

A photograph of a modern hospital lobby. The space is bright and clean, with white walls and a light-colored floor. A staircase with a glass railing leads up to the right. Several large potted plants are placed throughout the lobby, adding a touch of nature. A white bench is visible on the left side. The overall atmosphere is professional and welcoming.

Georgia Healthcare Group

A Long-term, High-growth Investment Story

Investor Presentation – second quarter and first half of 2016 results
August 2016



GEORGIA
HEALTHCARE
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 **GHG | Overview and strategy**

 GHG | Results discussion

 Industry and Macroeconomic Overview

 Annexes



A unique investment story supported by compelling theme

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

1 Market Leader

- ✓ **Largest healthcare service provider in Georgia:** 25.1% market share by number of beds (2,467), which is expected to grow to c.30% as a result of renovation of two major hospital facilities, scheduled for completion in 2016 and 2017 (additional c.600 beds)⁽²⁾
- ✓ **3rd largest pharmaceuticals retailer and wholesaler in Georgia:** 15% market share by sales (about 80% of market share concentrated within four major players). Approximately 1 million client interactions per month, with 0.5 million loyalty card members.
- ✓ **Largest medical insurer in Georgia:** c.203,000 persons insured and 34.0% market share⁽³⁾
- ✓ **Widest Population Coverage:** coverage of over 3/4 of Georgia's 3.7 mln population with 35 high quality hospitals, 9 district and 28 express ambulatory clinics^(4,5)
- ✓ **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, training center
 - Next healthcare services competitor has only 5% market share by beds and less than 3% market share by hospital revenue
 - Largest purchaser of pharmaceutical products in Georgia
- ✓ **Better access to professional management and high calibre talent**
 - One of the largest employers in the country: c. 11,884 full time employees, including 2,954 physicians and 712 pharmacists⁽⁴⁾.
- ✓ **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
 - 500K loyal customers at pharma business with upside to cross-sale

Sources:

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

(2) Market share by number of beds. Source: National Center for Disease Control, data as of December 2014, updated by company to include changes before 30 June 2016. Additional development capacity at Deka and Sunstone of c.600 beds

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

(4) GHG internal reporting 2Q16

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

Long-term High-growth Opportunities

- ✓ **Very low base:** healthcare services spending per capita only US\$217, outpatient encounters only 3.5 per capita annually⁽⁶⁾, GHG revenue per hospital bed only US\$ 39,000⁽⁴⁾
- ✓ **Supported by attractive macro:**⁽⁷⁾ Georgia – one of the fastest growing countries in Eastern Europe, open and easy⁽⁸⁾ emerging market to do business, with real GDP growing at a CAGR of 6.7% between 2006-15. 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⁽⁹⁾
- ✓ **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⁽¹⁰⁾
 - Even small investments in medical equipment expected to increase market

Strong Management with Proven Track Record

- ✓ **Strong business management team – increased market share by beds from under 1% in 2009 to 25.1% currently, with built-in additional development capacity**
- ✓ **Achieved our target of c.30% EBITDA margin ahead of time, delivering 29.2% healthcare services EBITDA margin in 2Q16**
- ✓ **Robust corporate governance:** exceptional in Georgia's healthcare sector, as it is the only Premium listed company from healthcare sector (LSE:GHG LN)⁽¹¹⁾; 65% 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
- ✓ **In-depth knowledge of the local market**

(6) NCDC statistical yearbook 2014

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

(8) 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.

(9) Ministry of Finance, Ministry of Economy

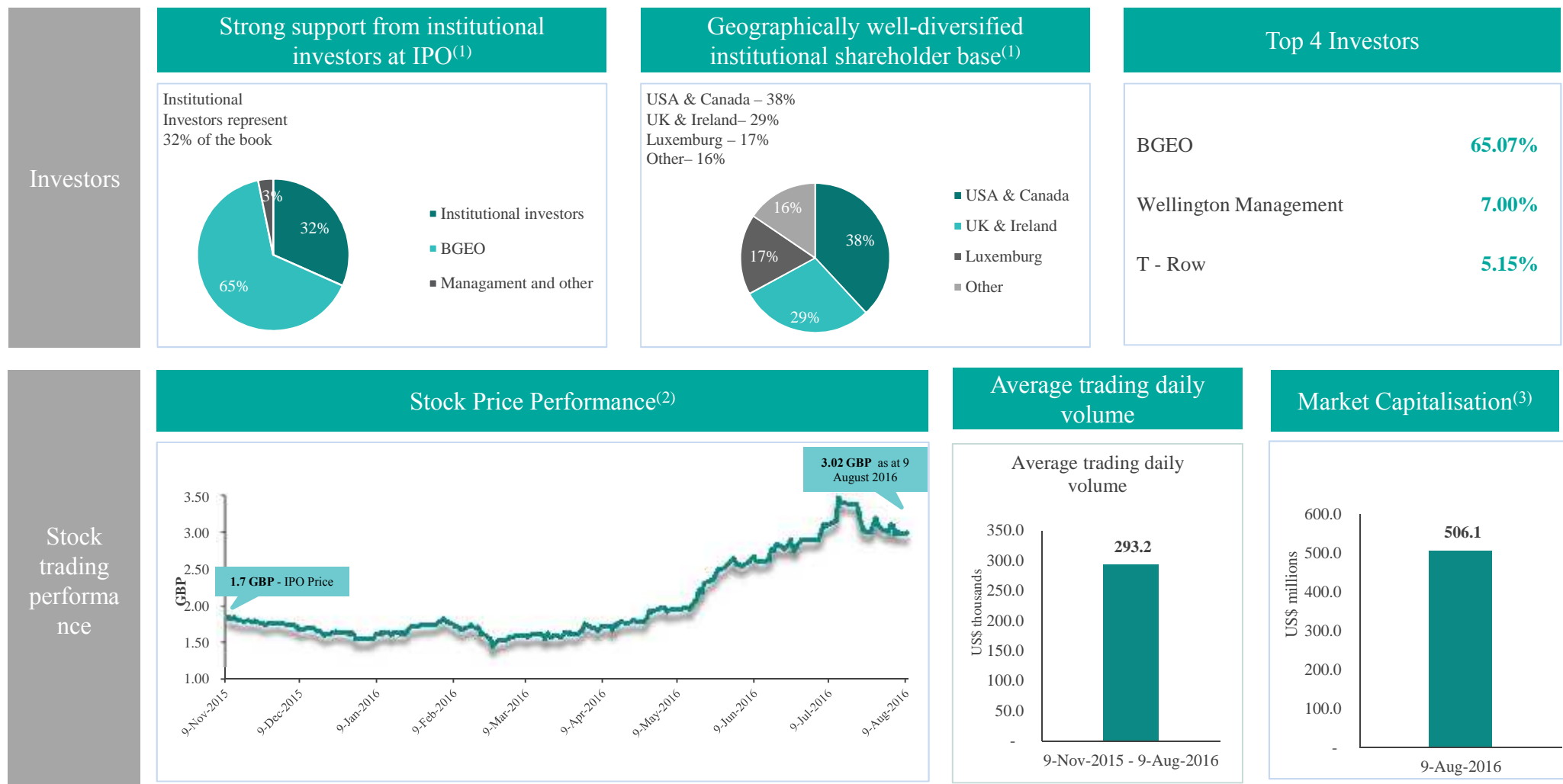
(10) Frost & Sullivan 2015

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



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GHG – shareholder structure and share price

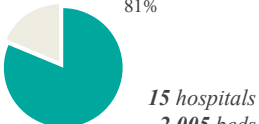
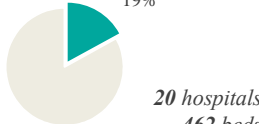
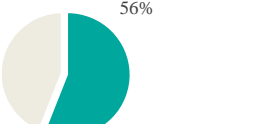
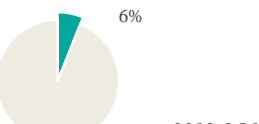
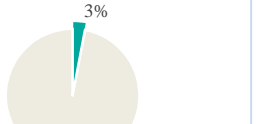
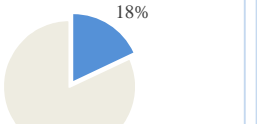
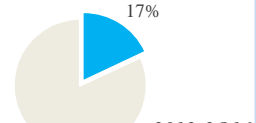
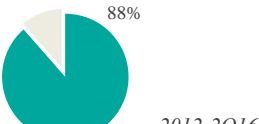
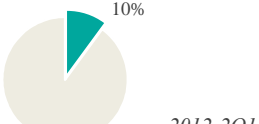
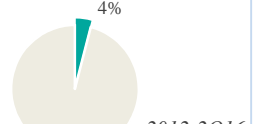
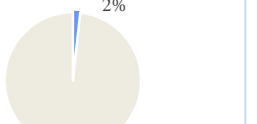
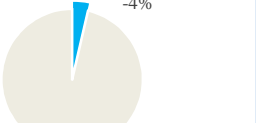


Note: (1)As of 30 June 2016
 (2)Share price change calculated from the closing prices of GHG LN, starting from trading date 9 November 2015 to the price of GHG LN as of 9 August 2016
 (3) Source: Bloomberg; Market Capitalisation of GHG as of 9 August 2016, GBP/USD exchange rate 1.3073.



Segment overview

Georgia Healthcare Group

Key Segments		Healthcare services			Pharma	Medical insurance	
		Referral Hospitals	Community Hospitals	Ambulatory Clinics	Pharma	Medical Insurance	
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 ⁽¹⁾		GEL 1.2bln (2015)			GEL 1.3bln (2015)	GEL 0.14bln (2015)	
Market Share		18% by revenue ⁽²⁾ 25.1% by beds (2,467), which is expected to grow to c.30.0% as a result of renovation of recently acquired hospital facilities (additional c.600 beds);			15% by revenue ⁽²⁾	34% by revenue	
Selected Operating Data 1H16		 <p>81% 15 hospitals 2,005 beds</p>	 <p>19% 20 hospitals 462 beds</p>	<i>six clusters with nine district ambulatory clinics 28 express ambulatory clinics</i>	110 pharmacies in major cities	203,000 individuals insured	
Financials 1H16	Revenue	 <p>56% GEL 101.7 mln 2012-2Q16 CAGR 52%</p>	 <p>6% GEL 11.3 mln 2012-2Q16 CAGR 16%</p>	 <p>3% GEL 5.1 mln 2012-2Q16 CAGR 26%</p>	 <p>18% GEL 30.7 mln 2012-2Q16 CAGR 12%</p>	 <p>17% GEL 29.1 mln 2012-2Q16 CAGR 12%</p>	
	EBITDA	 <p>88% GEL 32.0 mln 2012-2Q16 CAGR 61%</p>	 <p>10% GEL 3.8 mln 2012-2Q16 CAGR 31%</p>	 <p>4% GEL 1.4 mln 2012-2Q16 CAGR 39%</p>	 <p>2% GEL 0.6 mln 2012-2Q16 CAGR 39%</p>	 <p>-4% GEL -1.5 mln 2012-2Q16 CAGR 39%</p>	
		EBITDA Margin ⁽⁴⁾ : 29.0%	EBITDA Margin ⁽⁴⁾ : 31.1%	EBITDA Margin ⁽⁴⁾ : 28.9%	EBITDA Margin ⁽⁴⁾ : 1.8%	EBITDA Margin ⁽⁴⁾ : -5.3%	

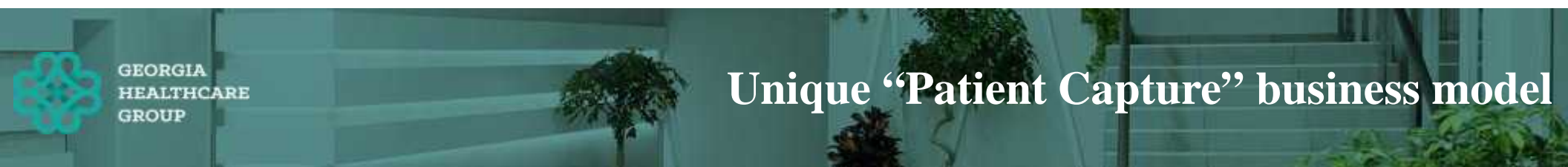
Sources:

