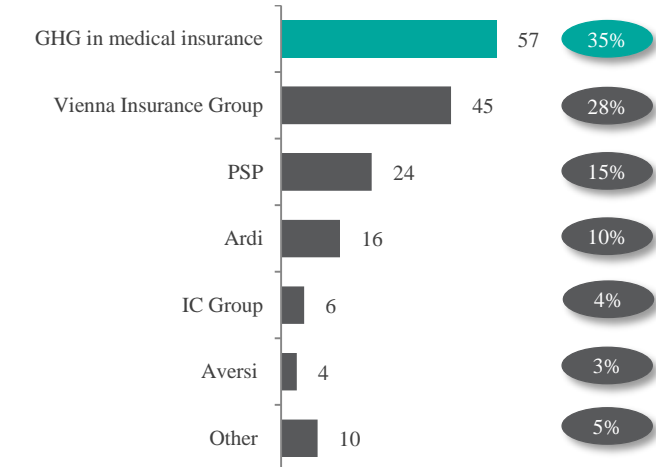
## Pharma

(Revenue, GEL millions in 2015)<sup>(2)</sup>



## Medical Insurance

(Gross premium revenue, GEL millions as of 31 Dec 2016)<sup>(3)</sup>



Sources:

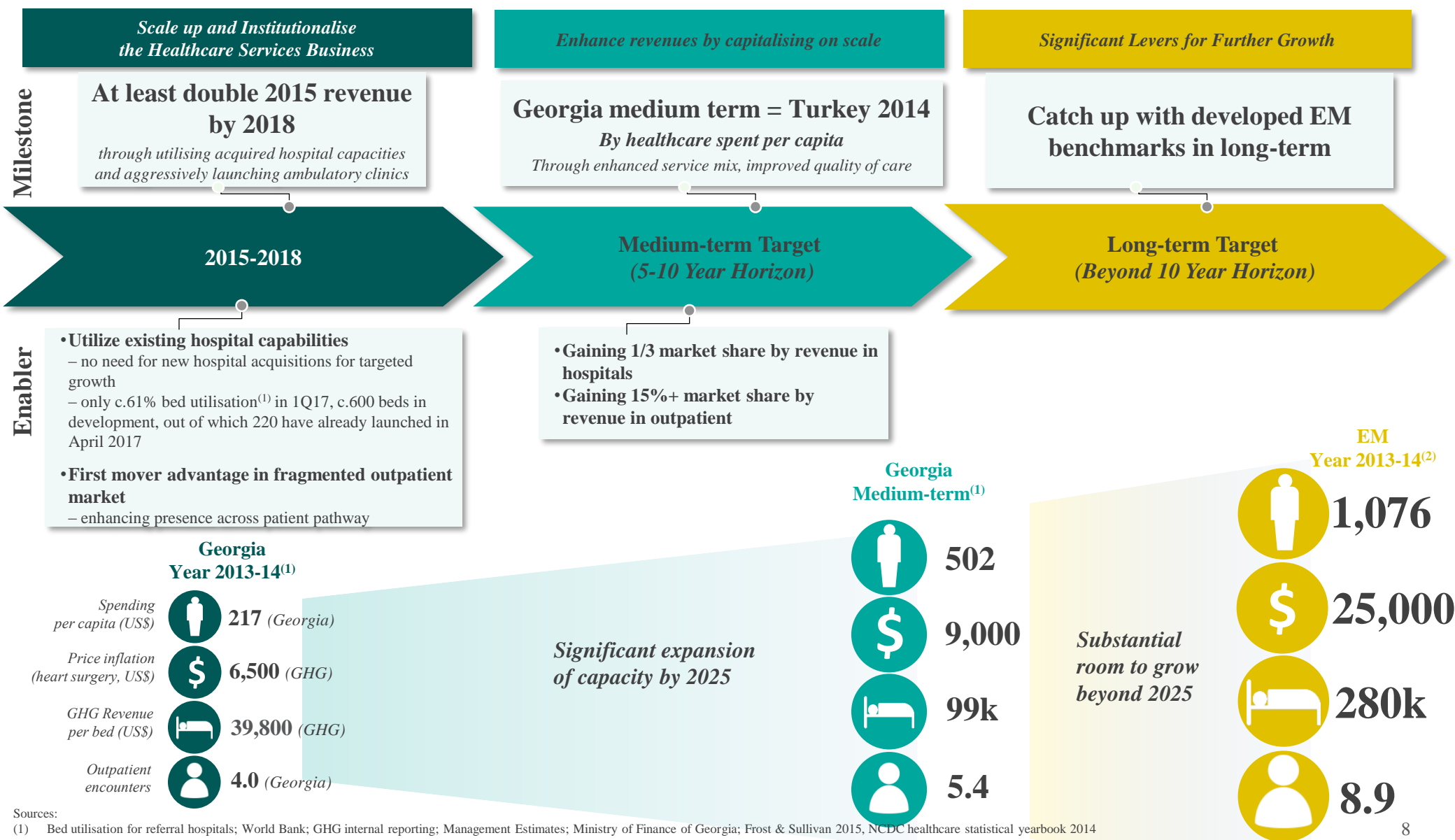
(1) Market share by number of beds. Source: NCDC, data as of December 2015, updated by GHG to include changes before 31 March 2017

(2) Market share for pharma business is for 2015 year and is based on 2015 year's revenue figures. For competitors it represent management estimates

(3) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 31 December 2016



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







**Long-term, high-growth prospects**  
*Accelerated revenue market share growth*

Segment	Hospitals	Ambulatory	Pharma	Insurance
Market (2015)	GEL 1.2bln	GEL 0.9bln	GEL 1.3bln	GEL 0.17bln
Market shares	by revenue   by beds	by revenue	by revenue	by revenue
In 2015	18%   27%	<1%	-	38%
Now	20%   23%	1.5%	29%	35%
YE2018	25%   28%	5%	30%+	30%+
Long-term	30%+	15%+	30%+	30%+



# Focused growth strategy through 2018

Segment	Hospitals	Ambulatory	Pharma	Insurance
Market share Targets 2018	<b>25%   28%</b> by revenue   by beds	<b>5%</b> by revenue	<b>30%+</b> by revenue	<b>30%+</b> by revenue
P&L targets	<ul style="list-style-type: none"><li>▪ Doubling 2015 revenue by 2018</li><li>▪ With 30% EBITDA margin</li></ul>		<b>8.0%+ EBITDA margin</b>	<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>1 Enhancing footprint in Tbilisi</li><li>2 Filling service gaps</li><li>3 Strengthening existing services in elective care</li></ol>	<ol style="list-style-type: none"><li>1 Accelerated footprint growth</li><li>2 Aggressive sales growth through various channels (pharma, insurance, corporates, state programs)</li></ol>	<ol style="list-style-type: none"><li>1 Enhancing retail margin (private label &amp; contract manufacturing)</li><li>2 Growing loyalty customers</li><li>3 Growing wholesale revenue</li><li>4 Cross-selling to ambulatory clinics</li></ol>	<ol style="list-style-type: none"><li>1 Portfolio re-pricing and cost-efficiencies</li><li>2 Redirecting more patients to GHG ambulatory clinics &amp; pharmacies</li></ol>



# Hospitals – Strategy through 2018

		2016	2018	
1	Expanding footprint mainly in capital	market share (referral beds)	17% (2,092)	26% (2,733)
2	Grow urgent treatments	market share (market)	32% (GEL 440mln)	39%
3	Grow elective surgery and increase participation in vertical programs	market share (market)	Elective: 15% (GEL 198mln)	28%
			Vertical: 17% (GEL 71mln)	28%
4	Filling service gaps		64 services implemented	120+ services to be implemented
5	Impact of new regulations		20 “quasi” ICU clinics appeared on market in capital	for ICU services government might contract only referral hospitals



# Focused growth strategy

## *Capacity in place for accelerated hospital revenue growth*

**Increasing footprint in capital  
with 320-bed first class Deka hospital and 332- bed first class Sunstone hospital**

### Before



### After



### Deka highlights

**In August 2016 we opened Deka's diagnostic centre. Full renovation and launch of the hospital is planned by the end of 2017.**

#### Target population:

- Medium and high income patient
- Opportunity for medical tourism

#### Project details:

- 320 Bed hospital
- 35,000 Sq. meter
- Targeting JCI Accreditation

#### High technology services:

- Cardio Surgery; Angio surgery; Neurovascular surgery; Laparoscopic Surgery; ICU; ER;

### Sunstone highlights

**First phase was launched in April 2017, with 220 newly renovated beds; The full lunch is planned by the end of 2017 in line with the increasing expected demand.**

#### Target population:

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

#### Project details:






- 332 Bed hospital
- 35,000 Sq. meter
- 11 Operating Rooms

#### High technology services:

- Full scale of general hospital Elective services; ICU; Delivery; Neonatal ICU; Transplantology



# Ambulatory - Strategy through 2018

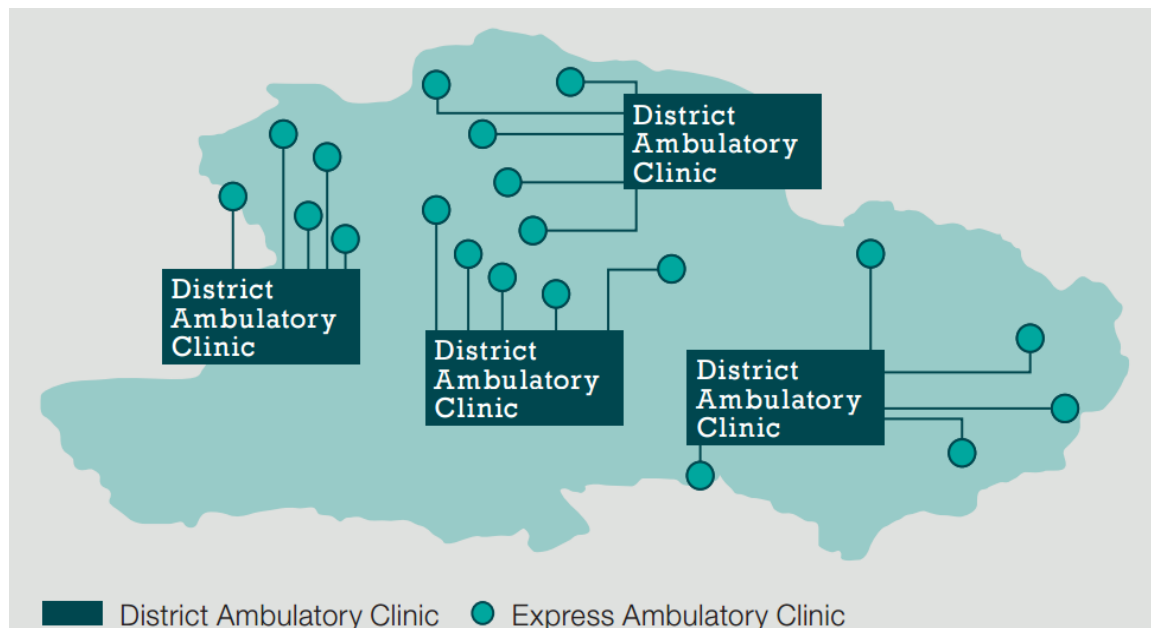
		2016	2018
1 Accelerated launch		10 Clusters	c.25 Clusters
2 Increased revenue / decreasing dependency		48% revenue from medical insurance & co-payments	20% revenue from medical insurance & co-payments
3 Sales to corporates		None	1/5 share in outpatient revenue
4 Pharma cross-sell		1,000 unique patients per month	22,000 unique patients per month
5 State programs		1.5% share in eligible state programs	20% share in eligible state programs
Share in GHG healthcare business revenue		4.8%	15%



# Focused growth strategy

## Rapid launch of ambulatory clinics

### Ambulatory clusters in TBILISI



### ORGANISED IN CLUSTERS

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

Large scale  
ambulatory  
clinic

**Area:** 1800-2500 sq/m  
**Offering:** Full scale services  
**Working hours:** 10:00-20:00, 6 days a week  
**Investment:** GEL 2.0mln  
**Revenue:** GEL 3.5mln (annual run rate)

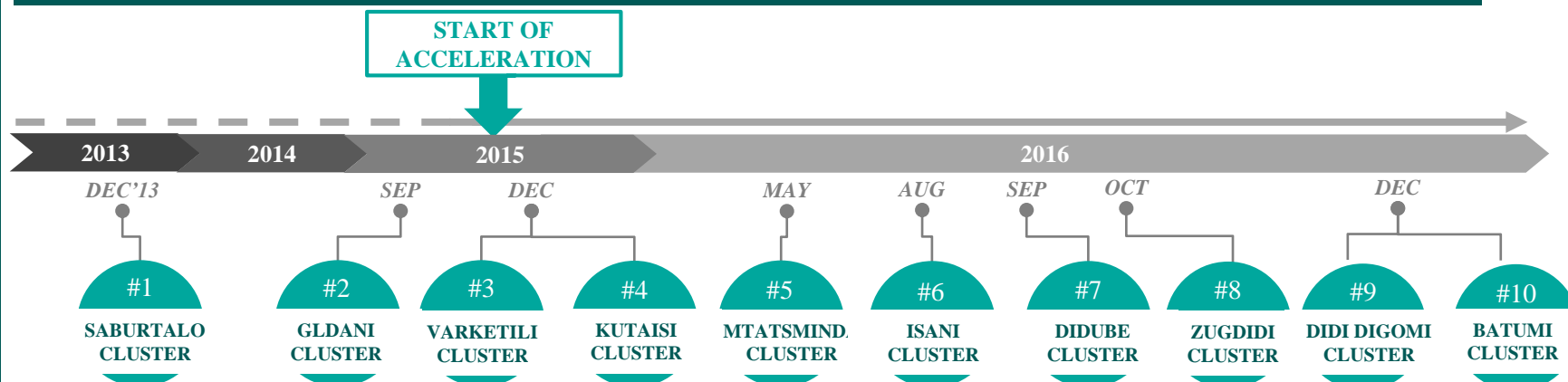
Express  
clinic

**Area:** 20-200 sq/m  
**Offering:** Basic services  
**Working hours:** 09:00-21:00, 7 days a week  
**Investment:** GEL 300 thousand  
**Revenue:** GEL 0.1mln (annual run rate)

### First mover advantage in a fragmented market

Accelerated  
ambulatory  
launch strategy

2015-2016 Dec







# Focused growth strategy

## *GHG setting new standard among competition in ambulatory business*

### Competition



Mitskevich polyclinic, Tbilisi, September 2015

### Reception



Joen clinic, Tbilisi, September 2015

### Doctor's office



9<sup>th</sup> polyclinic, Tbilisi, September 2015

### GHG ambulatory clinics



Express ambulatory clinic, Tbilisi, December 2014

### Reception







Express ambulatory clinic, Tbilisi, December 2014

### Doctor's office



Express ambulatory clinic, Tbilisi, December 2014

**Improving EBITDA margin from 4.3% in 2016 up to 8.0%+ in medium-term,  
while slightly increasing market share to 1/3**

		2016	2018
1 Enhancing retail margin		Share of “GPC” products in pharma revenue <3%	15%+
2 Increasing customer loyalty		c. 500K Loyalty Cardholders	c. 1 mln
3 Growing wholesale revenue		GEL 36.9 mln revenue	<ul style="list-style-type: none"> <li>▪ 20-25% growth in sales to drugstores</li> <li>▪ Double hospital sales</li> </ul>
4 Expanding retail footprint		243 pharmacies	300+
EBITDA margin		4.3%-GPC, 8.4%-Pharmadepot	8.0%+
Market share		29%	30%+





# Medical insurance - Strategy through 2018

		2016	2018
1 Group synergies	Total claims retained within the Group	23.3%	>50%
2 Portfolio repricing	Loss ratio	81.3% <sup>(1)</sup>	<75%
3 Cost efficiency	Expense ratio	14.6% <sup>(1) (2)</sup>	<14% <sup>(2)</sup>
4 Value creation	Combined ratio	102.9% <sup>(1)</sup>	<97%

(1) Excluding Ministry of Defence ("MOD") contract

(2) Excluding commissions



## Our main challenges

X

Lack of doctors & Nurses:  
quality and new generation

X

Quality of basic medical care

X

Service gaps

## What we achieved



- 3500 doc's /4000 nurses retrained
- 80 ToTs developed
- 243 residents in 20 specialties



Quality control framework  
development initiated



Over 10 new services introduced

Over 50 service departments  
expanded or established at new  
locations

## Goal



Complete first round of staff  
retraining by 2020



Complete quality management  
framework implementation.