(1) Frost & Sullivan analysis, 2015

(2) Market share for healthcare services and pharma business are for 2015 year

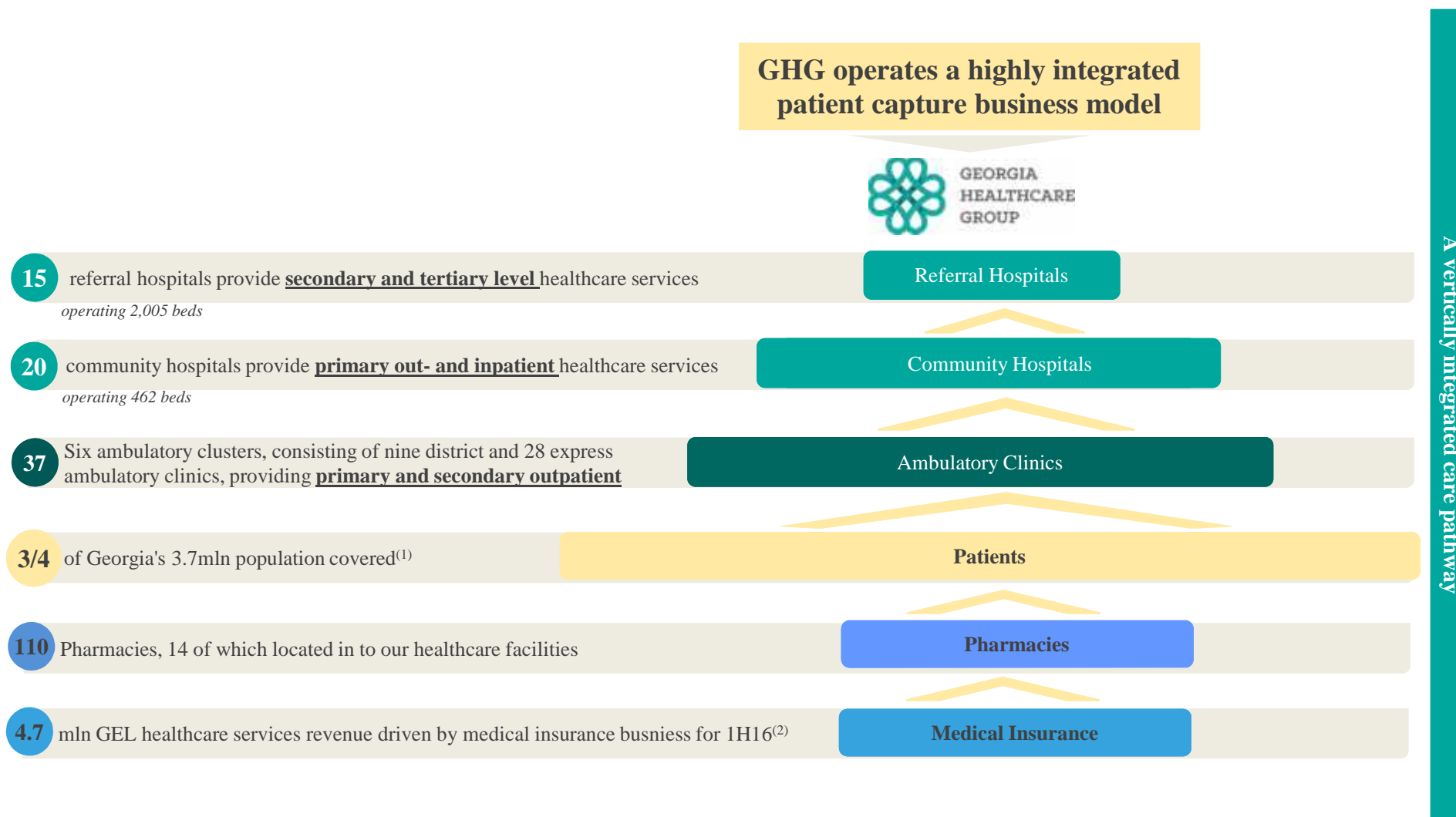
(3) Revenue net of corrections&rebates and intercompany eliminations

(4) EBITDA margins are based on gross of intercompany eliminations as well as gross of head office and management costs



Unique “Patient Capture” business model

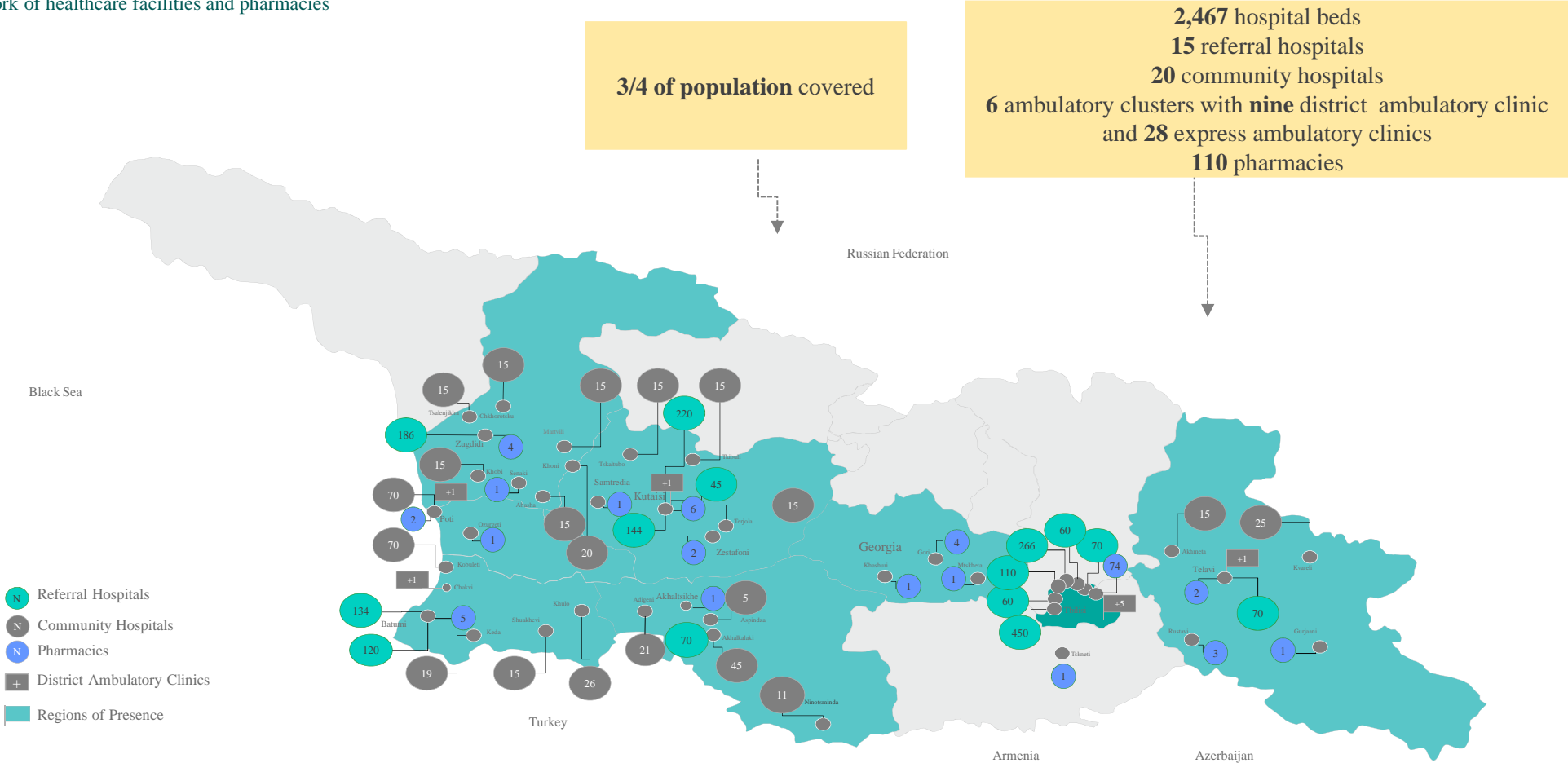
Well established hospital network allows a seamless patient treatment pathway from local doctors to multi-profile or specialised hospitals whilst the medical insurance business plays a feeder role in originating and directing patients



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

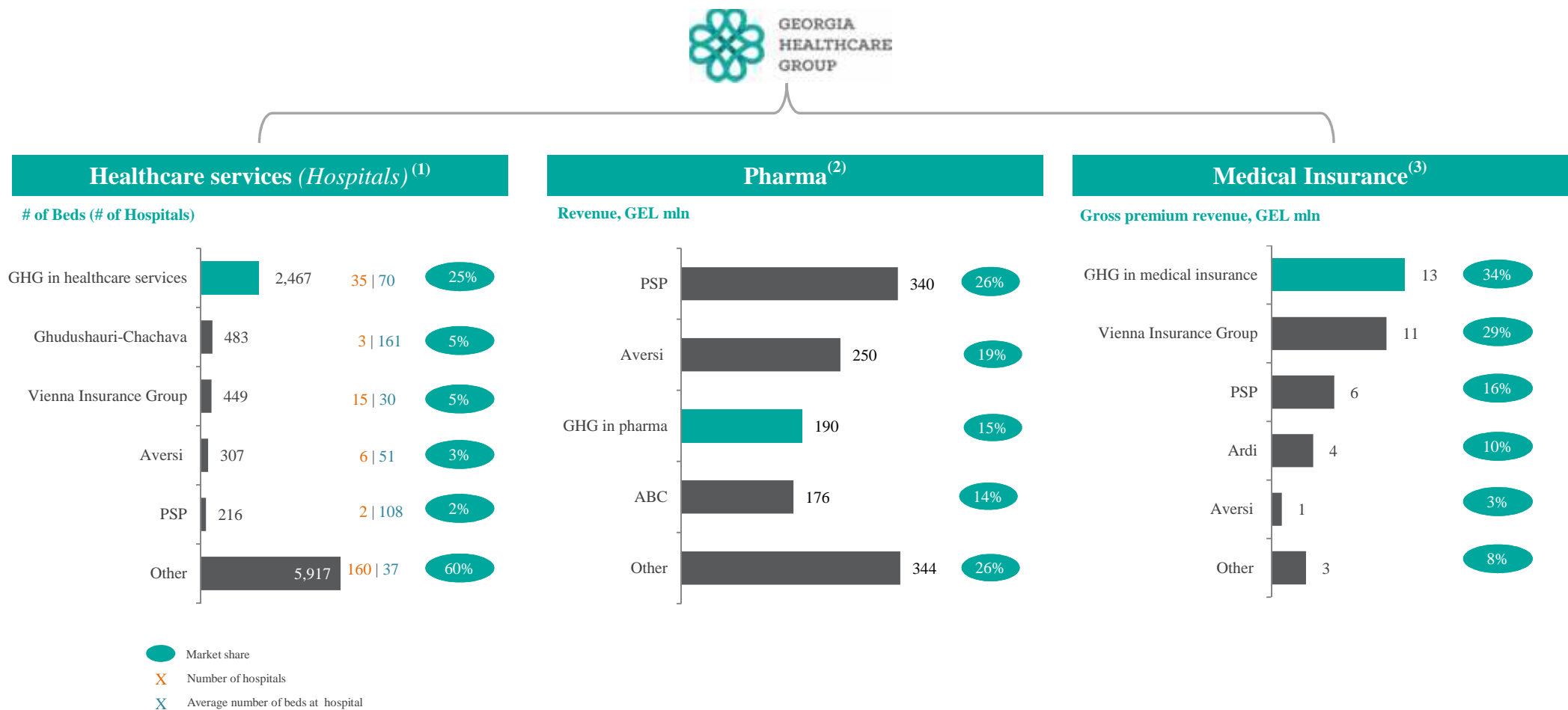
Extensive Geographic Coverage⁽¹⁾

Network of healthcare facilities and pharmacies

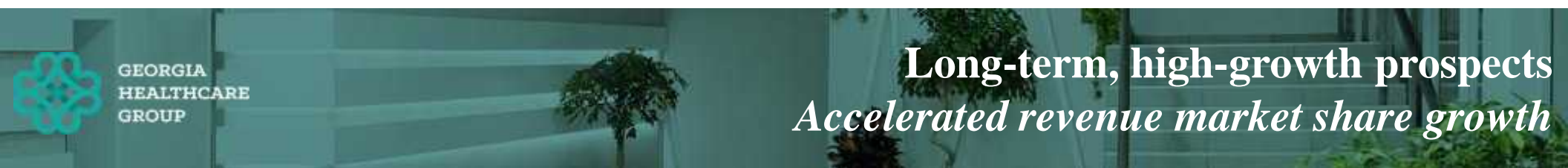


Sources:
(1) GHG internal reporting

Leader in Georgia with clear and established #1 market positions in healthcare services and medical insurance, 3rd largest pharma retailer



Sources:
 (1) Market share by number of beds. Source: NCDC, data as of December 2014, updated by company to include changes before 30 June 2016
 (2) Pharma business revenues for competitors are for 2015 year and represents Management estimate
 (3) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 31 March 2016



Long-term, high-growth prospects

Accelerated revenue market share growth

Growth In Hospital Revenue - GHG Owns It

Hospitals

2015 market size: **GEL 1.2bln**

18% *In 2015* $\xrightarrow{\text{Market share by revenue}}$ **33.0%** *Long-term target*

Growth opportunities:

- Low utilisation (50-60%)
- Low equipment penetration
- Fragmented supply

First Mover Advantage In Highly-fragmented, Underpenetrated Ambulatory Segment

Ambulatory clinics

2015 market size: **GEL 0.9bln**

1% *In 2015* $\xrightarrow{\text{Market share by revenue}}$ **17.0%** *Long-term target*

Growth opportunities:

- Low outpatient encounters
- Fragmented supply
- New prescription policy

Margin Enhancement and Growth In Line with Nominal GDP Growth

Pharmaceuticals

2015 market size: **GEL 1.3bln**

15% *In 2015* $\xrightarrow{\text{Market share by revenue}}$ **>15%** *Long-term target*

Growth opportunity:

- Growing wholesale revenue
- Enhancing retail margin
- Expanding pharmacy footprint

Rooms For Growth

GHG's nation-wide bed capacity in place to accommodate future revenue market share growth (Sunstone to be renovated in 2016-17)

Revenue market share gap

Market shares

Low revenue per bed

Average revenue per bed, US\$ thousand

Low bed utilisation

Utilisation & ALOS

10x price gap with developed EM benchmarks

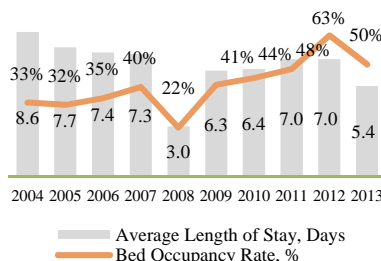
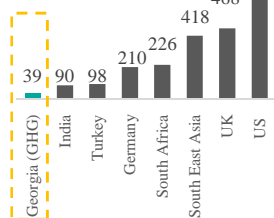
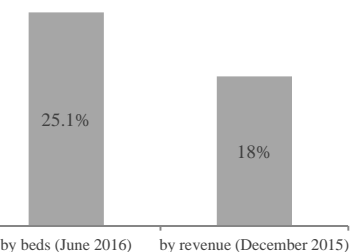
Price gap

Prices

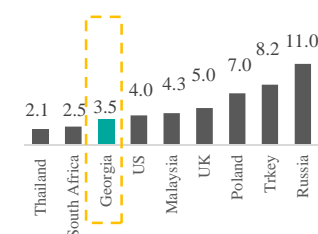
Outpatient encounters increased to 3.5 in 2014 up from 2.7 in 2013

Low outpatient encounters

Outpatient encounter per capita, annual

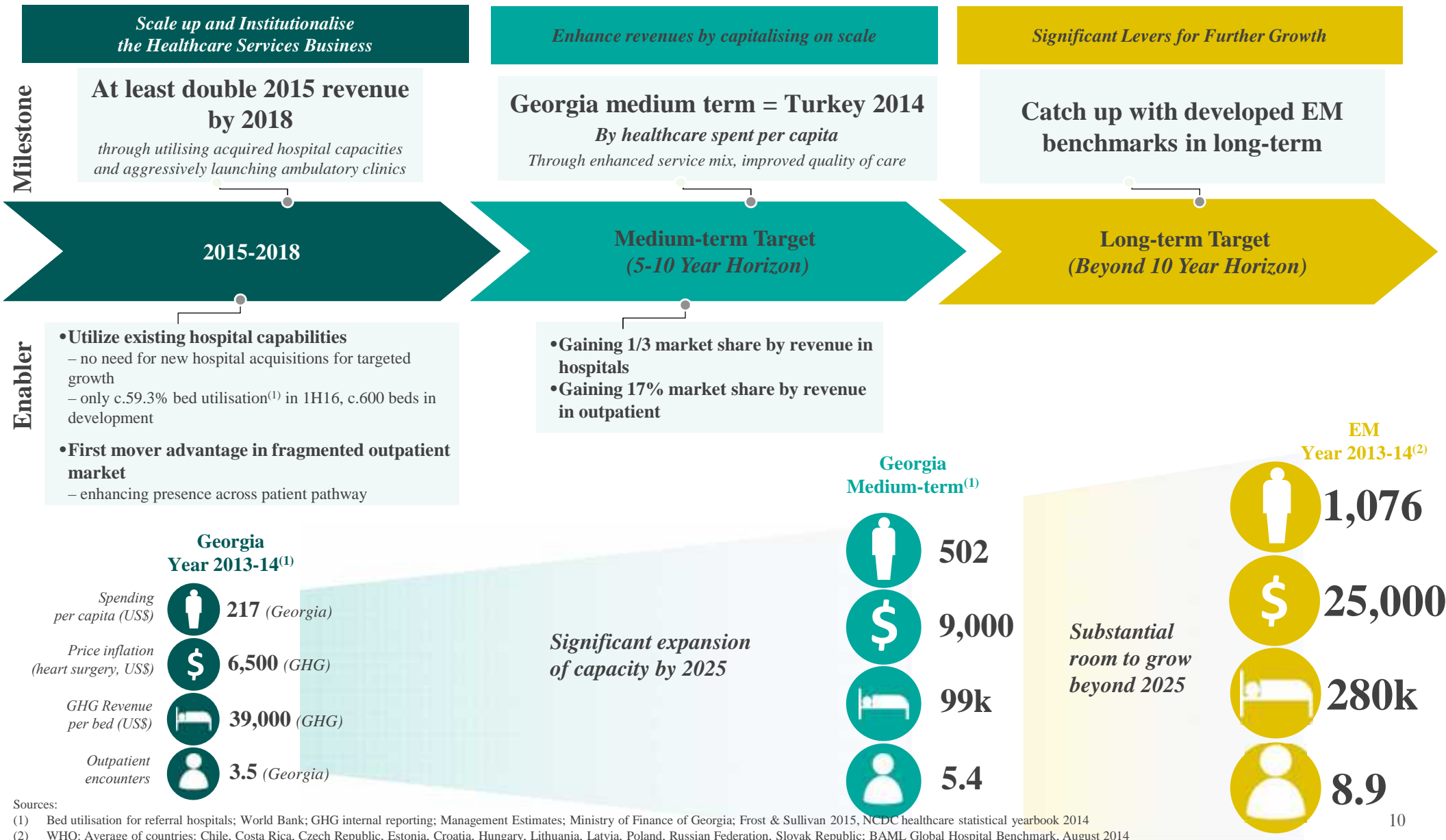


	Heart surgery	Liver transplant	Knee replacement
USA	100,000	300,000	48,000
UK	40,000	200,000	8,000
Turkey	45,625	86,700	17,500
Thailand	15,000	75,000	8,000
Singapore	15,000	140,000	25,000
India	5,000	45,000	6,000
Georgia	6,500	45,000	1,100





Long-term, high-growth story



Healthcare service business strategy 2015-2018 is simple: at least doubling 2015 revenue by 2018

Hospitals

To achieve 1/3 market share

- no need for new hospital acquisitions to achieve targeted growth – renovations of existing facilities (Deka, Sunstone, Samtskhe clinics – c.600 beds in total)
- HTMC revenue in 2014 was GEL 38.4mln, in FY15 was GEL 40.8mln
- although 1/3 market share by hospital beds is almost there⁽¹⁾, by revenue it is significantly less

Outpatient services

Rapid launch of ambulatory clinics | first mover advantage in fragmented market

- c.30 ambulatory clinics expected to be launched within 2-3 years, in highly fragmented and under-penetrated outpatient segment
- catching up on outpatient revenues. Outpatient represent c.40% of national spending on healthcare services and only 3% share of GHG revenues with target of achieving 15% of 2018 revenues^(3,5); additional increase expected from increase in utilisation as Georgia has the lowest in the region average number of outpatient encounters per capita (Georgia: 3.5⁽²⁾, CIS: 8.9, EU: 7.5)⁽³⁾
- new prescription policy to have a favourable impact on number of outpatient visits
- enhancing presence along the patient pathway

Adding high margin services

To invest in medical equipment, to close existing service gaps

- expand offering in Oncology, Diagnostics, Paediatric, and Transplantology
- capitalise on existing service gaps and overall lower quality of medical care in the country and on the other hand improved access to healthcare services through UHC financing. Need for improvement as evidenced by low incidence levels in these specialities (e.g. malignant neoplasms incidence rate in Georgia: 110.1, EU: 543.7), as well as c.US\$100mln national spending on medical services import.)⁽⁴⁾

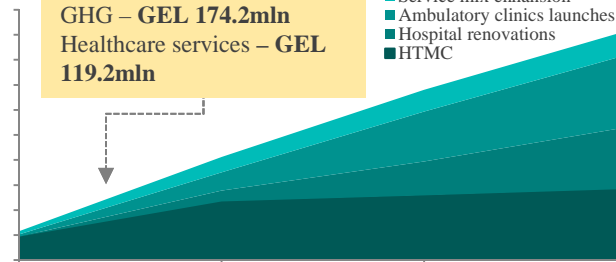
Solid growth track record

- **21.8% healthcare services organic growth**, CAGR 2012-2Q16
- **13.0% healthcare services organic growth**, 1H16
- **Solid margin performance - 29.3% healthcare services EBITDA margin**, in 1H16

1H16 Gross Revenues:

GHG – GEL 174.2mln
Healthcare services – GEL 119.2mln

- Service mix enhancement
- Ambulatory clinics launches
- Hospital renovations
- HTMC



Sources:

- (1) Market share by number of beds. Source: National Center for Disease Control, data as of December 2014, updated by company to include changes before 30 June 2016
- (2) NCDC healthcare statistical yearbook 2014
- (3) Frost & Sullivan 2015 (Data 2011-2012)
- (4) NCDC healthcare statistical yearbook 2013
- (5) GHG internal reporting

Retail margin enhancement and hospital pharmacy revenue growth

Decrease cost of goods sold/services

- **By consolidating GHG's and GPC's purchases of pharmaceuticals and medical disposables**
- *To decrease GHG's cost of services by redirecting part of its purchases to GPC and thus shortcutting the distributor margin*
- *To decrease both GPC and GHG cost of goods sold / services by additional volume discounts from manufacturers*
- *Start hospital-bulk import, to decrease cost of pharmaceuticals for GHG. Increase in sale to other wholesale clients will be an upside*

Enhance retail margin

- **Grow share of high-margin 1). para-pharmacy sales and 2). generic drug sales**
- *GPC's EBITDA margin for 2015 year was 4.0%, which we expect to grow as a result of eliminating unnecessary costs and realizing cost and revenue synergies*
- *GPC is a mid to higher-end urban retailer, with strong loyal-customer franchise which is expected to drive referrals to GHG's more profitable ambulatory clinics in line to GHG's outpatient growth strategy*

Expand pharmacy footprint

- **Enhance GPC's footprint by opening pharmacies at GHG's existing over 40 healthcare facilities, hospitals and flagship ambulatory clinics**
- *Beyond enhancing into GHG's existing facilities, we do not intend to grow retail footprint*
- *Same store sales growth is expected to be alongside nominal GDP growth*

Since we completed the acquisition of pharma business in May 2016:

- *achieved more than half of cost synergies as a result of the consolidated purchasing of our healthcare services and pharma business (GEL 1.5 million, out of GEL 3.0 million expected on an annualized basis)*
- *we expect c.GEL 4 million annualised intercompany purchases, compared to GEL 1.0 million in 2015*
- *we have eliminated majority of the unnecessary costs, (GEL 1.4 million, out of GEL 1.9 million expected on an annualised basis)*
- *we launched bundled product for the customers of our pharma and healthcare services businesses, to tap c.400 thousand GPC clients that have never been to our ambulatory clinics*
- *opened pharmacies in ten of our hospitals, with the number of our pharmacies at our hospitals reaching 14 units*