Receive JCI accreditation on 4 of  
our locations by 2020



Continue to launch new services

Capture patient flow export.



# 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

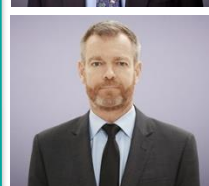


- ✿ **Tim Elsigood** | Independent Non-executive Director | Experience: Currently Consultant Advisor to Abraaj in Tunisia and Morocco. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia. Former Senior VP for Business Development at Capio AB,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

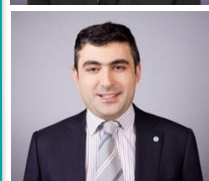
Non-BGEO members



- ✿ **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



- ✿ **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

### 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

Note : Senior Executive Compensation Policy applies to top executives and envisages long-term deferred and discretionary awards of securities and no cash bonuses to be paid to such executives

Non-BGEO members



# 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



✿ **George Arveladze** | Deputy CEO, Ambulatory and Pharma Business; (effective 16 March 2016), formerly CEO of Liberty Bank, 12 years experience in banking 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



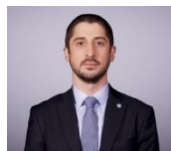
✿ **Enrico Beridze** | CEO GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly CEO of ABC Pharmacia



✿ **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.



⌘ GHG | Overview and strategy

⌘ **GHG | Results discussion**

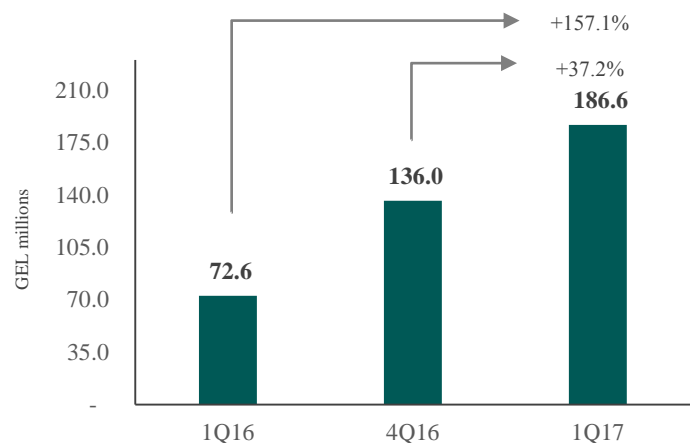
⌘ Macroeconomic and Industry Overview

⌘ Annexes



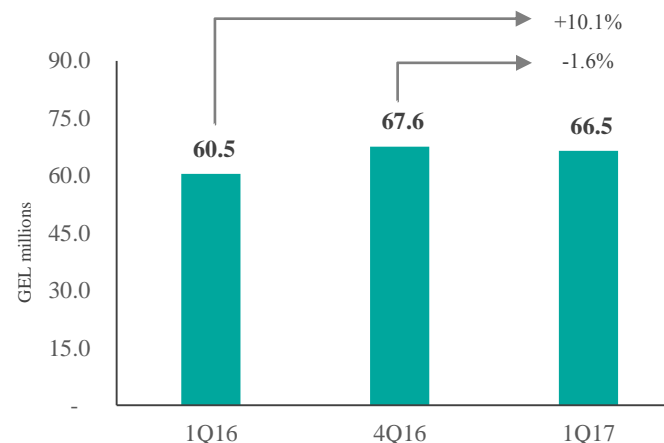
# GHG y-o-y revenue growth was driven by all business lines, primarily by consolidating the pharma business

## Revenue – GHG\*



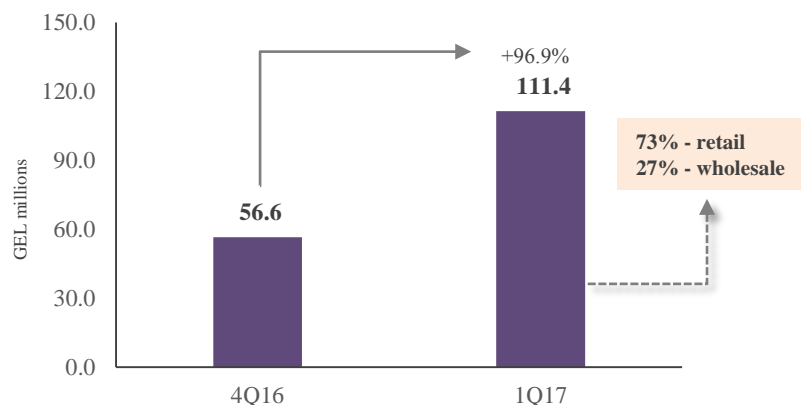
\* Gross revenue including corrections and rebates and is net of intercompany eliminations

## Revenue – Healthcare services business



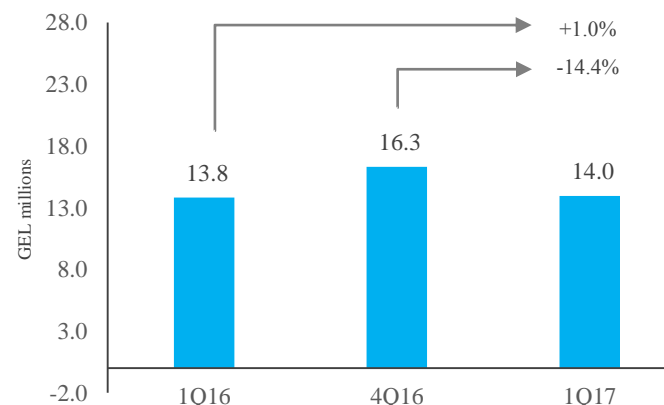
\* Gross revenue including corrections and rebates

## Revenue – Pharma business\*



\* 1Q17 results now fully reflects our pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively.

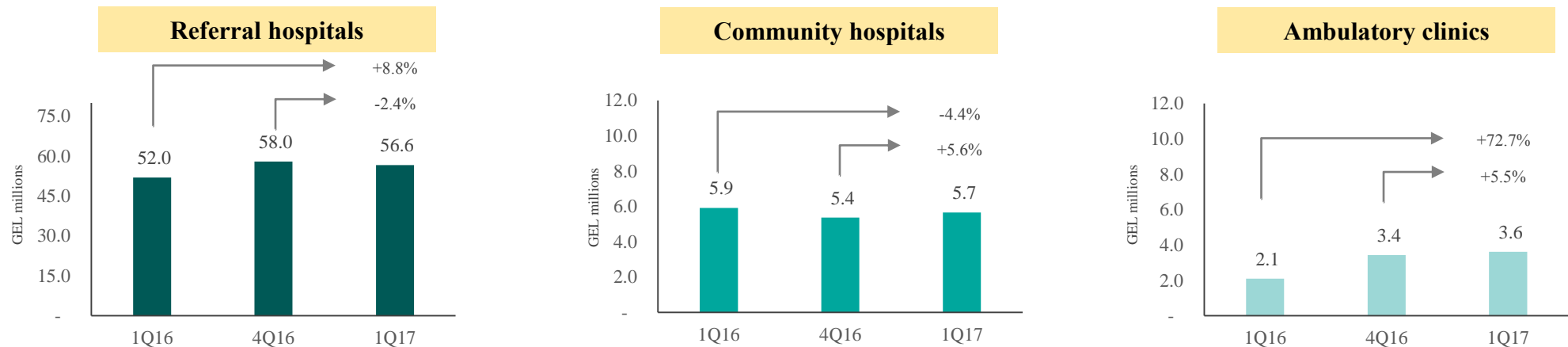
## Revenue – Medical insurance business



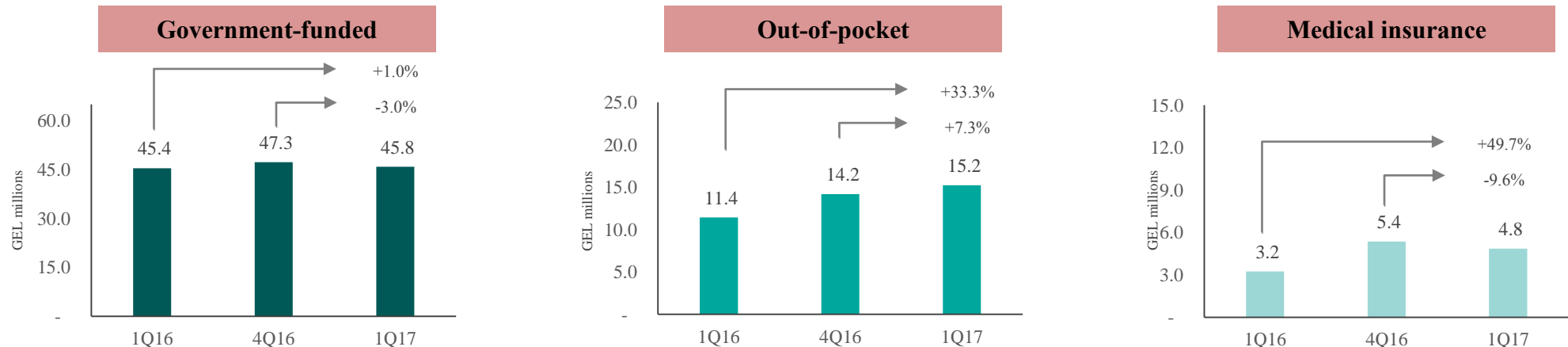


# Healthcare services y-o-y revenue growth was mainly driven by revenue from referral hospitals

## Healthcare services revenue breakdown by segments



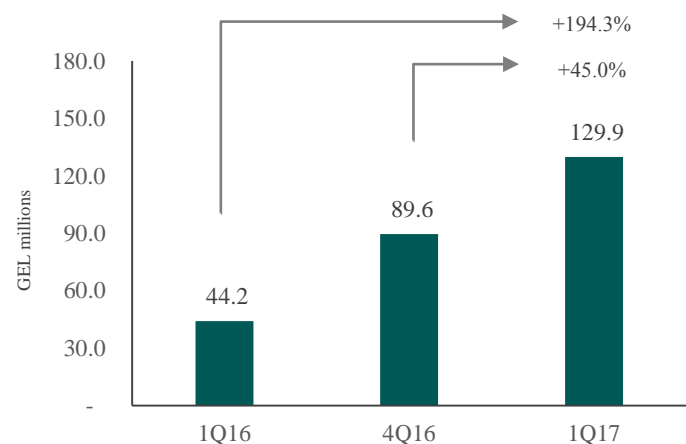
## Healthcare services revenue breakdown by source of payments





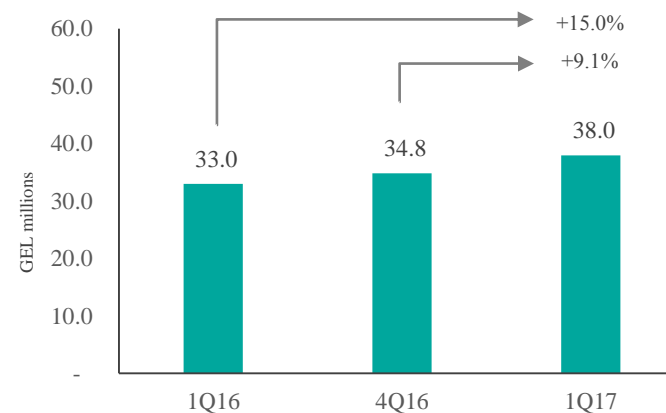
# GHG cost of services growth follows the healthcare services expansion as well as the pharma acquisition

## Cost of services – GHG\*

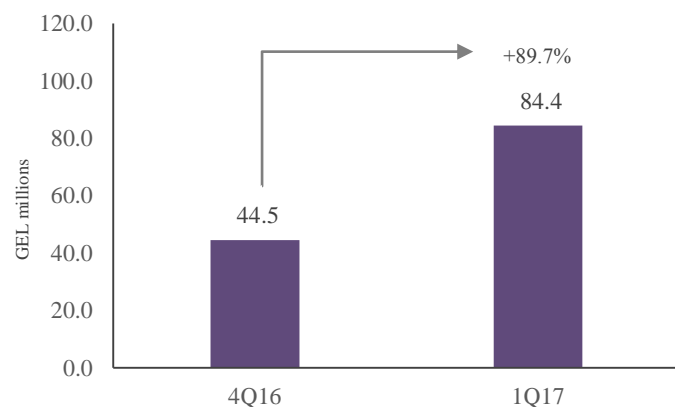


\* Net of intercompany eliminations

## Cost of services – Healthcare services business

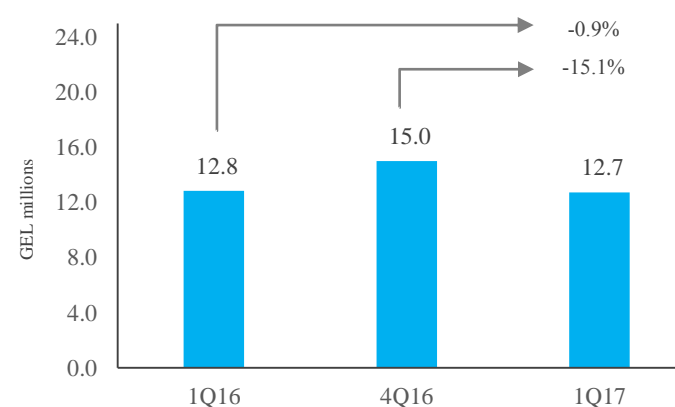


## Cost of services – Pharma business\*



\* 1Q17 results now fully reflects our pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively.