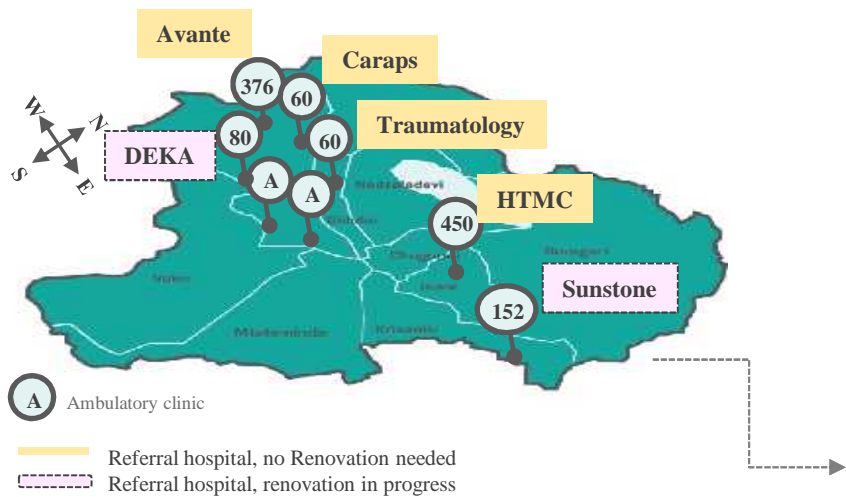
c.30% potential capacity: 25.1% market share as of 30 June 2016, further development capacity of up to c.600 beds that GHG aims to develop in 2016-17, bringing overall market share to c.30%

Recent acquisitions






Integration of Existing Facilities

Expanded Coverage in Tbilisi

Acquired 1,380 beds, with built-in additional development capacity of c.600 beds that GHG aims to develop in 2016-17⁽¹⁾



* Avante operates 458 beds in Tbilisi and 120 beds in Batumi for total 578 beds as of the date of this presentation

- 
 Upgrading and modernizing facilities
 - Market share to reach c.30% by number of beds upon the development of Sunstone and Deka to full operating capacity
- 
 Deka: renovation started in January 2016. We have launched the first department at Deka hospital, one of the largest outpatient and diagnostic centres in the country. The renovation is on schedule and is expected to be fully completed in the beginning of 2017
- 
 Sunstone: renovation started January 2016, is on schedule and is expected to be launched in the beginning of 2017 as well
- 
 Standardising clinical protocols across the group
- 
 Rationalising back-office support functions

After renovation finishes in 2017, Deka will be a 310-bed-hospital, and Sunstone will be a 332-bed-hospital

GOAL

- Capitalise on high growth potential of ambulatory services driven by recent healthcare reform (diagnostics, prescriptions)
- Enhance ambulatory pillar as feeder for hospitals
- Enhance higher margin operations

Ambulatory clusters are developed in all major districts of Tbilisi and in other major cities in Georgia. Our strategy of launching an additional 10-12 ambulatory clusters with more than 40 ambulatory clinics in the next 2-3 year

We operate with six ambulatory clusters consisting of nine district ambulatory clinics and 28 express ambulatory clinics:

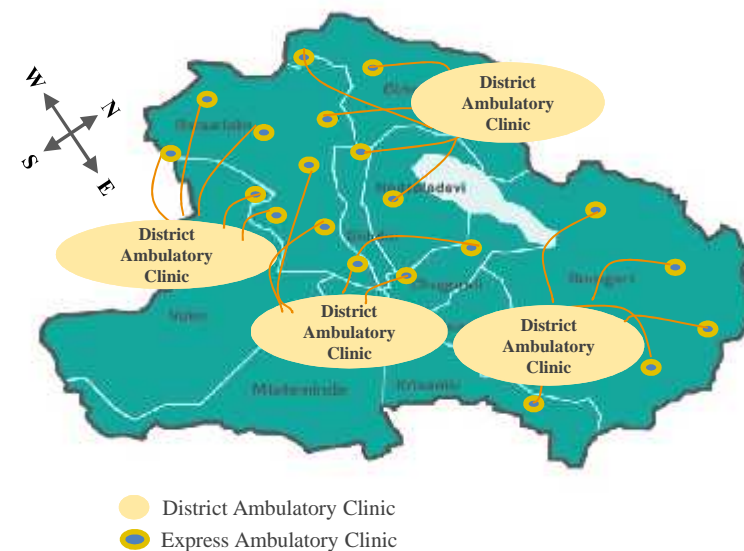
for the period ended 30 June 2016 ⁽¹⁾ :

- **GEL 5.1mln revenue** from ambulatory clinics
- **28.9% EBITDA margin** of ambulatory clinics
- **4.3% share** in total healthcare revenue

- **Area:** 1800-2500 sq/m
- **Offering:** All paediatric and adult outpatient specialist services; clinical, biochemical and serological lab tests; imaging studies (incl. computed tomography, echocardiography, ultrasound, X-ray, endoscopy); functional diagnostics (electrocardiogram, treadmill stress test, Holter, spirometry); ob/gyn and ante-natal services; chemotherapy and day clinic services
- **Working hours:** 10:00-20:00, 6 days a week

Ambulatory cluster consists of:

- One District Ambulatory Clinic
- 3- 5 Express Ambulatory Clinics



- **Area:** 120-200 sq/m
- **Offering :** GP and basic specialist services; Ultrasound; blood collection services referred to District Ambulatory Clinics
- **Working hours::** 09:00-21:00, 7 days a week
- *Express ambulatory clinics, scattered on a 15-30 minute walking distance from the district ambulatory clinic, provide basic ambulatory services and refer patients to the district ambulatory clinic or the referral hospitals, where wider ranging and more sophisticated services are offered.*

Competition



Mitskevich polyclinic, Tbilisi, September 2015

Reception



Joen clinic, Tbilisi, September 2015

Doctor's office



9th 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



Focused growth strategy

Investing in medical equipment, utilizing existing service gaps (examples of equipment not available or has supply shortage)

MRI – Capex: US\$ 0.65-1.2mln
(only 21 in Georgia
of which 8 owned by GHG)



Linear accelerator
Capex: US\$ 2.2-3.5mln
(only 9 units in Georgia
of which 5 owned by GHG)



Gamma knife
Capex: US\$ 3-4mln
(None in Georgia)



PET Computer Tomography
Capex: US\$ 1.1-1.6mln
(only 1 in Georgia, at GHG)



Catheterisation laboratory
Capex: US\$ 0.35-0.65mln
(only 14 in Georgia of which 6
owned by GHG)



Laparoscopic columns
Capex: US\$ 0.07-0.1mln



**Endoscopy equipment for
interventional endoscopy ERCP**
Capex: US\$ 0.3mln



**Microwave tissue ablation
system and sulis generator**
Capex: US\$ 0.6-0.7mln



Magellan robot
Capex: US\$ 0.7-0.8mln



Additional service gaps:

- No pathology laboratory
(samples are sent abroad for testing)
- Very limited pediatric oncology services
- Very limited rehabilitation services
- No suitable IVF center
- No bone marrow transplant
- No molecular laboratory
- No suitable genetic laboratory

Arthroscope
Capex: US\$ 30-60k



**Endoscope for interventional
endoscopy**
Capex: US\$ 25-28k



Choledocscope
Capex: US\$ 25-28k



**Muscle reinnervation
system set**
Capex: US\$ 0.3-0.4mln



**Probes for intraoperative
ultrasound**
Capex: US\$ 15-35k



Vacuum machines
Capex: US\$ 2k



Flowtron machine
Capex: US\$ 4-6k



PH metry set
Capex: US\$ 1-3k





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Focused growth strategy

Investing in medical equipment, utilising existing service gaps

Medical equipment at GHG healthcare facilities

Before:



After:



Note: pictures are from GHG healthcare facilities



Market leader with reputation for high quality care

Leading service quality focused franchise

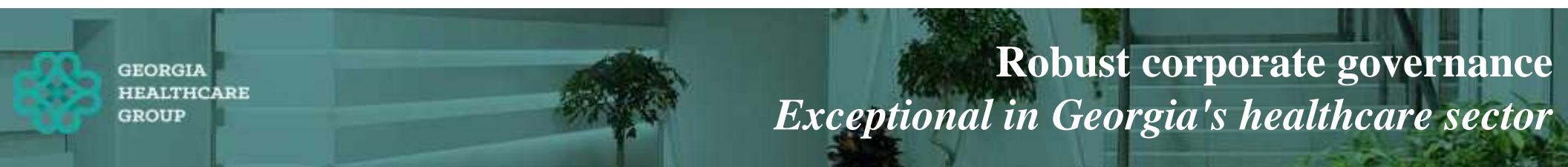
- ▶ Internally developed healthcare services Quality Standards based on **international standards of excellence**
- ▶ Developing reputation as a **centre of excellence** by delivering successful clinical outcomes
- ▶ First and only Georgian healthcare company to be **working towards JCI accreditation**
- ▶ Scale, reputation, focus on quality and in-house training **attracts the best available medical personnel**
- ▶ Plan to **expand training centre** geographically into new regions and seek **accreditation from the Georgian Ministry of Education**
- ▶ Established own **nursing training centre** in conjunction with nursing colleges

Global Collaborations with Marquee Institutions



Equipped and Supplied by Leading International Suppliers





Robust corporate governance

Exceptional in Georgia's healthcare sector

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

Board of directors – majority independent members

8 non-executive board members

7 independent members

- ✦ **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
- ✦ **Allan Hirst** | Independent Non-executive Director | Experience: Held various senior roles over his 25 year career at Citibank, including President and Managing Director of Citibank Russia; former BGEO board member for seven years
- ✦ **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
- ✦ **Tim Elsigood** | Independent Non-executive Director | Experience: Former Senior VP for Business Development at Capio AB, VP for Medsi Group and CEO of Isida Hospital. Currently Consultant Advisor to Abraaj in Tunisia and Morocco. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia
- ✦ **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
- ✦ **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
- ✦ **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

Management

- ✦ **Nikoloz Gamkrelidze** | Director, CEO at GHG
- ✦ **David Vakhtangishvili** | Deputy CEO, Finance; 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 Pharmaceutical Business; (effective 16 March 2016), formerly CEO of Liberty Bank, 6 years experience in banking business
- ✦ **Givi Giorgadze** | CEO, Medical insurance (effective 1 July 2016). Seven years experience in banking sector, formerly Director of Corporate Sales at Insurance Company BCI.
- ✦ **Irakli Gogia** | Deputy CEO, Operations; formerly Deputy CEO at JSC Insurance Company Aldagi, CFO at Liberty Consumer, 4 years of experience at Ernst & Young and Deloitte & Touche
- ✦ **Gregory (Gia) Khurtsidze** | Deputy CEO, Clinical, 2 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
- ✦ **Nino Kortua** | Head of legal; 14 years experience in insurance field as a lawyer, formerly head of Aldagi Legal Department

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



- ❁ GHG | Overview and strategy
- ❁ **GHG | Results discussion**
- ❁ Industry and Macroeconomic Overview
- ❁ Annexes



Consolidated income statement

Half-year

Income Statement, *half-year*

	<u>GHG</u>		Change, Y-o-Y
<i>GEL thousands; unless otherwise noted</i>	1H16	1H15	
Revenue, gross	174,249	112,046	55.5%
Corrections & rebates	(1,134)	(1,842)	-38.4%
Revenue, net	173,115	110,204	57.1%
Costs of services	(111,546)	(67,759)	64.6%
Gross profit	61,569	42,445	45.1%
Total operating expenses	(28,328)	(19,398)	46.0%
Other operating income	770	541	42.3%
EBITDA	34,011	23,588	44.2%
Depreciation and amortisation	(9,046)	(4,889)	85.0%
Net interest income (expense)	(5,125)	(10,118)	-49.3%
Net gains/(losses) from foreign currencies	(2,224)	5,449	NMF
Net non-recurring income/(expense)	(816)	(767)	NMF
Profit before income tax expense	16,800	13,263	26.7%
Income tax benefit/(expense)	28,425	53	NMF
<i>of which: Deferred tax adjustments</i>	<i>29,311</i>	<i>-</i>	<i>-</i>
Profit for the period	45,225	13,316	239.6%
Attributable to:			
- shareholders of the Company	37,676	11,854	217.8%
- non-controlling interests	7,549	1,462	416.3%
<i>of which: Deferred tax adjustments</i>	<i>5,057</i>	<i>-</i>	<i>-</i>

Income Statement, *half-year*

	<u>Healthcare services</u>			<u>Pharma</u> <u>(consolidated</u> <u>since May 2016)</u>	<u>Medical insurance</u>		
<i>GEL thousands; unless otherwise noted</i>	1H16	1H15	Change, Y-o-Y	1H16	1H16	1H15	Change, Y-o-Y
Revenue, gross	119,230	88,419	34.8%	30,691	29,128	27,814	4.7%
Corrections & rebates	(1,134)	(1,842)	-38.4%	-	-	-	-
Revenue, net	118,096	86,577	36.4%	30,691	29,128	27,814	4.7%
Costs of services	(64,397)	(48,462)	32.9%	(25,059)	(26,836)	(23,321)	15.1%
Gross profit	53,699	38,115	40.9%	5,632	2,292	4,493	-49.0%
Total operating expenses	(19,347)	(16,261)	19.0%	(5,223)	(3,812)	(3,300)	15.5%
Other operating income	636	491	29.5%	145	(11)	50	NMF
EBITDA	34,988	22,345	56.6%	554	(1,531)	1,243	NMF
EBITDA margin	29.3%	25.3%		1.8%	-5.3%	4.5%	
Depreciation and amortisation	(8,382)	(4,600)	82.2%	(258)	(406)	(289)	40.5%
Net interest income (expense)	(5,258)	(10,084)	-47.9%	(427)	560	(34)	NMF
Net gains/(losses) from foreign currencies	(2,122)	4,880	NMF	(272)	170	569	-70.1%
Net non-recurring income/(expense)	157	(767)	NMF	-	(973)	-	-
Profit before income tax expense	19,383	11,774	64.6%	(403)	(2,180)	1,489	NMF
Income tax benefit/(expense)	28,105	708	NMF	-	320	(655)	NMF
<i>of which: Deferred tax adjustments</i>	<i>29,311</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Profit for the period	47,488	12,482	280.5%	(403)	(1,860)	834	NMF
Attributable to:							
- shareholders of the Company	39,939	11,020	262.4%	(403)	(1,860)	834	NMF
- non-controlling interests	7,549	1,462	416.3%	-	-	-	-
<i>of which: Deferred tax adjustments</i>	<i>5,057</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Sources: GHG Internal Reporting

Note: healthcare services business, pharma business and medical insurance business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations, are provided in annexes



Consolidated income statement Quarterly

Income Statement, *quarterly*

	GHG				
	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>					
Revenue, gross	101,673	57,472	76.9%	72,576	40.1%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%
Revenue, net	100,949	56,587	78.4%	72,166	39.9%
Costs of services	(67,395)	(33,721)	99.9%	(44,151)	52.6%
Gross profit	33,554	22,866	46.7%	28,015	19.8%
Total operating expenses	(17,223)	(9,806)	75.6%	(11,105)	55.1%
Other operating income	551	416	32.5%	219	151.6%
EBITDA	16,882	13,476	25.3%	17,129	-1.4%
Depreciation and amortisation	(4,581)	(2,567)	78.5%	(4,465)	2.6%
Net interest income (expense)	(3,469)	(6,017)	-42.3%	(1,656)	109.5%
Net gains/(losses) from foreign currencies	(1,964)	2,045	NMF	(260)	655.4%
Net non-recurring income/(expense)	(586)	(556)	NMF	(230)	154.8%
Profit before income tax expense	6,282	6,381	-1.6%	10,518	-40.3%
Income tax benefit/(expense)	26,920	660	3978.8%	1,505	1688.7%
<i>of which: Deferred tax adjustments</i>	<i>27,113</i>	<i>-</i>	<i>-</i>	<i>2,198</i>	<i>-</i>
Profit for the period	33,202	7,041	371.6%	12,023	176.2%
Attributable to:					
- shareholders of the Company	27,755	6,122	353.4%	9,921	179.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%
<i>of which: Deferred tax adjustments</i>	<i>4,705</i>	<i>-</i>	<i>-</i>	<i>352</i>	<i>-</i>

Income Statement, *quarterly*

	Healthcare services					Pharma (consolidated since May 2016)					Medical insurance				
	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q15	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q15	2Q15	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>															
Revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	30,691	15,298	14,123	8.3%	13,830	10.6%				
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	-	-	-	-	-	-				
Revenue, net	58,055	44,789	29.6%	60,041	-3.3%	30,691	15,298	14,123	8.3%	13,830	10.6%				
Costs of services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(25,059)	(13,989)	(11,785)	18.7%	(12,847)	8.9%				
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	5,632	1,309	2,338	-44.0%	983	33.2%				
Total operating expenses	(9,891)	(8,338)	18.6%	(9,456)	4.6%	(5,223)	(2,152)	(1,540)	39.7%	(1,660)	29.6%				
Other operating income	395	413	-4.4%	241	63.9%	145	10	3	233.3%	(21)	NMF				
EBITDA	17,160	12,675	35.4%	17,828	-3.7%	554	(832)	801	-203.9%	(699)	19.0%				
EBITDA margin	29.2%	27.8%		29.5%		1.8%	-5.4%	5.7%		-5.1%					
Depreciation and amortisation	(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(258)	(202)	(153)	32.0%	(204)	-1.0%				
Net interest income (expense)	(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(427)	(43)	(6)	NMF	603	NMF				
Net gains/(losses) from foreign currencies	(1,711)	1,973	NMF	(411)	316.3%	(272)	19	72	NMF	151	-87.4%				
Net non-recurring income/(expense)	387	(556)	NMF	(230)	-268.3%	-	(973)	-	-	-	-				
Profit before income tax expense	8,716	5,667	53.8%	10,667	-18.3%	(403)	(2,031)	714	NMF	(149)	1,263.1%				
Income tax benefit/(expense)	26,619	1,199	NMF	1,486	1,691.3%	-	301	(539)	NMF	19	1,484.2%				
<i>of which: Deferred tax adjustments</i>	<i>27,113</i>	<i>-</i>	<i>-</i>	<i>2,198</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>				
Profit for the period	35,335	6,866	414.6%	12,153	190.8%	(403)	(1,730)	175	NMF	(130)	1,230.8%				
Attributable to:															
- shareholders of the Company	29,888	5,947	402.6%	10,051	197.4%	(403)	(1,730)	175	NMF	(130)	1,230.8%				
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	-	-	-	-	-	-				
<i>of which: Deferred tax adjustments</i>	<i>4,705</i>	<i>-</i>	<i>-</i>	<i>352</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>				

Sources: GHG Internal Reporting

Note: healthcare services business, pharma business and medical insurance business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations, are provided in annexes



Balance sheet

Balance Sheet

			<u>GHG</u>		
	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>					
Total assets, of which:	814,089	504,092	61.5%	737,815	10.3%
Cash and bank deposits	26,395	41,754	-36.8%	65,404	-59.6%
Receivables from healthcare services	70,398	53,447	31.7%	73,750	-4.5%
Receivables from sale of pharmaceuticals	6,110	-	-	-	-
Insurance premiums receivable	34,275	31,914	7.4%	39,042	-12.2%
Property and equipment	501,739	320,218	56.7%	487,641	2.9%
Goodwill and other intangible assets	64,733	12,725	408.7%	25,530	153.6%
Inventory	42,470	8,218	416.8%	14,302	197.0%
Prepayments	49,074	9,307	427.3%	14,648	235.0%
Other assets	18,895	26,509	-28.7%	17,498	8.0%
Total liabilities, of which:	306,861	290,367	5.7%	261,819	17.2%
Borrowed Funds	141,257	195,519	-27.8%	99,856	41.5%
Accounts payable	52,582	9,576	449.1%	37,365	40.7%
Insurance contract liabilities	32,941	30,142	9.3%	36,935	-10.8%
Other liabilities	80,081	55,130	45.3%	87,663	-8.6%
Total shareholders' equity attributable to:	507,228	213,725	137.3%	475,996	6.6%
Shareholders of the Company	455,824	188,528	141.8%	428,805	6.3%
Non-controlling interest	51,404	25,197	104.0%	47,191	8.9%

Sources: GHG Internal Reporting

Note: healthcare services business, pharma business and medical insurance business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations, are provided in annexes



Selected ratios and KPIs	2Q16	2Q15	1Q16	1H16	1H15
GHG					
EPS, GEL	0.22	NMF	0.08	0.29	NMF
EPS adjusted ¹ , GEL	0.08	NMF	0.08	0.15	NMF
ROAE	25.1%	11.0%	9.4%	17.2%	10.8%
Adjusted ² ROAE	12.8%	11.0%	16.5%	14.2%	10.8%
Healthcare services					
EBITDA margin of healthcare services	29.2%	27.8%	29.5%	29.3%	25.3%
Hospital bed occupancy rate (total)	57.6%	50.8%	60.4%	59.3%	52.3%
Hospital bed occupancy rate (referral hospitals)	64.9%	59.0%	66.7%	65.8%	60.2%
Average length of stay (total), days	5.1	4.4	4.9	4.9	4.5
Average length of stay (referral hospitals), days	5.3	4.7	5.2	5.1	4.8
Pharma					
Days sales outstanding	12.1			12.1	
Inventory turnover, days	81.8			81.8	
Number of cheques	1.92 million			1.92 million	
Revenue from retail as a percentage of total revenue from pharma	75%			75%	
Revenue from wholesale as a percentage of total revenue from pharma	25%			25%	
Revenue from parapharmacy as a percentage of total revenue from pharma	31%			31%	
Medical insurance					
Loss ratio	85.0%	78.1%	86.4%	85.7%	78.6%
Expense ratio	21.8%	17.3%	20.1%	21.0%	17.9%
Commission ratio	6.4%	5.3%	6.5%	6.5%	5.2%
Combined ratio	106.8%	95.4%	106.5%	106.6%	96.6%
Insurance renewal rate	75.7%	79.2%	75.8%	88.4%	77.3%

Sources: GHG Internal Reporting

Note:

- 1) Earnings per share (EPS) equals Profit for the period attributable to shareholders of the Company adjusted for one-off non-recurring gain due to deferred tax adjustments and adjusted for one-off translation loss in June divided by weighted average number of shares outstanding during the same period;
- 2) Profit for the period attributable to shareholders of the Company adjusted for one-off non-recurring gain due to deferred tax adjustments and adjusted for one-off translation loss in June, divided by average equity attributable to shareholders of the Company for the same period net of unutilised portion of IPO proceeds.



Consolidated cash flow Half-year

GHG - Cash Flow, <i>half-year</i>	1H16, Adjusted ¹	Adjustments	1H16, Actual	1H15, Actual	Change, Y-o-Y (1H16 adjusted to 1H15 actual)
Cash flows from / (used in) operating activities					
Healthcare services revenue received	101,541	-	101,541	70,986	43%
Cost of healthcare services paid	(61,845)	633	(62,478)	(44,544)	39%
Pharma revenue received	30,050	(2,416)	32,466	-	100%
Cost of pharma paid	(24,618)	4,616	(29,234)	-	100%
Net insurance premiums received	26,949	-	26,949	26,938	0%
Net insurance claims paid	(19,448)	-	(19,448)	(18,163)	7%
Salaries and other employee benefits paid	(17,098)	-	(17,098)	(11,625)	47%
General and administrative expenses paid	(9,388)	3,790	(13,178)	(2,561)	267%
Other	(1,362)	-	(1,362)	(1,522)	-11%
Net cash flows from / (used in) operating activities before income tax	24,781	6,623	18,158	19,509	27%
Income tax paid	(405)	1,000	(1,405)	(465)	-13%
Net cash flows from operating activities	24,376	7,623	16,753	19,044	28%
Cash flows from / (used in) investing activities					
Acquisition of subsidiaries, net of cash acquired	(47,288)	-	(47,288)	(28,189)	68%
Acquisition of additional interest in existing subsidiaries	(2,472)	-	(2,472)	(2,011)	23%
Purchase of property and equipment	(53,929)	-	(53,929)	(24,196)	123%
Other investing activities	(7,248)	-	(7,248)	(119)	5991%
Net cash from / (used in) investing activities	(110,937)	-	(110,937)	(54,515)	103%
Cash flows from / (used in) financing activities					
Proceeds from debt securities issued	-	-	-	34,247	-100%
Redemption of debt securities issued	(1,350)	-	(1,350)	-	100%
Proceeds from borrowings	30,662	-	30,662	37,047	-17%
Repayment of borrowings	(55,296)	-	(55,296)	(35,314)	57%
Interest expense paid	(8,796)	-	(8,796)	(11,083)	-21%
Other financing activities	(2,520)	-	(2,520)	2,000	-226%
Net cash flows from / (used in) financing activities	(37,300)	-	(37,300)	26,897	-239%
Effect of exchange rates changes on cash and cash equivalents	(2,457)	-	(2,457)	1,274	-293%
Net increase in cash and cash equivalents	(126,318)	7,623	(133,941)	(7,300)	1630%
Cash and cash equivalents excluding bank deposits, beginning	145,153	-	145,153	32,784	343%
Cash and cash equivalents excluding bank deposits, ending	18,835	7,623	11,212	25,484	-26%
Bank deposits, beginning	12,245	-	12,245	25,484	-52%
Bank deposits, ending	15,182	-	15,182	16,270	-7%
Cash and Bank deposits, beginning	157,398	-	157,398	58,268	170%
Cash and Bank deposits, ending	34,017	7,623	26,394	41,754	-19%