## Cost of services – Medical insurance business

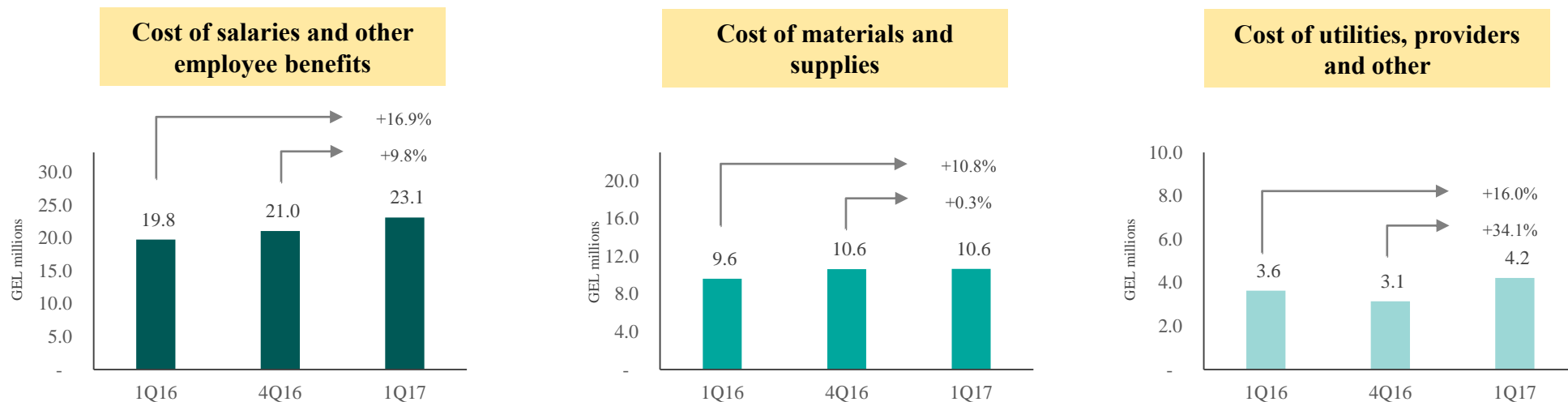






# The growth in cost of services in the healthcare services business was mainly driven by the cost of salaries and other employee benefits

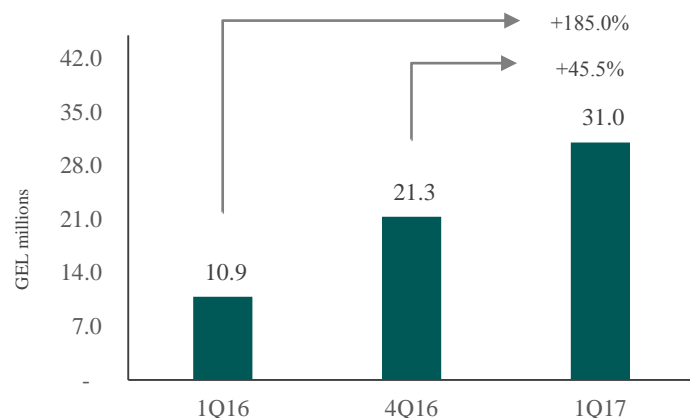
## Healthcare services cost of services breakdown





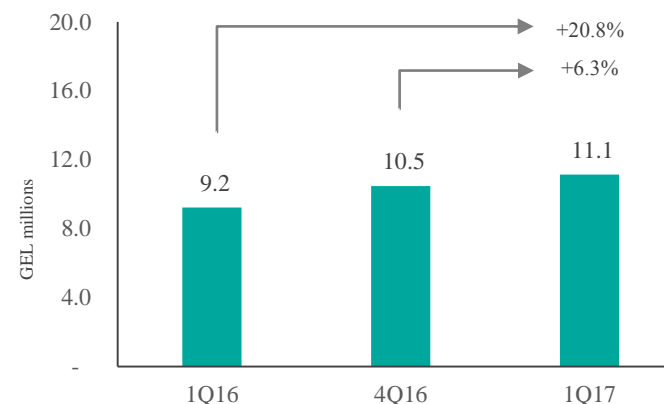
# GHG operating expenses growth mainly due to the pharma acquisition

## Operating expense – GHG

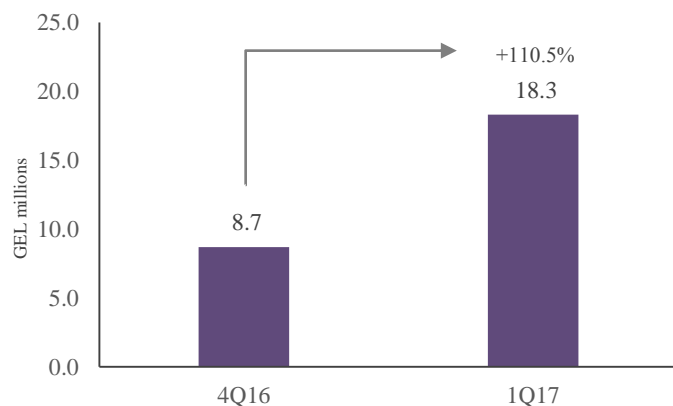


\* Net of intercompany eliminations

## Operating expense – Healthcare services business

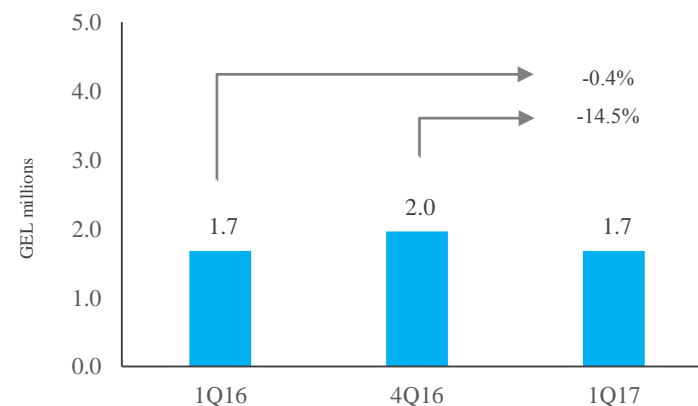


## Operating expense – Pharma business\*



\* 1Q17 results now fully reflects our pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively.

## Operating expense – Medical insurance business

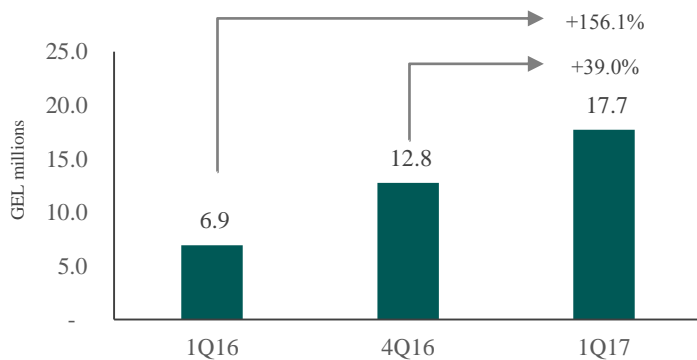




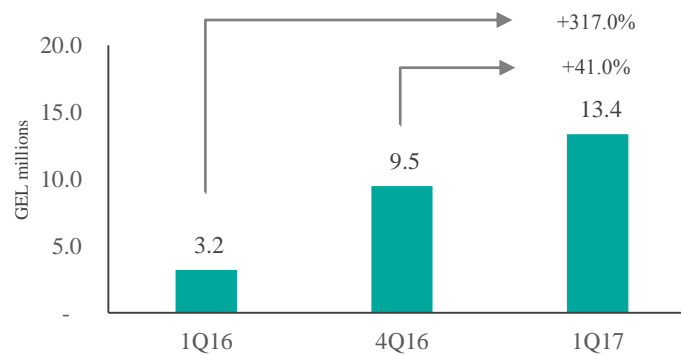
# The main operating cost drivers of GHG are the salaries and other employee benefits and the G&A

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

### Salaries and other employee benefits



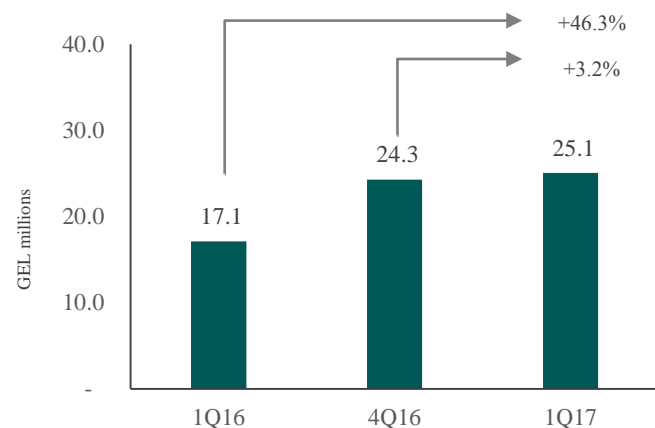
### General and administrative expenses



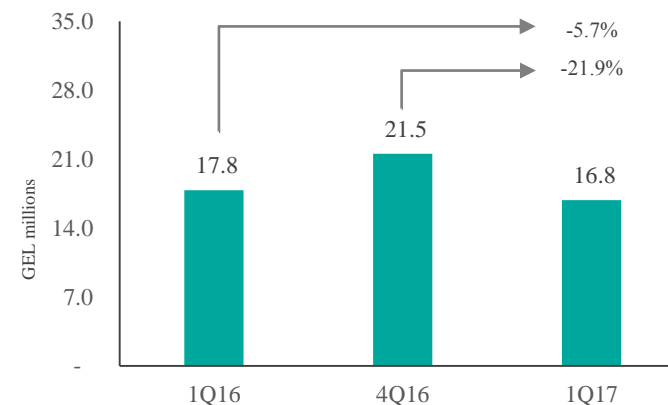


# EBITDA - GHG reported record quarterly EBITDA of GEL 25.1 million

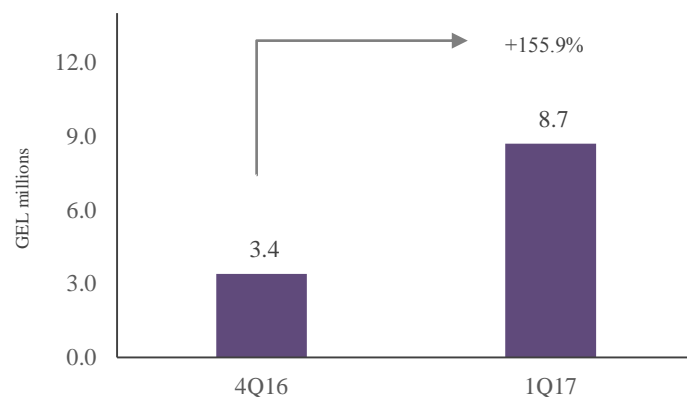
## EBITDA – GHG\*



## EBITDA – Healthcare services business

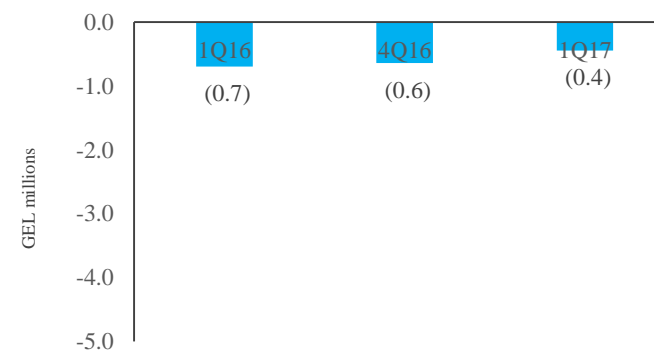


## EBITDA – Pharma business\*



\* 1Q17 results now fully reflects our pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively.

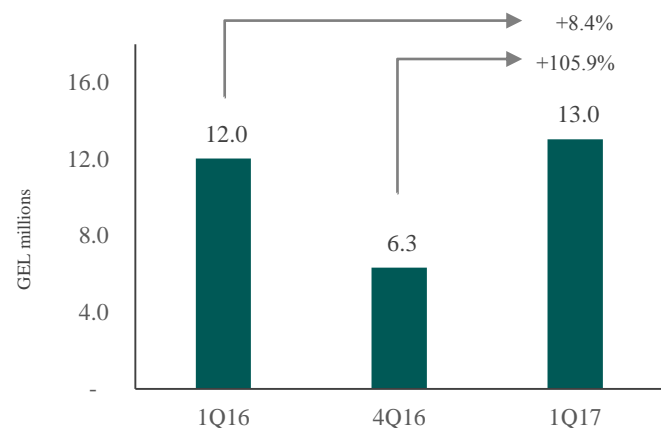
## EBITDA – Medical insurance business



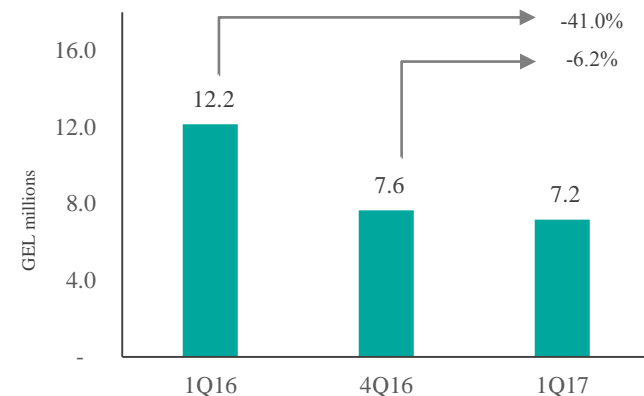


# Profit - GHG reported quarterly profit of GEL 13.0 million

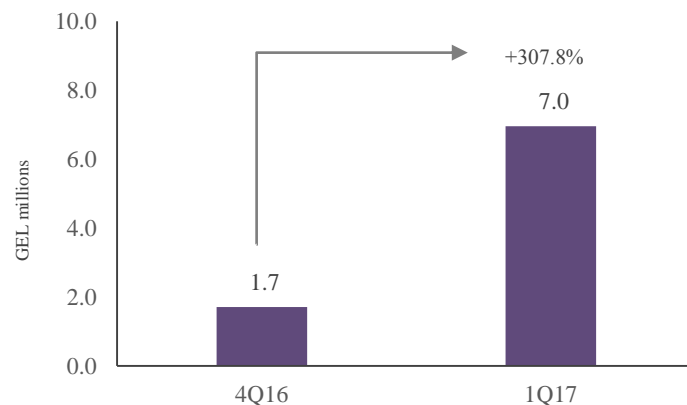
## Profit – GHG\*



## Profit – Healthcare services business

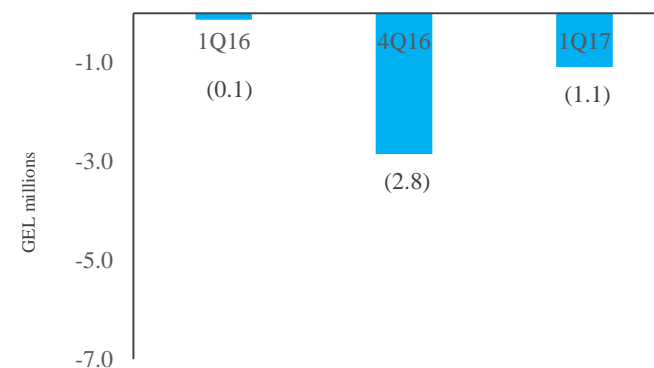


## Profit – Pharma business\*



\* 1Q17 results now fully reflects our pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively.

## Profit – Medical insurance business





# Capex – Key driver for our 2016-2018 strategy

## Capex 2014-1Q17

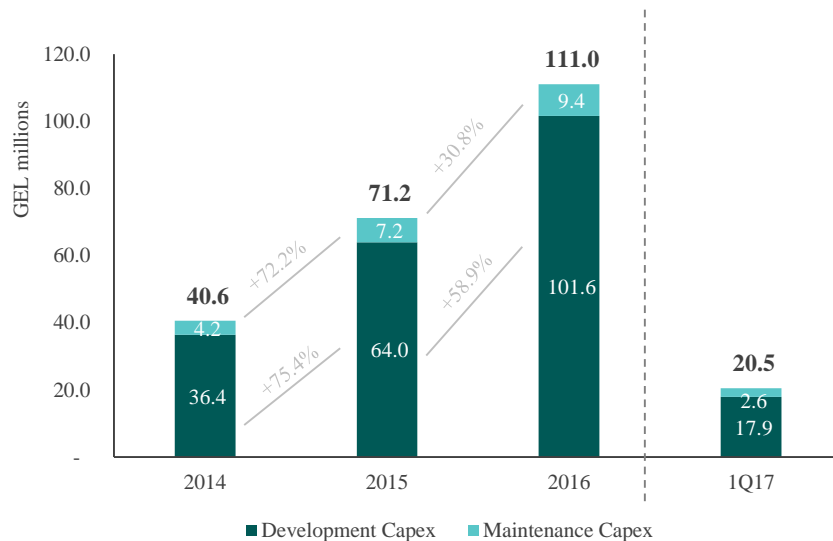
Maintenance capex as % of healthcare service revenue

2.8%

3.7%

3.8%

4.0%



## Capex 2016-2018 Strategy and performance

- Our key strategic pillar for Doubling 2015 Revenue in 2018 is the development capex, including 2 hospital renovations, outpatient clinics roll-out and some other new projects to fill service gaps.
- **During 1Q17 we spent a total of GEL 20.5 million on capital expenditures, from which:**
  - Development Capex was GEL 17.9 million
  - Maintenance Capex was GEL 2.6 million
- These expenditures already include commencement of the flagship projects of DEKA and Sunstone.



⌘ GHG | Overview and strategy

⌘ GHG | Results discussion

⌘ **Macroeconomic and Industry Overview**

⌘ Annexes



# Long-term, high growth prospects

## Georgia / rapidly developing reform driven economy

- Area: 69,700 km<sup>2</sup>
- 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: 2016 GEL 33.9bln (US\$14.3bln)
- Real GDP growth rate 2012-2016: 6.4%, 3.4%, 4.6%, 2.9%, 2.7%
- Real GDP 2006-2016 annual average growth rate: 4.9%
- GDP per capita 2016 (PPP) per IMF: US\$10,044
- Inflation rate (e-o-p) 2016: 1.8%
- External public debt to GDP 2016: 35.2%

#### • Sovereign ratings:

<b>S&amp;P</b>	BB-/B/Stable, affirmed in November 2016
<b>Moody's</b>	Ba3/NP/Positive, affirmed in March 2016
<b>Fitch</b>	BB-/B/Stable, affirmed in March 2017



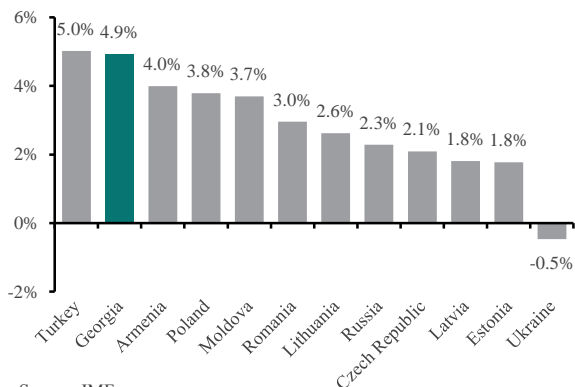




# Long-term, high growth prospects *Georgia / strong economic performance*

## 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

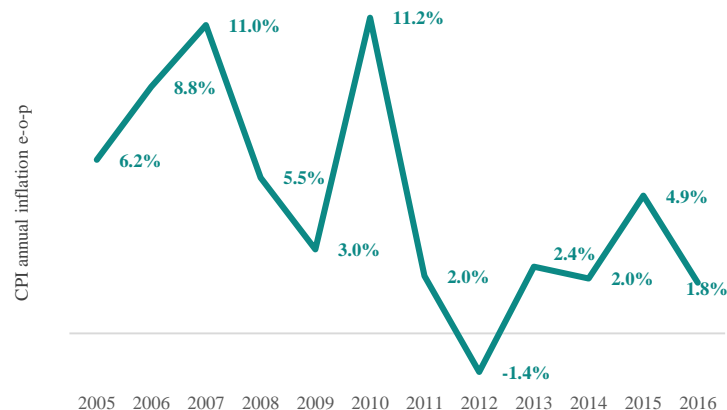
- ✓ Significant reduction of bureaucracy
- ✓ Overall, c.70% of business-related licenses and c.90% of permits were abolished
- ✓ One-stop shops for all business-related administrative procedures commenced operations
- ✓ Taxation was simplified with the total number of taxes reduced from 21 to 6
- ✓ Main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

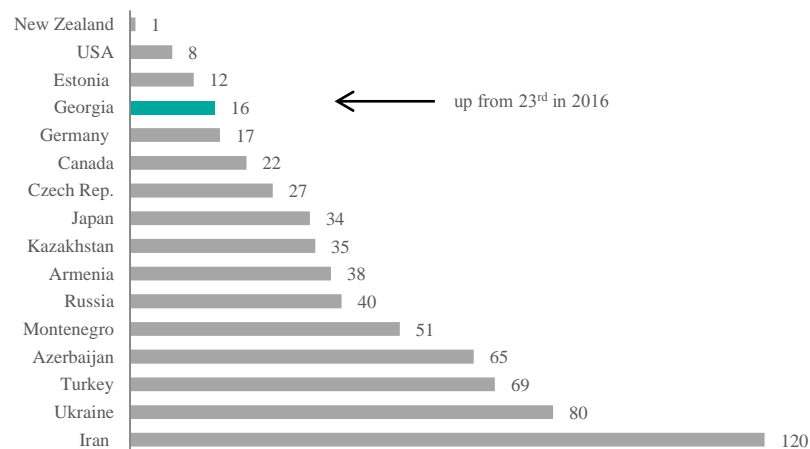




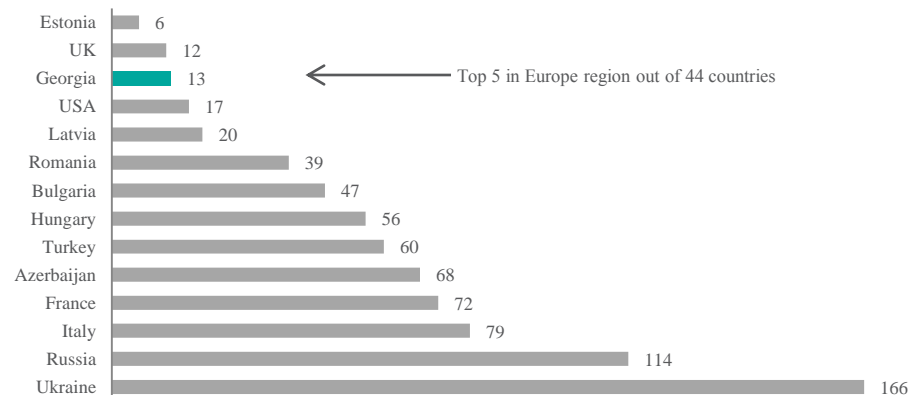
# Long-term, high growth prospects

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

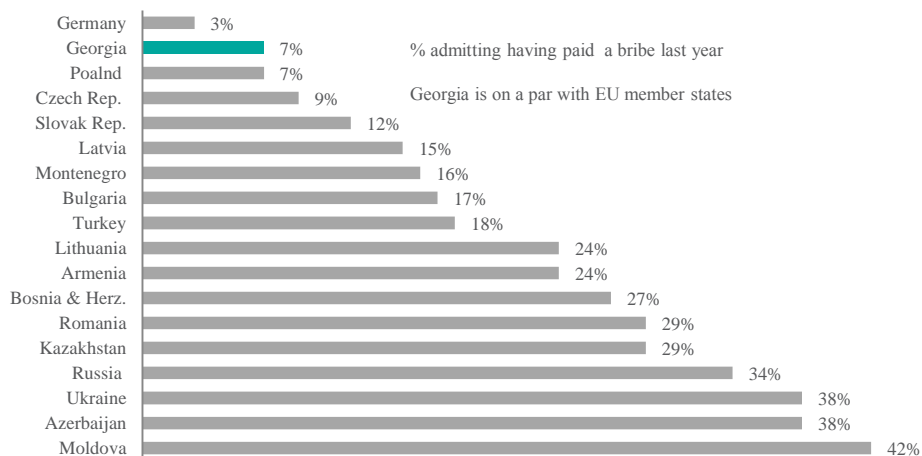
### Ease of Doing Business | 2017 (WB-IFC Doing Business Report)



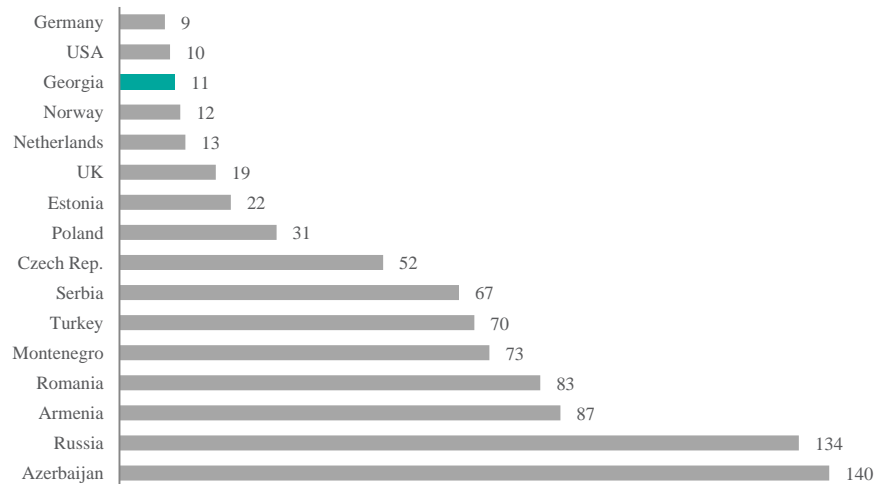
### Economic Freedom Index | 2017 (Heritage Foundation)



### Global Corruption Barometer | TI 2016



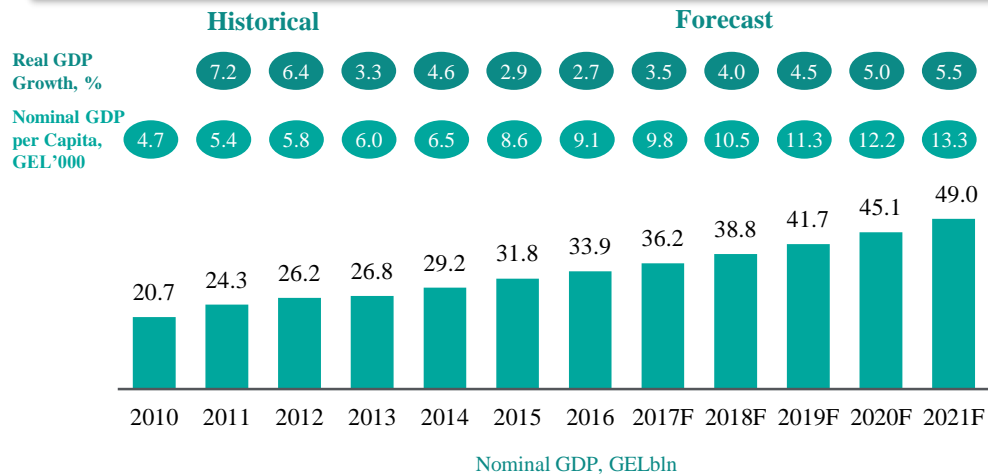
### Business Bribery Risk, 2014 | Trace International