Sources: GHG Internal Reporting

Note:

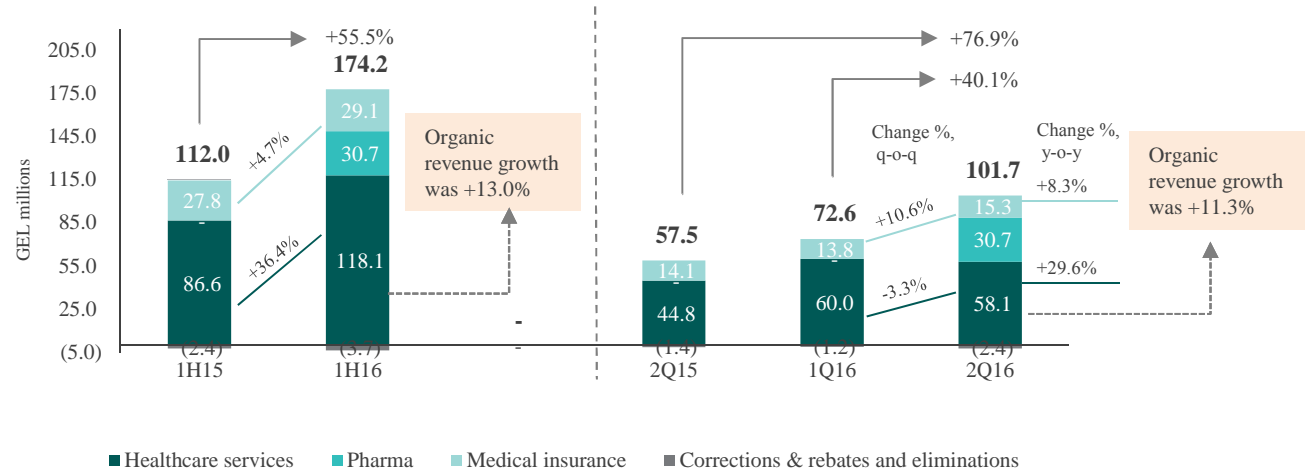
1) Statement of Cash Flows adjusted for effect of accelerated payments of aged accounts payables in 1H 2016 as compared to 1H 2015



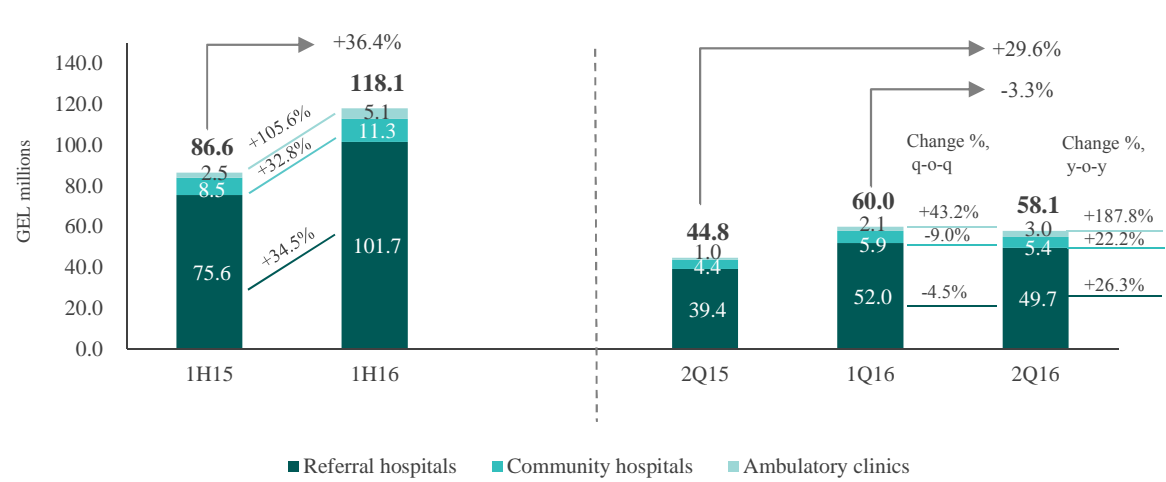
GEORGIA
HEALTHCARE
GROUP

Revenue growth driven primarily by healthcare services, with referral hospitals constituting majority of the growth


GHG – Gross revenue breakdown by segments



Healthcare services – Net revenue breakdown by service lines



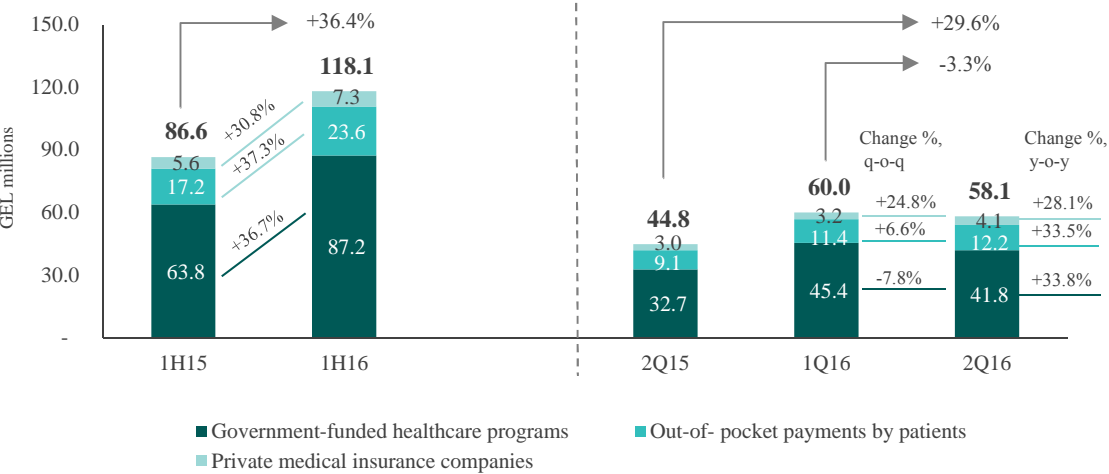
Note: GHG Internal Reporting



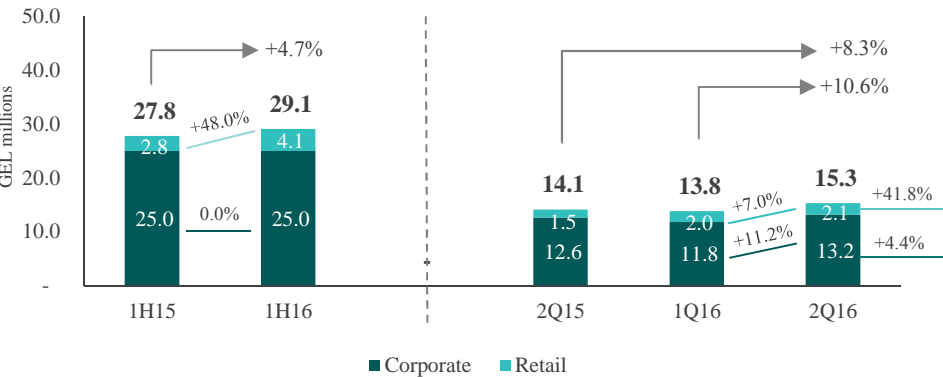
GEORGIA
HEALTHCARE
GROUP

Healthcare services revenue growth driven by increased government spending on health

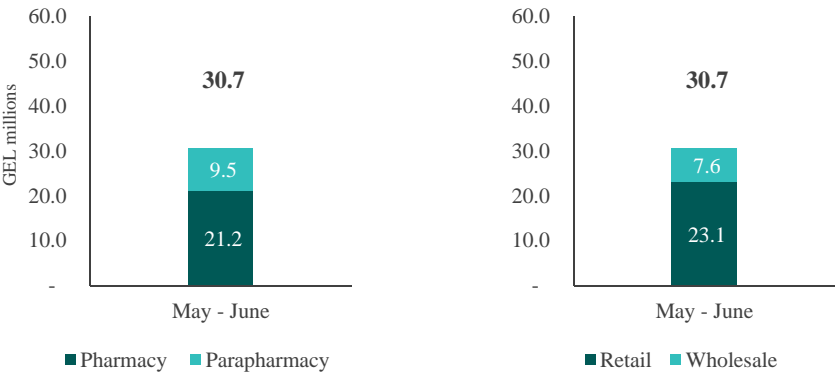
Healthcare services – Net revenue breakdown by source of payments



Medical insurance – Net revenue breakdown by products



Pharma – revenue breakdown by:
business lines types



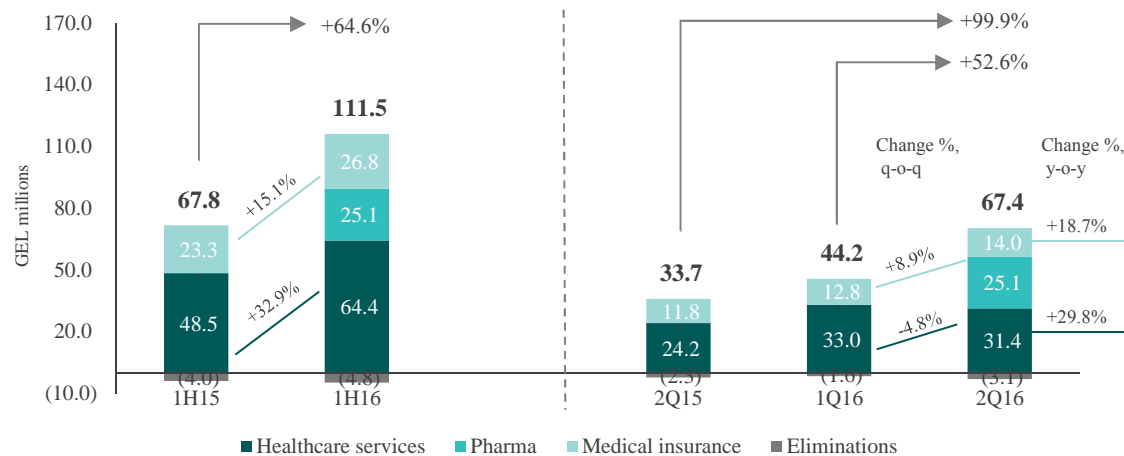
Note: GHG Internal Reporting



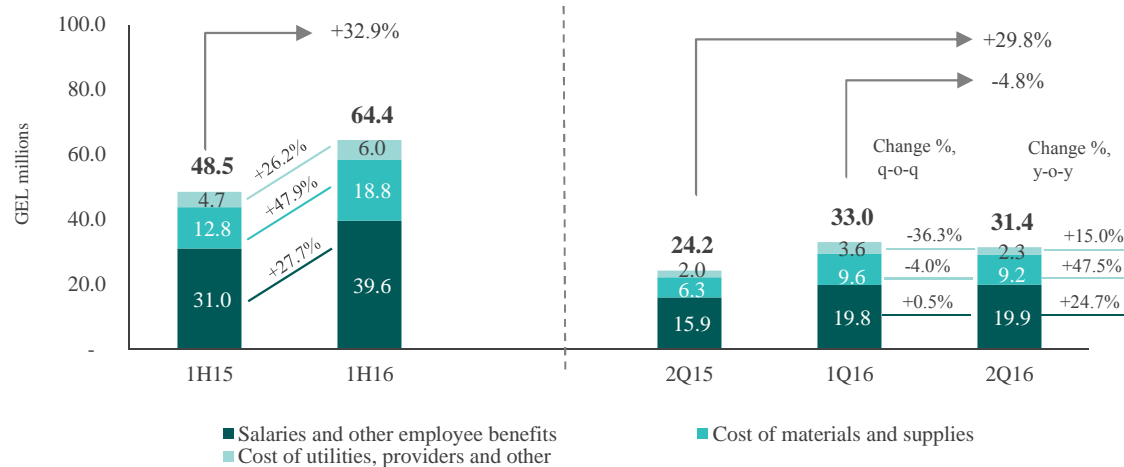
GEORGIA
HEALTHCARE
GROUP

Cost of services growth follows healthcare services expansion as well as pharma aquisition(1/2)

GHG – Cost of services breakdown by segments

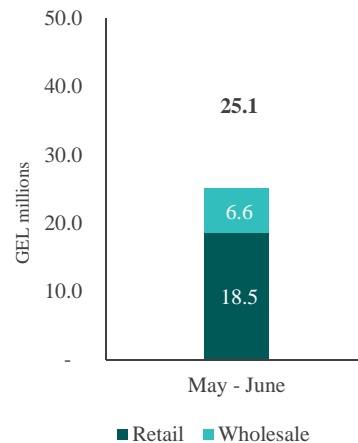


Healthcare services - cost of services breakdown

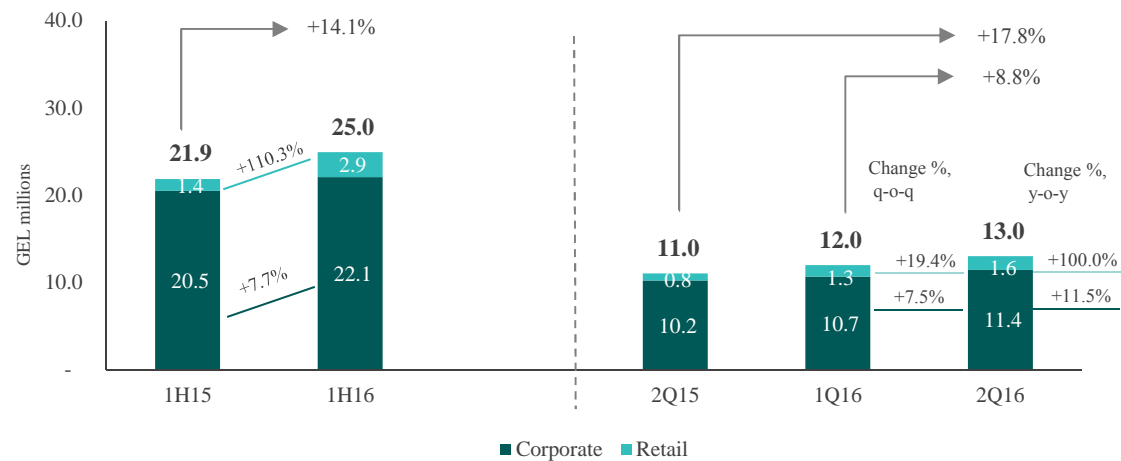


Note: GHG Internal Reporting

Pharmaceuticals - cost of services breakdown



Medical insurance – net insurance claims breakdown



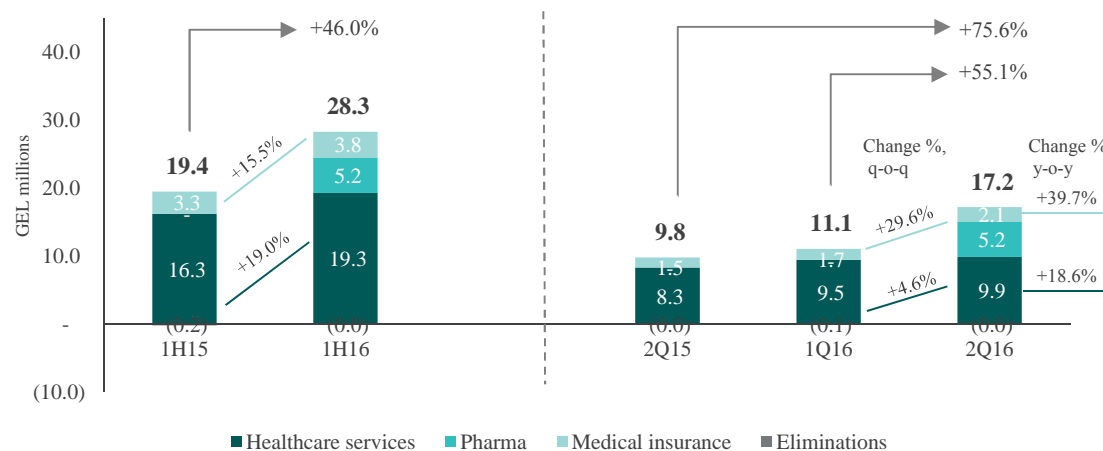
Note: GHG Internal Reporting



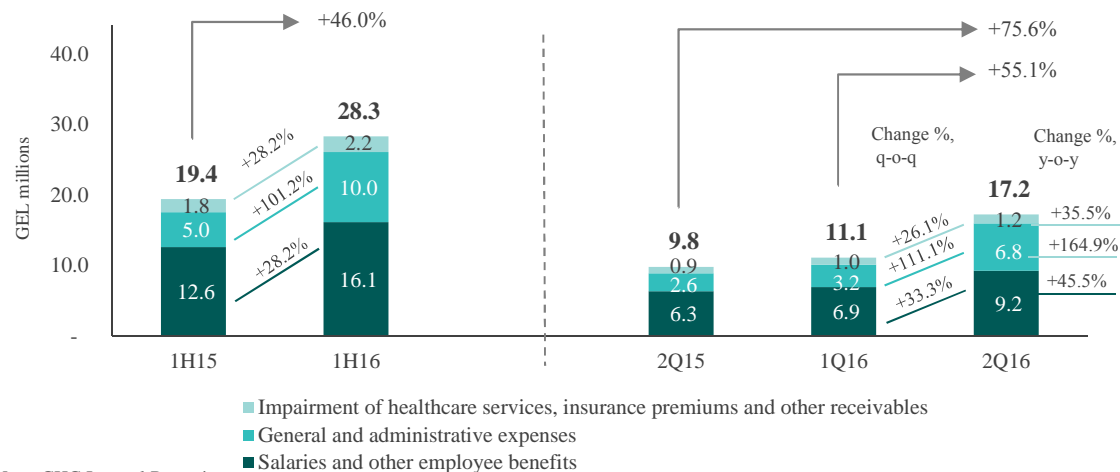
GEORGIA
HEALTHCARE
GROUP

Operating expenses followed the growth of healthcare services as well as Pharma acquisition

GHG – Operating expense breakdown by Segments

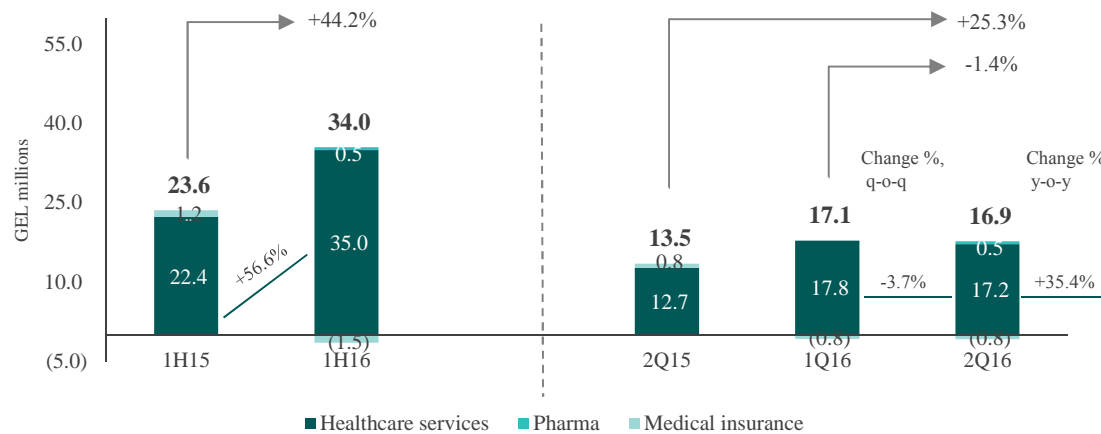


GHG – Operating expense breakdown types

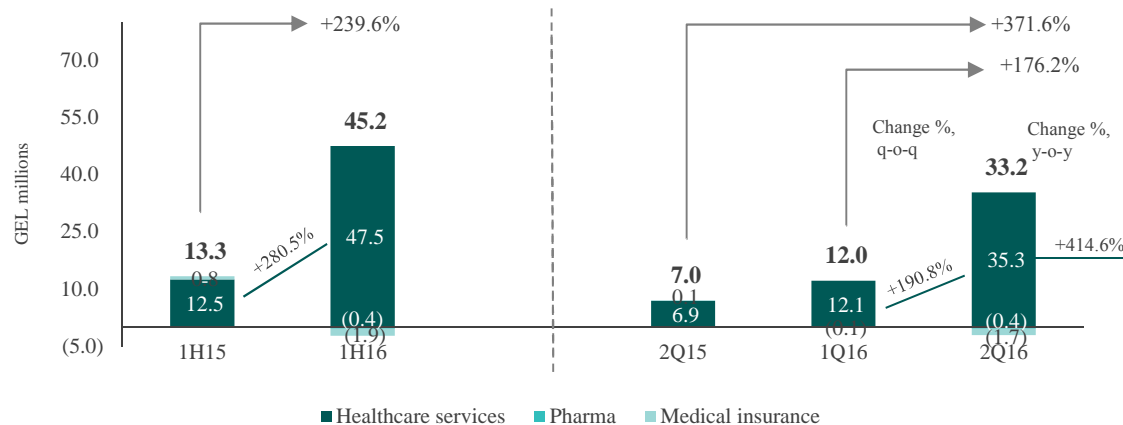


Note: GHG Internal Reporting

GHG – EBITDA growth primarily driven by healthcare services, 29.2% and 29.3% EBITDA Margin in 2Q16 and 1H16 respectively



GHG – Net Profit growth primarily driven by healthcare services, 280.5% Y-o-Y



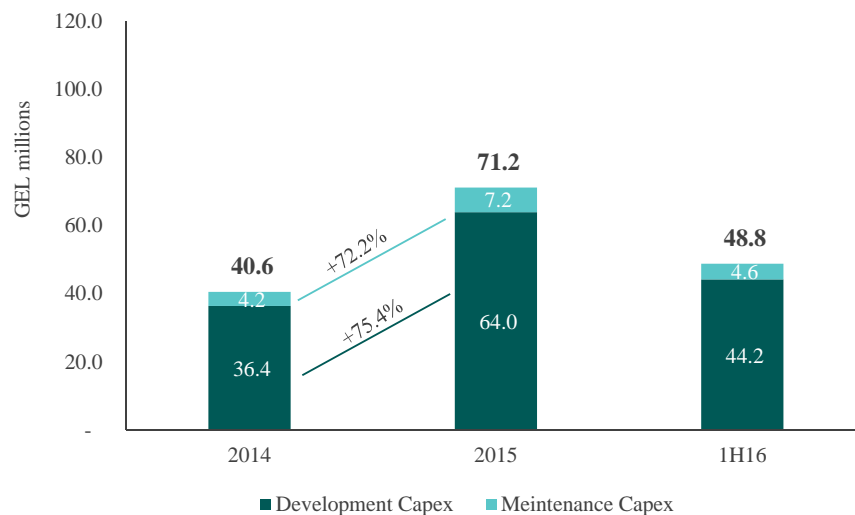
Note: GHG Internal Reporting



Capex – Key driver for our 2016-2018 strategy

Capex 2014-2015

Maintenance capex as % of healthcare service revenue	2.8%	3.7%	3.8%
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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.
- We have fully sourced our development capex financing through 2018 from the IPO proceeds raised in the end of 2015 and organic cash generation.
- 2016-2018 development capex includes:
 - US\$ 26.8 million for renovation and development of recently acquired healthcare facilities (Deka and Sunstone hospitals)
 - US\$ 38.0 million to enlarge the Group's network of ambulatory clinics and to undertake other projects in pursuit of organic growth
- **During 1H16 we spent a total of GEL 48.8 million on capital expenditures, from which:**
 - Development Capex was GEL 44.2 million
 - Maintenance Capex was GEL 4.6 million
- These expenditures already include commencement of the flagship projects of DEKA and Sunstone.