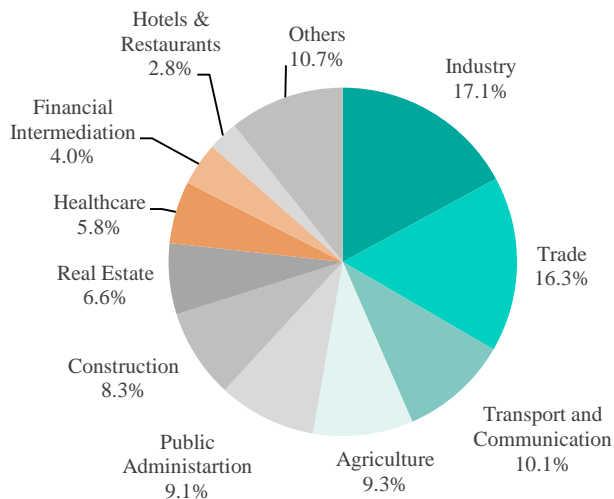


# Long-term, high growth prospects Georgia | *positive economic outlook*

## GDP Growth Expected to Continue



## GDP composition, FY 2016



## Clear Strategy to Achieve Long Term Growth

### Liberal Reforms and Prudent Policy

- Top performer globally in WB Doing Business over the past 12 years
- 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 15.1% of GDP in 2016 and arrivals reached 6.4mln visitors in 2016 (up 7.6% y-o-y)
- Regional energy transit corridor accounting for 1.6% of world's oil and gas transit volumes

### Strong FDI

- Productivity gains accounted for 66% of the annual average 5.6% growth over 1999-2012, according to the World Bank
- FDI at US\$1,645mln (11.5% of GDP) in 2016 (up 5.2% y-o-y)
- FDI averaged 9.8% of GDP in 2007-2016

### Support from International Community

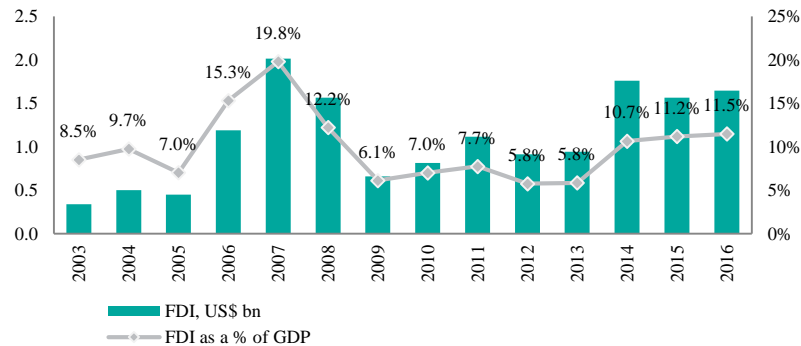
- Georgia and the EU signed an Association Agreement in June 2014
- Discussions commenced with the USA to drive inward investments and exports
- Strong political support from NATO, EU, US, UN and member of WTO since 2000
- Substantial support from DFIs, the US and EU
- Diversified trade structure across countries and products

### Cheap Electricity

- Only 20% of hydropower capacity utilized; 120 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\$ 1,645mln, up 5.2% y-o-y in 2016



Sources: Geostat

## Tourist arrivals and revenues on the rise

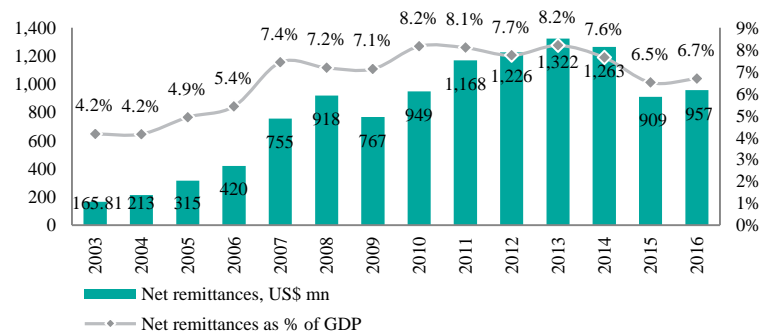
6.4mln visitors in 2016, up 7.6% y-o-y  
Net tourism revenues up 10.8% y-o-y to US\$ 1,780 mln in 2016



Sources: Georgian National Tourism Agency, National Bank of Georgia

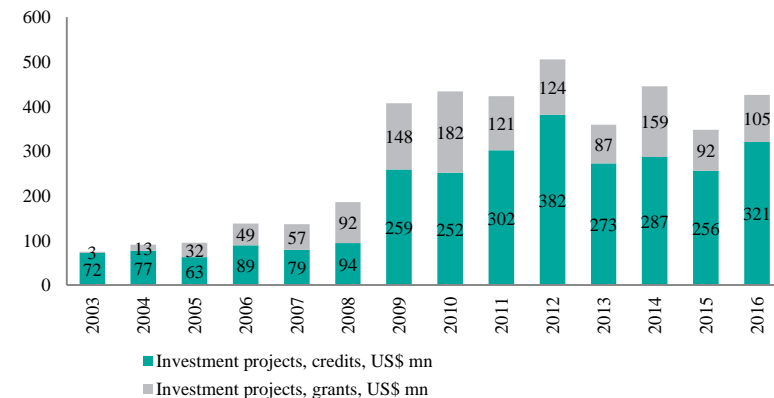
## Net remittances

US\$ 957.2mln in 2016, up 5.3% y-o-y



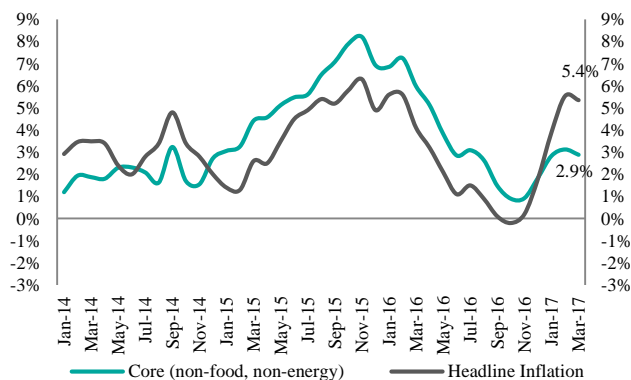
Source: National Bank of Georgia

## Public donor funding



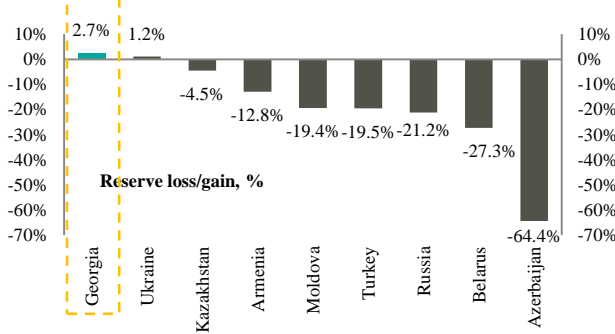
Source: Ministry of Finance of Georgia

## Annual inflation



Sources: Geostat

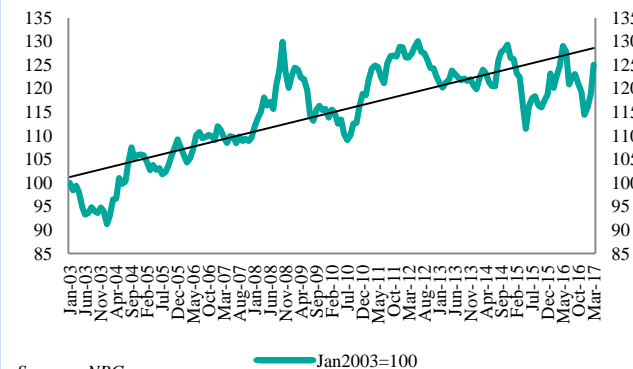
## Georgia used less reserves to support GEL



Source: IMF

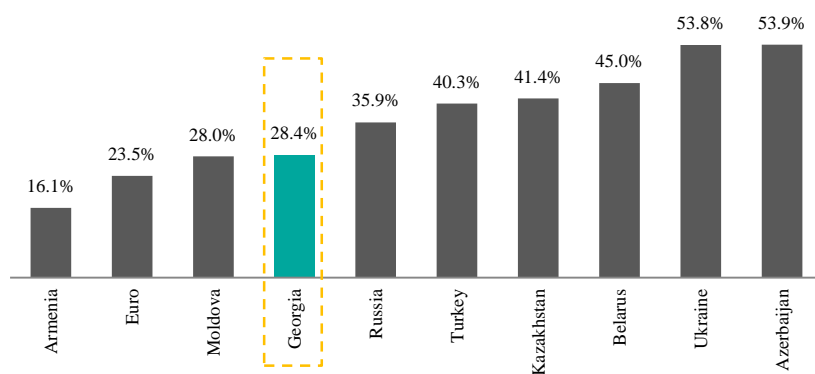
Note: Feb-2017 vs Aug-2014; Armenia's reserves exclude a US\$ 500mn Eurobond issued in March 2015

## Real effective exchange rate (REER)



Sources: NBG

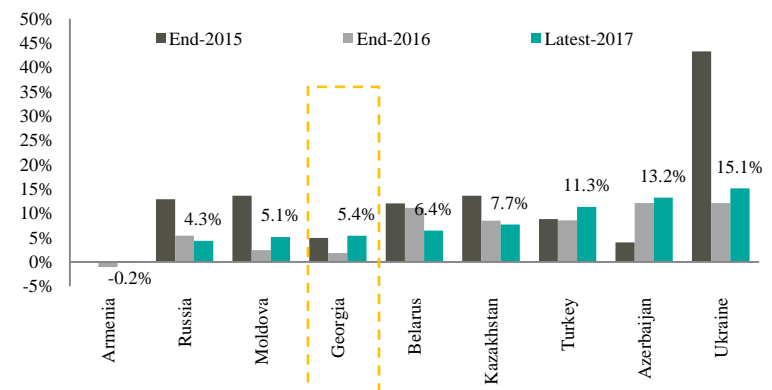
## Currency weakening vs. US\$



Source: Bloomberg.

Note: US\$ per unit of national currency, period 1-Aug-2014 – 24-Apr-2017

## Inflation remains low in Georgia



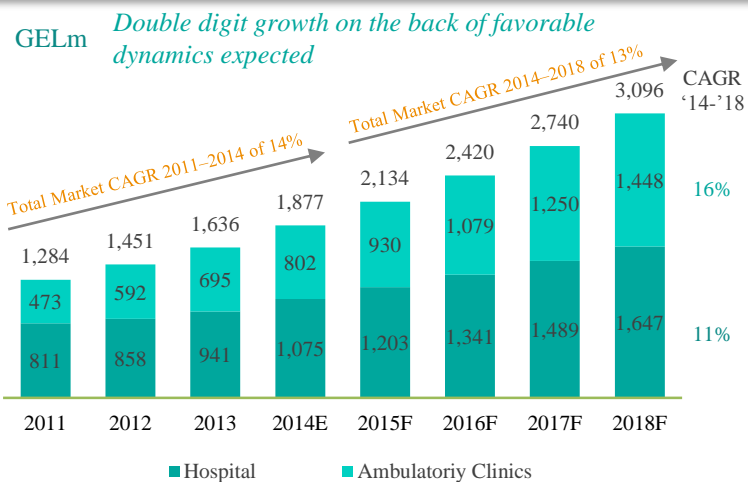
Source: National Statistics Offices



# Long-term, high growth prospects

## Rapidly Growing Healthcare Services Market

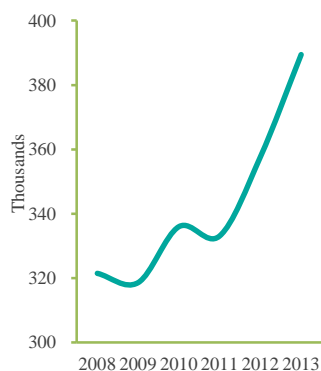
### High Growth in Healthcare Services Market Expected to Continue



Source: Frost & Sullivan analysis.

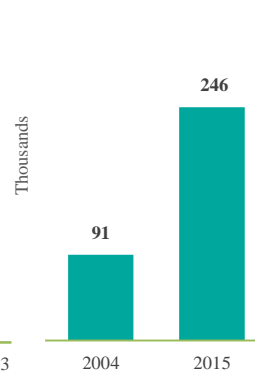
### Demand Analysis

Number of Hospital Admissions



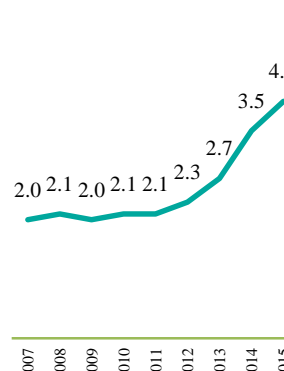
Source: NCDC

Number of Surgical Operations



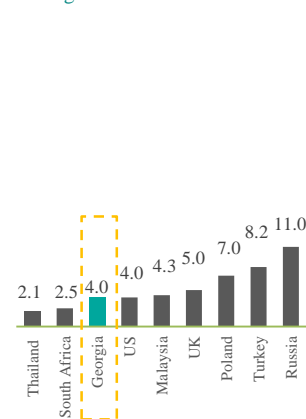
Source: NCDC

Outpatient encounters per capita,



Source: NCDC

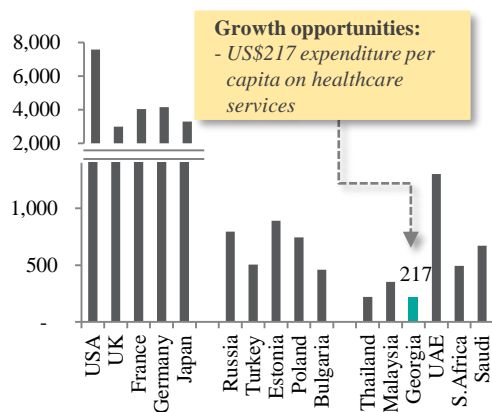
Outpatient encounters per capita, Georgia VS other countries



Source: NCDC

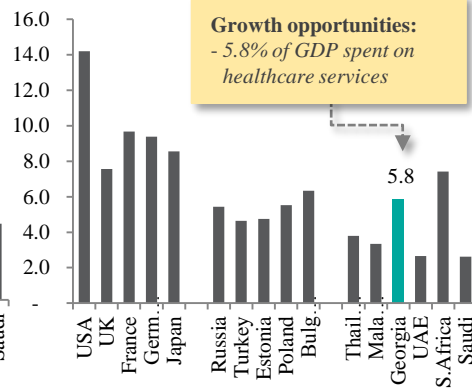
### Low Expenditure on Health Services

Per capita expenditure on healthcare services, current US\$



**Growth opportunities:**  
- US\$217 expenditure per capita on healthcare services

Expenditure on healthcare services, % of GDP



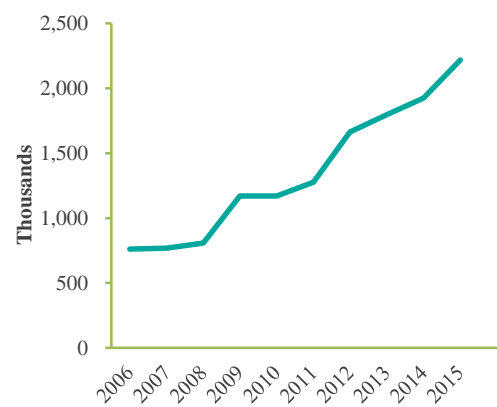
**Growth opportunities:**  
- 5.8% of GDP spent on healthcare services

Source: World Bank 2013

Note: Healthcare services expenditure for other countries is pro-forma, based on assumption that pharmaceuticals is 17% of total spending

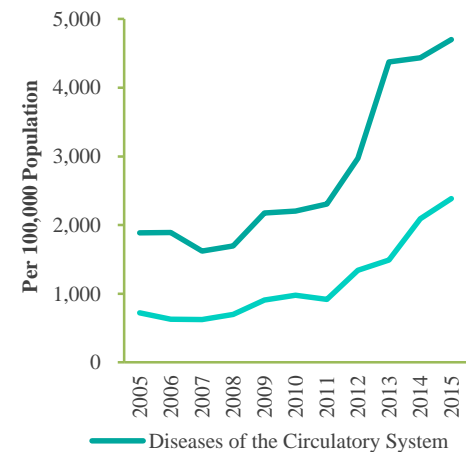
### Increasing Overall Disease Incidence...

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



Source: Geostat

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



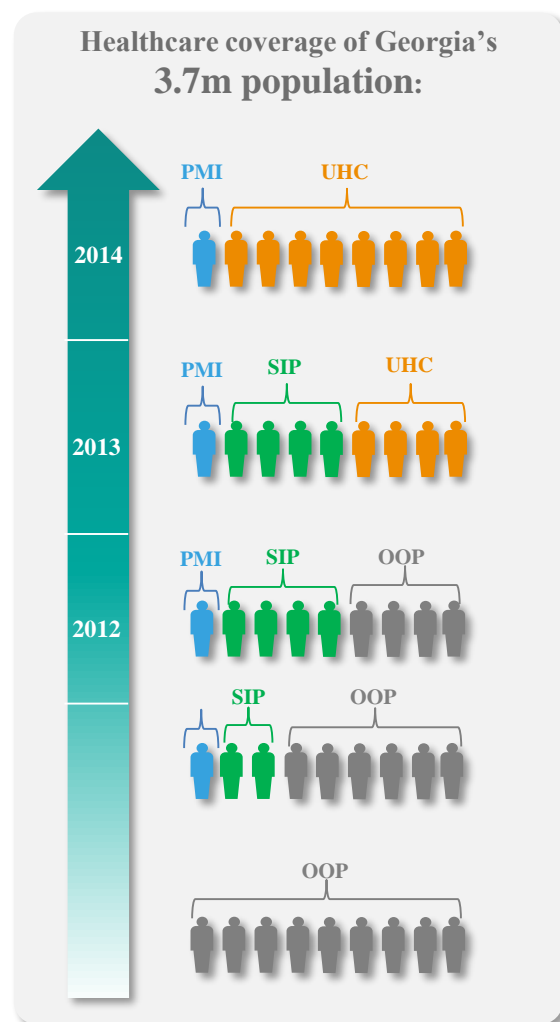
Source: NCDC



# Long-term, high growth prospects

## *Favorable government healthcare policy*

Expanding medical insurance coverage and creating opportunities for private participation (via top-ups) has been the key impact of the Universal Health Care reform



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 top-up coverage including in the form of private medical insurance policies

#### 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

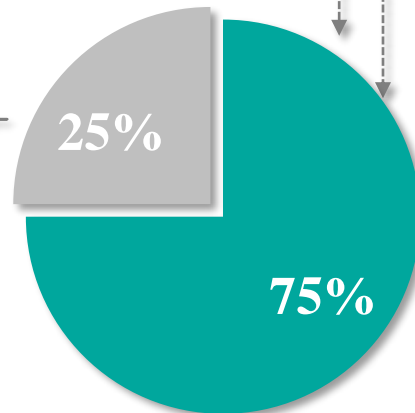
## *Favorable government healthcare policy*

### Soviet-era legacy



c.75% of beds are renovated in Georgia<sup>(1)</sup>

c.95% of GHG beds are renovated<sup>(2)</sup>



■ Renovated beds  
■ Soviet-era beds

### Renovated



Source:

(1) NCDC, data as of 2014, updated by GHG to include changes before 31 March 2016

(2) GHG internal reporting





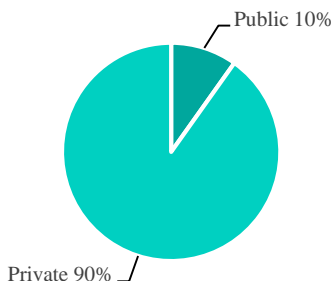
# Long-term, high growth prospects

## Favorable government healthcare policy

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

#### 90% of hospital capacity is private

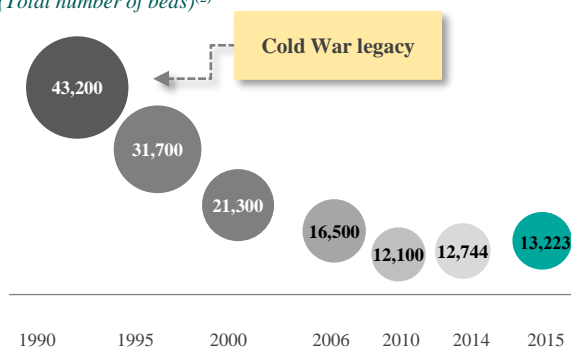
Total Number of Beds (2015): 10,948<sup>(1)</sup>



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

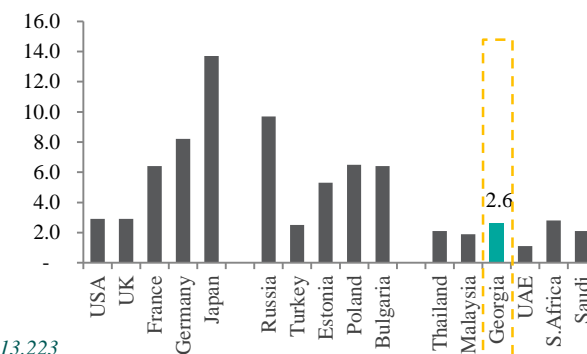
Optimising bed capacity over the years

(Total number of beds)<sup>(2)</sup>



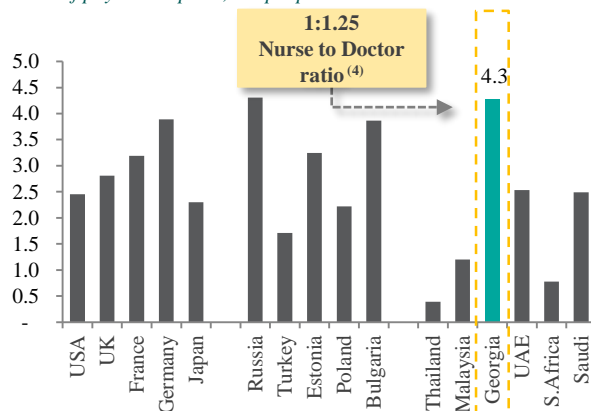
Note: (\*) Target market bed capacity = Total market bed capacity of 13,223 beds – 2,275 specialty beds at penitentiary, TB and psychiatric clinics

Beds per 1,000 people<sup>(3)</sup>



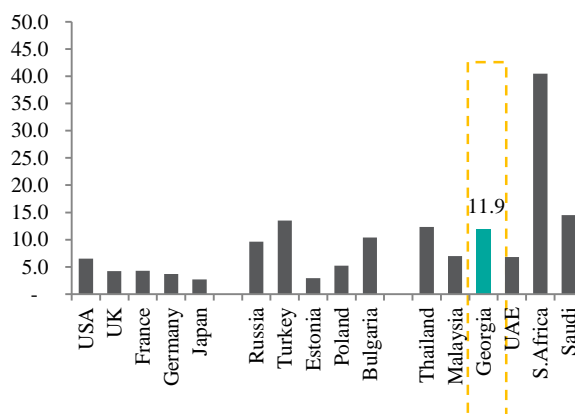
#### However, physician overcapacity yet to be addressed

Number of physicians per 1,000 people<sup>(3)</sup>

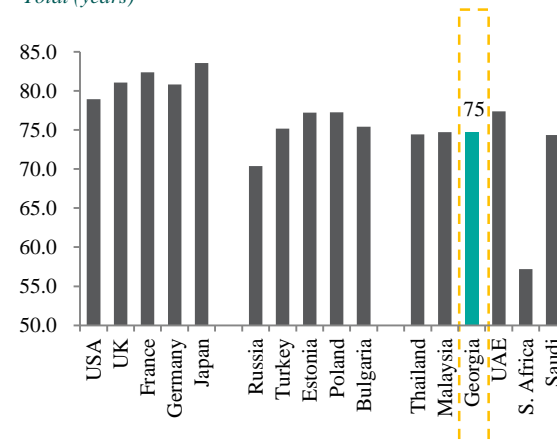


#### With significant room for optimisation in terms of service quality, as indicated by: Under 5 Mortality Rate... ... And Life Expectancy At Birth

Under 5 mortality per 1,000 live births<sup>(3)</sup>



Total (years)<sup>(3)</sup>



Source:

(1) NCDC 2015, updated by GHG to include changes before of 31 March 2017

(2) Geostat 2014, NCDC 2015

(3) World Bank | 2012, 2013, 2014, 2015

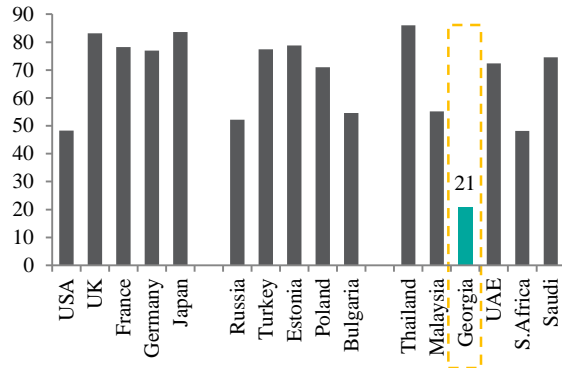
(4) NCDC 2015

# Long-term, high growth prospects

## Favorable government healthcare policy

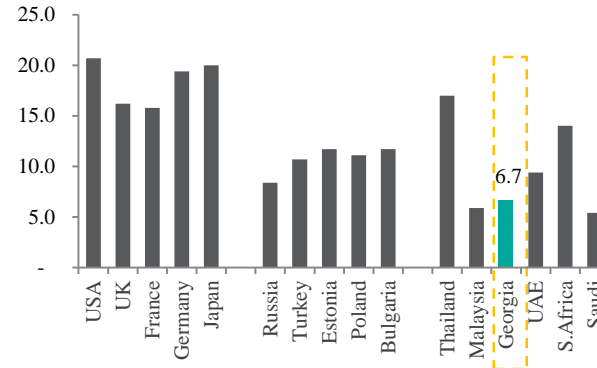
### Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013

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



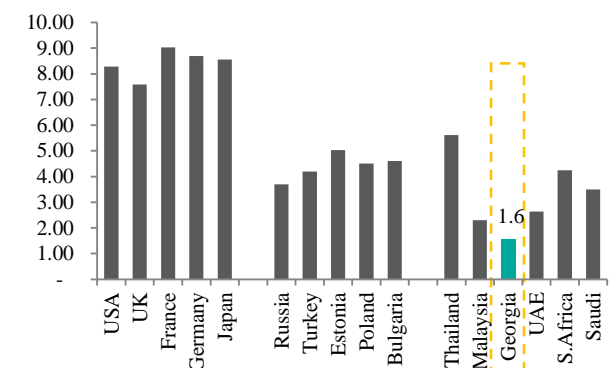
### Government spending on healthcare was only 6.7% of state budget in 2013, which is expected to grow up to 10.4% in 2016 year.

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.2.7% in 2015 year<sup>(4)</sup>

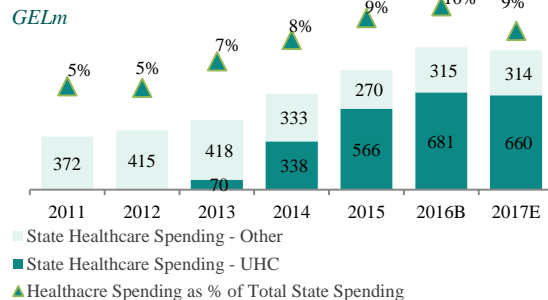
Government expenditure on health as % of GDP in 2013<sup>(1)</sup>



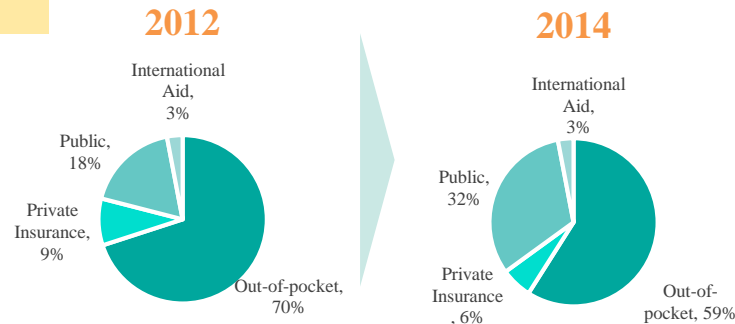
### And catching up gradually – State financing of healthcare increasing for the last several years

2016 UHC spending was initially planned at GEL 570mln. By the end of 2016 state has adjusted initial budget of 2016 UHC spending and increased from GEL 570mln to GEL 681mln;

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

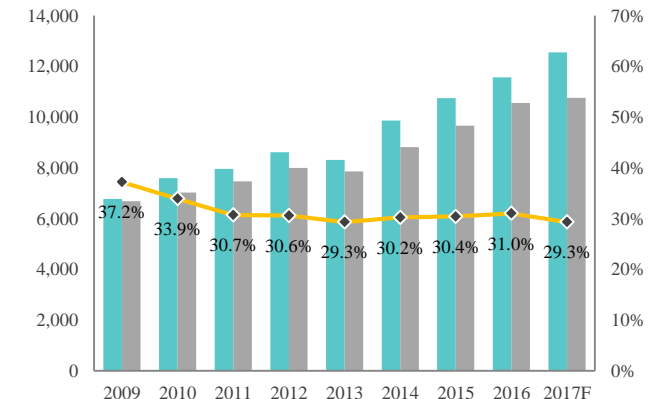


### High private spending and growing public sector participation on the back of UHC implementation<sup>(3)</sup>



### 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

■ Total budget receipt, GEL mln  
■ Expenditures (Capital + Current), GEL mln  
—●— Expenditures (Capital + Current) as % of GDP



⌘ GHG | Overview and strategy

⌘ GHG | Results discussion

⌘ Macroeconomic and Industry Overview

⌘ **Annexes**

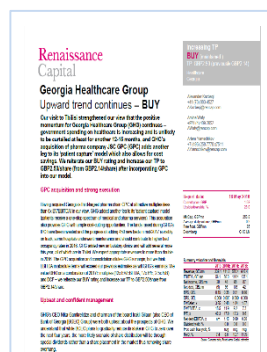


## Consensus Target Price is 3.99 GBP



GBP 4.20

\*as of 21 February 2017



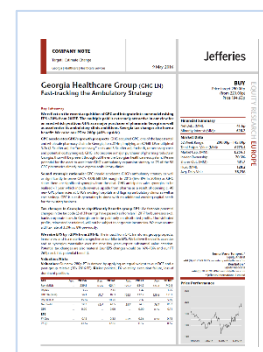
GBP 3.67

\*as of 15 December 2016



GBP 4.20

\*as of 15 February 2017



GBP 3.95

\*as of 30 March 2017



GBP 3.95

\*as of 15 February 2017



# Ambulatory competition – setting new standards

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

Players	Notable fact
GHG	30 clinics in Tbilisi Small (120-200 m <sup>2</sup> ) and large (1800-2500 m <sup>2</sup> ) format Multiprofile CT scan available in large clinics
Tatisvli	2 clinics in Tbilisi Medium format (c.1000 m <sup>2</sup> ) Multiprofile CT scan available in one
Cito	1 Clinic in Tbilisi Medium Format Multiprofile CT scan not available
Curatsio	1 Clinic in Tbilisi 1 in Western Georgia Medium Format Multiprofile CT scan available only in Tbilisi
Polyclinics	<b>442 small Polyclinics</b> <b>Small formats</b> <b>Multiprofile</b> <b>Soviet style</b> <b>Privatized, with no development</b> <b>CT Scan generally not available</b>

**GHG outpatient clinic**



**Estimated GEL 100 million annual market of old Soviet Style Polyclinics to be tapped in the coming years**





# Service gaps in Georgia



## OUTPATIENT CARE

Outpatient encounters in Georgia are low at 4.0 a year, compared to the CIS average of 8.9 and European Region countries of 7.5, according to WHO



## LABORATORY SERVICES

- Number of lab tests are still sent to the laboratories abroad.
- Pathology service is outdated and 30 years behind European level



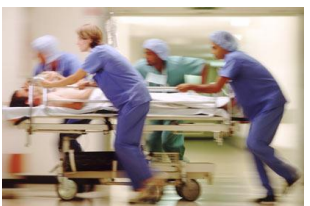
## CANCER

- Very low reported incidence levels
- Malignant neoplasms incidence rate in Georgia is 140.3, compared to 543.7 in EU, and the detection of over 30% of malignant neoplasms occur at stage IV



## MATERNITY CARE

- Highest number of caesarean among the former Soviet Union republics – 41.4% of the total number of all deliveries in 2014.
- Maternal mortality ratio per live births three-times higher in Georgia than in the European Region.



## EMERGENCY CARE

- Emergency units simply did not exist in Georgia until several years ago.
- hospitals had to staff emergency units with over 15 different specialists, which decreased the quality and efficiency of the ER



## NEONATOLOGY

neonatal mortality was 60-80% of under five mortality during previous years, well above the 43% global average.



## PEDIATRICS

- Biggest share in medical services import is The culture of regular visits to the doctor at an early pediatric age - as a favorable heritage from Soviet-times



## PEDIATRIC CARDIO SURGERY

For almost 15 years, there was only one center in Georgia that provided cardiology and cardiosurgery services for children.



## CARDIOLOGY

- hospitalization rate per 100,000 population that was 1,647 in 2014, which is two-fold less than in CIS and European Union countries.
- cardiovascular diseases represent 16.5% of deaths



## CRITICAL CARE

- The lack of quality of care in a number of areas in the Georgian healthcare system puts strain on critical care units





# Quality standards and accreditation

## 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

- New 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 programs, where we have 13 specialties with 166 residency quotas. currently are waiting accreditation in seven additional specialties (general surgery, orthopedic surgery, neurosurgery, pediatric general surgery, oncology, radiation oncology, cardiac surgery). Since the launch of residency programs at the end of 2015, we have 58 residents involved in 12 specialties.
- 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
- In 2015 healthcare services financed and organized specialization program abroad for 6 persons to launch the first Oncology center in the western of Georgia
- In 2015 healthcare services also financed Emergency retraining program for 20 doctors from the different regions of Georgia



# GHG consolidated - Income Statement

<i>GEL thousands; unless otherwise noted</i>	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
<b>Revenue, gross</b>	<b>186,627</b>	<b>72,576</b>	<b>157.1%</b>	<b>136,031</b>	<b>37.2%</b>
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%
<b>Revenue, net</b>	<b>186,004</b>	<b>72,166</b>	<b>157.7%</b>	<b>135,241</b>	<b>37.5%</b>
Revenue from healthcare services	65,905	60,041	9.8%	66,814	-1.4%
Revenue from pharma	111,399	-	-	56,586	96.9%
Net insurance premiums earned	13,965	13,830	1.0%	16,312	-14.4%
Eliminations	(5,265)	(1,705)	208.8%	(4,471)	17.8%
<b>Costs of services</b>	<b>(129,926)</b>	<b>(44,151)</b>	<b>194.3%</b>	<b>(89,626)</b>	<b>45.0%</b>
Cost of healthcare services	(37,957)	(32,998)	15.0%	(34,802)	9.1%
Cost of pharma	(84,408)	-	-	(44,498)	89.7%
Cost of insurance services	(12,734)	(12,847)	-0.9%	(14,997)	-15.1%
Eliminations	5,173	1,694	205.4%	4,671	10.7%
<b>Gross profit</b>	<b>56,078</b>	<b>28,015</b>	<b>100.2%</b>	<b>45,615</b>	<b>22.9%</b>
Salaries and other employee benefits	(17,728)	(6,923)	156.1%	(12,757)	39.0%
General and administrative expenses	(13,352)	(3,202)	317.0%	(9,470)	41.0%
Impairment of receivables	(1,121)	(980)	14.4%	56	NMF
Other operating income	1,182	220	437.3%	845	39.9%
<b>EBITDA</b>	<b>25,059</b>	<b>17,129</b>	<b>46.3%</b>	<b>24,289</b>	<b>3.2%</b>
Depreciation and amortisation	(5,872)	(4,465)	31.5%	(5,316)	10.5%
Net interest expense	(7,119)	(1,656)	329.9%	(4,773)	49.2%
Net gains/(losses) from foreign currencies	2,778	(260)	NMF	(3,170)	NMF
Net non-recurring income/(expense)	(1,792)	1,968	NMF	1,982	NMF
<b>Profit before income tax expense</b>	<b>13,054</b>	<b>12,716</b>	<b>2.7%</b>	<b>13,012</b>	<b>0.3%</b>
Income tax benefit	(19)	(693)	NMF	(6,682)	NMF
<i>of which: Deferred tax adjustments</i>	-	-		(5,319)	
<b>Profit for the period</b>	<b>13,035</b>	<b>12,023</b>	<b>8.4%</b>	<b>6,330</b>	<b>105.9%</b>
<b>Attributable to:</b>					
- shareholders of the Company	8,832	9,921	-11.0%	5,401	63.5%
- non-controlling interests	4,203	2,102	100.0%	929	352.4%
<i>of which: Deferred tax adjustments</i>	-	-		(516)	





# GHG consolidated - Balance Sheet

<i>GEL thousands; unless otherwise noted</i>	31-Mar-17	31-Mar-16	Change, Y-o-Y	31-Dec-16	Change, Q-o-Q
<b>Total assets, of which:</b>	<b>1,109,533</b>	<b>737,815</b>	<b>50.4%</b>	<b>912,563</b>	<b>21.6%</b>
Cash and bank deposits	100,229	65,404	53.2%	47,115	112.7%
Receivables from healthcare services	90,142	73,750	22.2%	81,927	10.0%
Receivables from sale of pharmaceuticals	15,499	-	-	5,105	203.6%
Insurance premiums receivable	29,773	39,043	-23.7%	24,207	23.0%
Property and equipment	608,429	487,641	24.8%	574,972	5.8%
Goodwill and other intangible assets	118,781	26,171	353.9%	70,339	68.9%
Inventory	96,750	14,302	576.5%	54,920	76.2%
Prepayments	35,799	14,648	144.4%	30,518	17.3%
Other assets	14,131	16,856	-16.2%	23,460	-39.8%
<b>Total liabilities, of which:</b>	<b>588,612</b>	<b>261,819</b>	<b>124.8%</b>	<b>370,531</b>	<b>58.9%</b>
Borrowed Funds	321,091	99,856	221.6%	223,581	43.6%
Accounts payable	94,125	37,365	151.9%	64,367	46.2%
Insurance contract liabilities	28,013	36,935	-24.2%	26,787	4.6%
Other liabilities	145,383	87,663	65.8%	55,796	160.6%
<b>Total shareholders' equity attributable to:</b>	<b>520,921</b>	<b>475,996</b>	<b>9.4%</b>	<b>542,032</b>	<b>-3.9%</b>
<i>Shareholders of the Company</i>	<i>463,369</i>	<i>428,805</i>	<i>8.1%</i>	<i>485,888</i>	<i>-4.6%</i>
<i>Non-controlling interest</i>	<i>57,552</i>	<i>47,191</i>	<i>22.0%</i>	<i>56,144</i>	<i>2.5%</i>



# Healthcare service business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
<b>Healthcare service revenue, gross</b>	<b>66,528</b>	<b>60,451</b>	<b>10.1%</b>	<b>67,604</b>	<b>-1.6%</b>
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%
<b>Healthcare services revenue, net</b>	<b>65,905</b>	<b>60,041</b>	<b>9.8%</b>	<b>66,814</b>	<b>-1.4%</b>
<b>Costs of healthcare services</b>	<b>(37,957)</b>	<b>(32,998)</b>	<b>15.0%</b>	<b>(34,802)</b>	<b>9.1%</b>
<b>Gross profit</b>	<b>27,948</b>	<b>27,043</b>	<b>3.3%</b>	<b>32,012</b>	<b>-12.7%</b>
Salaries and other employee benefits	(7,179)	(6,115)	17.4%	(6,676)	7.5%
General and administrative expenses	(4,082)	(2,483)	64.4%	(4,212)	-3.1%
Impairment of receivables	(980)	(858)	14.2%	145	NMF
Other operating income	1,112	241	361.4%	269	313.4%
<b>EBITDA</b>	<b>16,819</b>	<b>17,828</b>	<b>-5.7%</b>	<b>21,538</b>	<b>-21.9%</b>
<b>EBITDA margin</b>	<b>25.3%</b>	<b>29.5%</b>		<b>31.9%</b>	
Depreciation and amortisation	(4,939)	(4,261)	15.9%	(5,292)	-6.7%
Net interest income (expense)	(4,116)	(2,259)	82.2%	(3,815)	7.9%
Net gains/(losses) from foreign currencies	695	(411)	NMF	(2,053)	NMF
Net non-recurring income/(expense)	(1,276)	1,968	NMF	2,704	NMF
<b>Profit before income tax expense</b>	<b>7,183</b>	<b>12,865</b>	<b>-44.2%</b>	<b>13,082</b>	<b>-45.1%</b>
Income tax benefit/(expense)	(11)	(712)	NMF	(5,439)	-99.8%
<i>of which: Deferred tax adjustments</i>	-	-		(4,321)	
<b>Profit for the period</b>	<b>7,172</b>	<b>12,153</b>	<b>-41.0%</b>	<b>7,643</b>	<b>-6.2%</b>
<b>Attributable to:</b>					
- shareholders of the Company	5,764	10,051	-42.7%	6,714	-14.1%
- non-controlling interests	1,408	2,102	-33.0%	929	51.6%
<i>of which: Deferred tax adjustments</i>	-	-		(516)	



# Healthcare services business - Revenue breakdowns

## Healthcare services business revenue by types of healthcare facilities

<i>(GEL thousands, unless otherwise noted)</i>	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
<b>Healthcare services revenue, net</b>	<b>65,905</b>	<b>60,041</b>	<b>9.8%</b>	<b>66,814</b>	<b>-1.4%</b>
Referral hospitals	56,626	52,026	8.8%	58,020	-2.4%
Community hospitals	5,661	5,920	-4.4%	5,363	5.6%
Ambulatory clinics	3,618	2,095	72.7%	3,430	5.5%

## Healthcare services business revenue by source of payment

<i>(GEL thousands, unless otherwise noted)</i>	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
<b>Healthcare services revenue, net</b>	<b>65,905</b>	<b>60,041</b>	<b>9.8%</b>	<b>66,814</b>	<b>-1.4%</b>
Government-funded healthcare programs	45,831	45,377	1.0%	47,262	-3.0%
Out-of-pocket payments by patients	15,228	11,426	33.3%	14,189	7.3%
Private medical insurance companies, <i>of which</i>	4,846	3,238	49.7%	5,363	-9.6%
<i>GHG medical insurance</i>	<i>2,693</i>	<i>1,694</i>	<i>59.0%</i>	<i>3,114</i>	<i>-13.5%</i>



# Pharma business - Income Statement

	1Q17	4Q16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>			
<b>Pharma revenue</b>	<b>111,399</b>	<b>56,586</b>	<b>96.9%</b>
<b>Costs of pharma</b>	<b>(84,408)</b>	<b>(44,498)</b>	<b>89.7%</b>
<b>Gross profit</b>	<b>26,991</b>	<b>12,088</b>	<b>123.3%</b>
Salaries and other employee benefits	(9,616)	(4,561)	110.8%
General and administrative expenses	(8,762)	(4,678)	87.3%
Other operating income	(28)	-	-
<b>EBITDA</b>	<b>101</b>	<b>545</b>	<b>-81.5%</b>
<b>EBITDA margin</b>	<b>8,686</b>	<b>3,394</b>	<b>155.9%</b>
Depreciation and amortisation	7.8%	6.0%	
Net interest income (expense)	(711)	202	NMF
Net gains/(losses) from foreign currencies	(2,793)	(548)	409.7%
Net non-recurring income/(expense)	2,095	(928)	NMF
<b>Profit before income tax expense</b>	<b>(316)</b>	<b>(17)</b>	<b>NMF</b>
Income tax benefit/(expense)	<b>6,961</b>	<b>2,103</b>	<b>231.0%</b>
Deferred tax adjustments	(8)	(398)	NMF
<b>Profit for the period</b>	<b>-</b>	<b>(200)</b>	<b>-</b>
	<b>6,953</b>	<b>1,705</b>	<b>307.8%</b>
<b>Attributable to:</b>			
- shareholders of the Company	4,157	1,705	143.8%
- non-controlling interests	2,796	-	-



# Medical insurance business - Income Statement

<i>GEL thousands; unless otherwise noted</i>	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
<b>Net insurance premiums earned</b>	<b>13,965</b>	<b>13,830</b>	<b>1.0%</b>	<b>16,312</b>	<b>-14.4%</b>
<b>Cost of insurance services</b>	<b>(12,734)</b>	<b>(12,847)</b>	<b>-0.9%</b>	<b>(14,997)</b>	<b>-15.1%</b>
<b>Gross profit</b>	<b>1,231</b>	<b>983</b>	<b>25.2%</b>	<b>1,315</b>	<b>-6.4%</b>
Salaries and other employee benefits	(1,048)	(819)	28.0%	(1,320)	-20.6%
General and administrative expenses	(507)	(719)	-29.5%	(580)	-12.6%
Impairment of receivables	(113)	(122)	-7.4%	(89)	27.0%
Other operating income	(7)	(21)	NMF	31	NMF
<b>EBITDA</b>	<b>(444)</b>	<b>(699)</b>	<b>NMF</b>	<b>(643)</b>	<b>NMF</b>
<b>EBITDA margin</b>	<b>-3.2%</b>	<b>-5.1%</b>		<b>-3.9%</b>	
Depreciation and amortisation	(222)	(204)	8.8%	(226)	-1.8%
Net interest income (expense)	(210)	603	NMF	(242)	-13.2%
Net gains/(losses) from foreign currencies	(12)	151	-107.9%	(189)	-93.7%
Net non-recurring income/(expense)	(200)	-	NMF	(704)	NMF
<b>Profit before income tax expense</b>	<b>(1,088)</b>	<b>(149)</b>	<b>630.2%</b>	<b>(2,004)</b>	<b>-45.7%</b>
Income tax benefit/(expense)	-	19	-100.0%	(845)	NMF
<i>Deferred tax adjustments</i>	-	-	-	(798)	
<b>Profit for the period</b>	<b>(1,088)</b>	<b>(130)</b>	<b>736.9%</b>	<b>(2,849)</b>	<b>NMF</b>
<b>Attributable to:</b>					
- shareholders of the Company	(1,088)	(130)	736.9%	(2,849)	NMF
- non-controlling interests	-	-		-	



# GHG – Income statement, quarterly

Income Statement, <i>Quarterly</i>																	GHG				
	Healthcare services					Pharma			Medical insurance					Eliminations							
<i>GEL thousands; unless otherwise noted</i>	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q	1Q17	4Q16	Change, Q-o-Q	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q	1Q17	1Q16	4Q16	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
Revenue, gross	66,528	60,451	10.1%	67,604	-1.6%	111,399	56,586	96.9%	13,965	13,830	1.0%	16,312	-14.4%	(5,265)	(1,705)	(4,471)	186,627	72,576	157.1%	136,031	37.2%
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%	-	-	-	-	-	-	-	-	-	-	-	(623)	(410)	52.0%	(790)	-21.1%
Revenue, net	65,905	60,041	9.8%	66,814	-1.4%	111,399	56,586	96.9%	13,965	13,830	1.0%	16,312	-14.4%	(5,265)	(1,705)	(4,471)	186,004	72,166	157.7%	135,241	37.5%
Costs of services	(37,957)	(32,998)	15.0%	(34,802)	9.1%	(84,408)	(44,498)	89.7%	(12,734)	(12,847)	-0.9%	(14,997)	-15.1%	5,173	1,694	4,671	(129,926)	(44,151)	194.3%	(89,626)	45.0%
Cost of salaries and other employee benefits	(23,095)	(19,752)	16.9%	(21,042)	9.8%	-	-	-	-	-	-	-	-	855	565	1,534	(22,240)	(19,187)	15.9%	(19,508)	14.0%
Cost of materials and supplies	(10,647)	(9,613)	10.8%	(10,616)	0.3%	-	-	-	-	-	-	-	-	1,363	275	761	(9,284)	(9,338)	-0.6%	(9,855)	-5.8%
Cost of medical service providers	(372)	(428)	-13.1%	(550)	-32.4%	-	-	-	-	-	-	-	-	14	12	39	(358)	(416)	-13.9%	(511)	-29.9%
Cost of utilities and other	(3,843)	(3,205)	19.9%	(2,594)	48.1%	-	-	-	-	-	-	-	-	142	92	189	(3,701)	(3,113)	18.9%	(2,405)	53.9%
Net insurance claims incurred	-	-	-	-	-	-	-	-	(11,812)	(11,953)	-1.2%	(13,911)	-15.1%	2,799	750	2,148	(9,013)	(11,203)	-19.5%	(11,763)	-23.4%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	(922)	(894)	3.1%	(1,086)	-15.1%	-	-	-	(922)	(894)	3.1%	(1,086)	-15.1%
Cost of pharma - wholesale	-	-	-	-	-	(22,496)	(13,700)	64.2%	-	-	-	-	-	-	-	-	(22,496)	-	-	(13,700)	64.2%
Cost of pharma - retail	-	-	-	-	-	(61,912)	(30,797)	101.0%	-	-	-	-	-	-	-	-	(61,912)	-	-	(30,797)	101.0%
Gross profit	27,948	27,043	3.3%	32,012	-12.7%	26,991	12,088	123.3%	1,231	983	25.2%	1,315	-6.4%	(92)	(11)	200	56,078	28,015	100.2%	45,615	22.9%
Salaries and other employee benefits	(7,179)	(6,115)	17.4%	(6,676)	7.5%	(9,616)	(4,561)	110.8%	(1,048)	(819)	28.0%	(1,320)	-20.6%	116	11	(200)	(17,728)	(6,923)	156.1%	(12,757)	39.0%
General and administrative expenses	(4,082)	(2,483)	64.4%	(4,212)	-3.1%	(8,762)	(4,678)	87.3%	(507)	(719)	-29.5%	(580)	-12.6%	-	-	-	(13,352)	(3,202)	317.0%	(9,470)	41.0%
Impairment of other receivables	(980)	(858)	14.2%	145	NMF	(28)	-	-	(113)	(122)	-7.4%	(89)	27.0%	-	-	-	(1,121)	(980)	14.4%	56	NMF
Other operating income	1,112	241	361.4%	269	313.4%	101	545	-81.5%	(7)	(21)	-66.7%	31	NMF	(24)	-	-	1,182	220	437.3%	845	39.9%
EBITDA	16,819	17,828	-5.7%	21,538	-21.9%	8,686	3,394	155.9%	(444)	(698)	-36.4%	(643)	-30.9%	-	-	-	25,059	17,129	46.3%	24,289	3.2%
EBITDA margin	25.3%	29.5%		31.9%		7.8%	6.0%	-	-3.2%	-5.0%		-3.9%		-	-	-	13.4%	23.6%		17.9%	
Depreciation and amortisation	(4,939)	(4,261)	15.9%	(5,292)	-6.7%	(711)	202	NMF	(222)	(204)	8.8%	(226)	-1.8%	-	-	-	(5,872)	(4,465)	31.5%	(5,316)	10.5%
Net interest income (expense)	(4,116)	(2,259)	82.2%	(3,815)	7.9%	(2,793)	(548)	409.7%	(210)	603	NMF	(242)	-13.2%	-	-	(168)	(7,119)	(1,656)	329.9%	(4,773)	49.2%
Net gains/(losses) from foreign currencies	695	(411)	NMF	(2,053)	NMF	2,095	(928)	NMF	(12)	151	NMF	(189)	-93.7%	-	-	-	2,778	(260)	NMF	(3,170)	NMF
Net non-recurring income/(expense)	(1,276)	1,968	NMF	2,704	NMF	(316)	(17)	NMF	(200)	-	-	(704)	-71.6%	-	-	-	(1,792)	1,968	NMF	1,982	NMF
Profit before income tax expense	7,183	12,865	-44.2%	13,082	-45.1%	6,961	2,103	231.0%	(1,088)	(149)	NMF	(2,004)	-45.7%	-	-	(168)	13,054	12,716	2.7%	13,012	0.3%
Income tax benefit/(expense)	(11)	(712)	NMF	(5,439)	NMF	(8)	(398)	NMF	-	19	NMF	(845)	NMF	-	-	-	(19)	(693)	NMF	(6,682)	NMF
of which: Deferred tax adjustments	-	-	-	(4,321)	-	-	(200)	-	-	-	-	(798)	-	-	-	-	-	-	-	(5,319)	-
Profit for the period	7,172	12,153	-41.0%	7,643	-6.2%	6,953	1,705	307.8%	(1,088)	(130)	NMF	(2,849)	-61.8%	-	-	(168)	13,035	12,023	8.4%	6,330	105.9%
Attributable to:																					
- shareholders of the Company	5,764	10,051	-42.7%	6,714	-14.1%	4,157	1,705	143.8%	(1,088)	(130)	NMF	(2,849)	-61.8%	-	-	(168)	8,832	9,921	-11.0%	5,401	63.5%
- non-controlling interests	1,408	2,102	-33.0%	929	51.6%	2,796	-	-	-	-	-	-	-	-	-	-	4,203	2,102	100.0%	929	352.4%
of which: Deferred tax adjustments	-	-	-	(516)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(516)	-

## Selected Balance Sheet items

	<u>Healthcare services</u>					<u>Pharma</u>			<u>Medical insurance</u>				
	31-Mar-17	31-Mar-16	Change, Y-o-Y	31-Dec-16	Change, Q-o-Q	31-Mar-17	31-Dec-16	Change, Q-o-Q	31-Mar-17	31-Mar-16	Change, Y-o-Y	31-Dec-16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>													
<b>Assets:</b>													
Cash and bank deposits	82,893	52,408	58.2%	30,242	174.1%	6,924	2,498	177.2%	10,412	12,996	-19.9%	14,375	-27.6%
Property and equipment	579,505	481,969	20.2%	560,407	3.4%	22,922	9,003	154.6%	6,002	5,672	5.8%	5,562	7.9%
Inventory	14,282	14,109	1.2%	14,712	-2.9%	82,256	40,004	105.6%	212	193	9.8%	204	3.9%
<b>Liabilities:</b>													
Borrowed Funds	228,596	92,336	147.6%	192,145	19.0%	83,463 <sup>(1)</sup>	19,613	325.6%	9,032	11,775	-23.3%	11,823	-23.6%
Accounts payable	41,844	36,533	14.5%	33,969	23.2%	63,440	34,193	85.5%	-	832	-	-	-

## Selected Balance Sheet items

	<u>Consolidation and eliminations</u>			<u>GHG</u>				
	31-Mar-17	31-Mar-16	31-Dec-16	31-Mar-17	31-Mar-16	Change, Y-o-Y	31-Dec-16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>								
<b>Assets:</b>								
Cash and bank deposits	-	-	-	100,229	65,404	53.2%	47,115	112.7%
Property and equipment	-	-	-	608,429	487,641	24.8%	574,972	5.8%
Inventory	-	-	-	96,750	14,302	576.5%	54,920	76.2%
<b>Liabilities:</b>								
Borrowed Funds	-	(4,255)	-	321,091	99,856	221.6%	223,581	43.6%
Accounts payable	(11,159)	-	(3,795)	94,125	37,365	151.9%	64,367	46.2%

Sources: GHG Internal Reporting

Note (1): Pharma business borrowing balance includes allocated debts, obtained to pay first tranches of considerations payables for pharma businesses, GPC and Pharmadepot, acquisitions



# Selected ratios and KPIs

Selected ratios and KPIs	1Q17	1Q16	4Q16
GHG			
EPS, GEL	0.07	0.08	0.04
EPS normalised, GEL	0.07	0.08	0.08
ROAE	7.4%	9.4%	6.6%
ROAE, normalized	11.2%	16.5%	12.5%
Group rent expenditure	5,019	405	3,530
of which, Pharma	4,485	-	2,729
Group capex (maintenance)	2,630	2,537	2,471
Group capex (growth)	17,866	14,357	27,036
Number of employees	14,593	9,747	12,811
Number of physicians	3,278	2,762	3,218
Number of nurses	2,980	2,706	2,869
Nurse to doctor ratio, referral hospitals	0.93	0.93	0.93
Total number of shares	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(3,452,534)	(3,500,000)	(3,727,835)
Shares outstanding	128,229,286	128,181,820	127,953,985
Of which:			
Total free float	43,610,783	42,550,000	42,322,165
Shares held by BGEO GROUP PLC	84,618,503	85,631,820	85,631,820
Healthcare services			
EBITDA margin of healthcare services	25.3%	29.5%	31.9%
Direct salary rate (direct salary as % of revenue)	34.7%	32.7%	31.1%
Materials rate (direct materials as % of revenue)	16.0%	15.9%	15.7%
Administrative salary rate (administrative salaries as % of revenue)	10.8%	10.1%	9.9%
SG&A rate (SG&A expenses as % of revenue)	6.1%	4.1%	6.2%
Number of hospitals	35	35	35
Number of district ambulatory clinics	13	7	13
Number of express ambulatory clinics	28	-	28
Number of beds	2,557	2,686	2,557
Number of referral hospital beds	2,092	2,229	2,092
Bed occupancy rate	60.5%	60.4%	57.6%
Bed occupancy rate, referral hospitals	68.1%	66.7%	65.3%
Bed occupancy rate, community hospitals	24.0%	26.6%	21.1%
Average length of stay (days)	5.3	4.9	5.0
Average length of stay (days), referral hospitals	5.6	5.2	5.2
Average length of stay (days), community hospitals	3.2	3.0	3.3
Pharma			
EBITDA margin	7.8%	-	6.0%
Days sales outstanding	31.3	-	23.1
Number of bills issued	6.39million	-	3.11million
Average bill size	13.6	-	13.4
Revenue from wholesale as a percentage of total revenue from pharma	27%	-	31%
Revenue from retail as a percentage of total revenue from pharma	73%	-	69%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	30.9%	-	31.5%
Number of pharmacies	245	-	118
Medical insurance			
Loss ratio	84.6%	86.4%	85.3%
Expense ratio, of which	20.2%	20.1%	20.0%
Commission ratio	6.6%	6.5%	6.7%
Combined ratio	104.8%	106.5%	105.3%
Renewal rate	77.3%	76.0%	75.6%





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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; clinical and medical risk; concentration of revenue and the Universal Healthcare Programme; exchange rate fluctuations, including depreciation of the Georgian Lari; information technology and operational risk; macroeconomic 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. 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.*