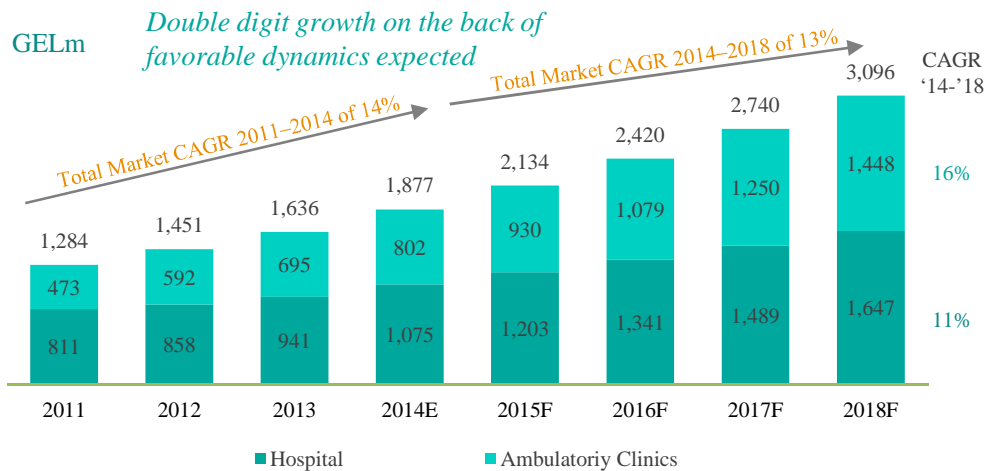


- ❖ GHG | Overview and strategy
- ❖ GHG | Results discussion
- ❖ **Industry and Macroeconomic Overview**
- ❖ Annexes

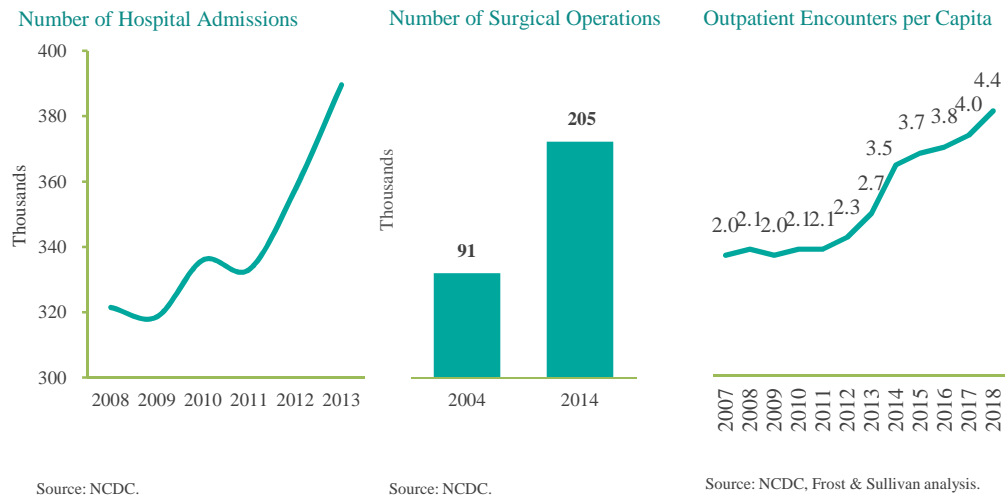


Long-term, high growth prospects Rapidly Growing Healthcare Services Market

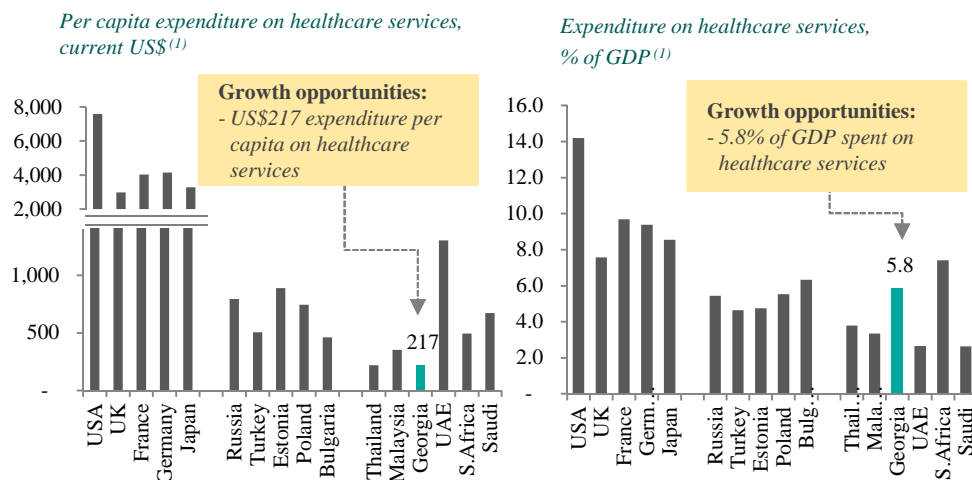
High Growth in Healthcare Services Market Expected to Continue



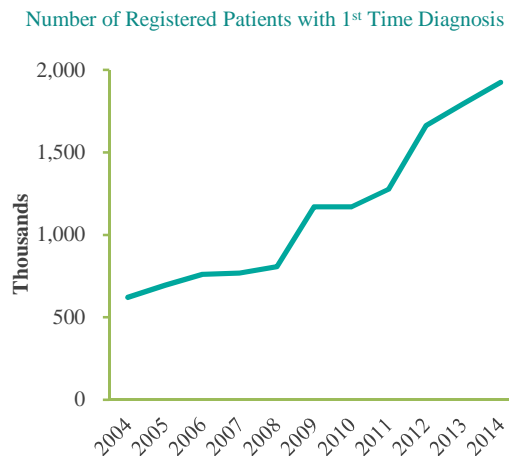
Demand Analysis



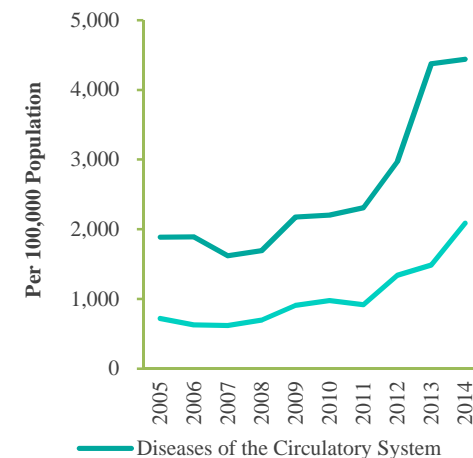
Low Expenditure on Health Services



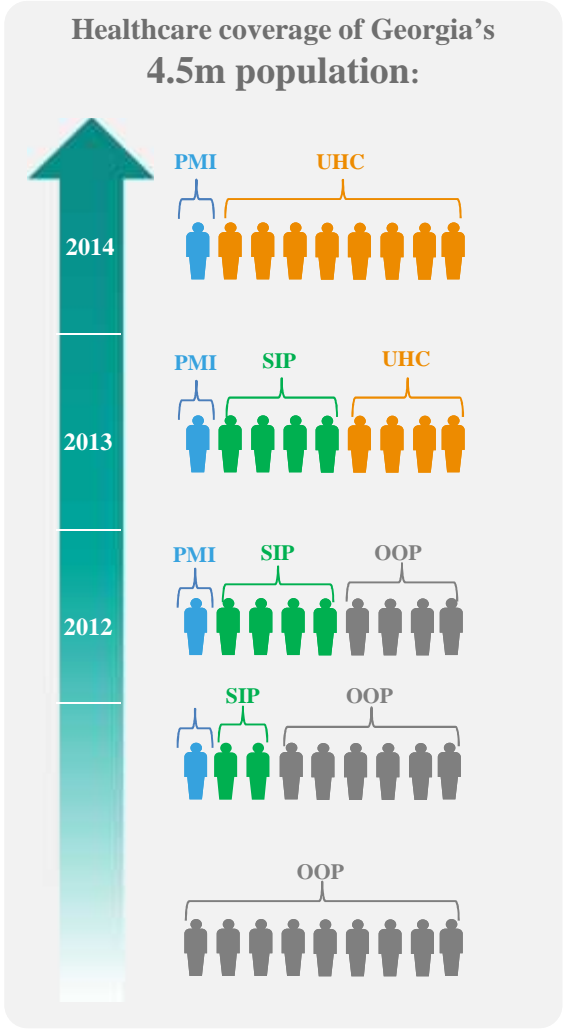
Increasing Overall Disease Incidence...



... Including a Growing Incidence of Lifestyle Diseases



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



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

Source: Ministry of Health of Georgia

● OOP – out-of-pocket ● UHC – Universal Healthcare Program ● PMI – Private Medical Insurance
 ● SIP – State Insurance Program 👤 = 0.5 million people PMI, UHC, SIP include co-payments



Long-term, high growth prospects

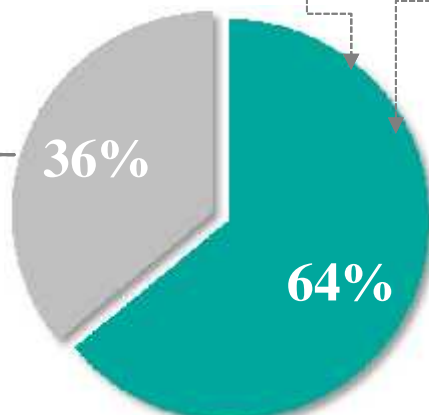
Favorable government healthcare policy

Soviet-era legacy



64% of beds are
renovated in
Georgia⁽¹⁾

86% of GHG beds
are renovated⁽²⁾



■ Renovated beds
■ Soviet-era beds

Renovated



Source:

(1) NCDC, data as of 2014

(2) GHG internal reporting

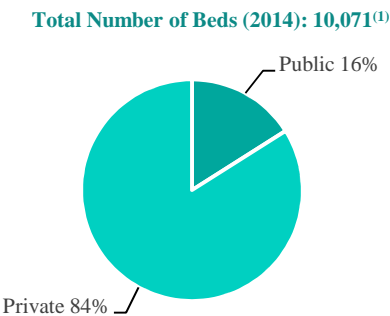


Long-term, high growth prospects

Favorable government healthcare policy

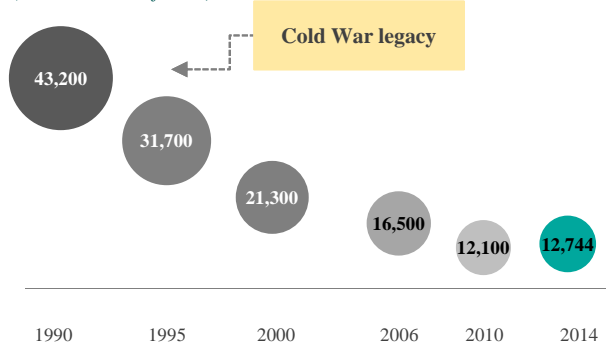
Infrastructure renewed, although significant opportunity remains to improve service quality

84% Of Hospital capacity is private

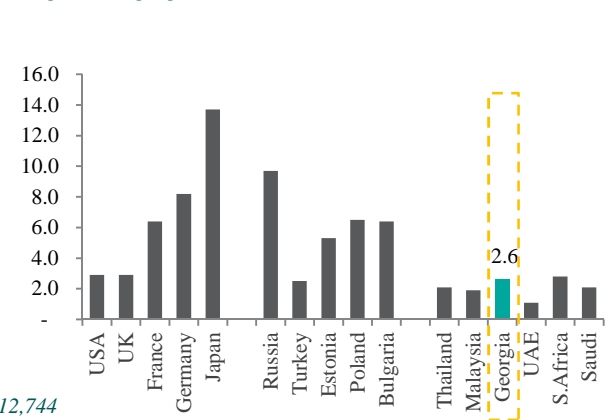


Capacity-wise Georgia stands alongside US, UK and Turkey

Optimising bed capacity over the years
(Total number of beds)⁽²⁾



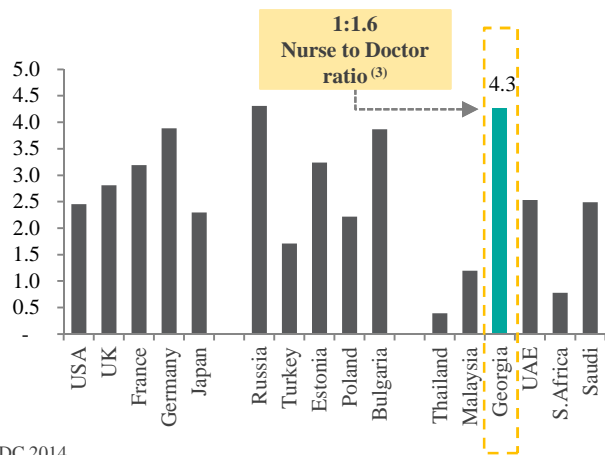
Beds per 1,000 people⁽³⁾



Note: (*) Target market bed capacity = Total market bed capacity of 12,744 beds - 2,689 specialty beds at penitentiary, TB and psychiatric clinics

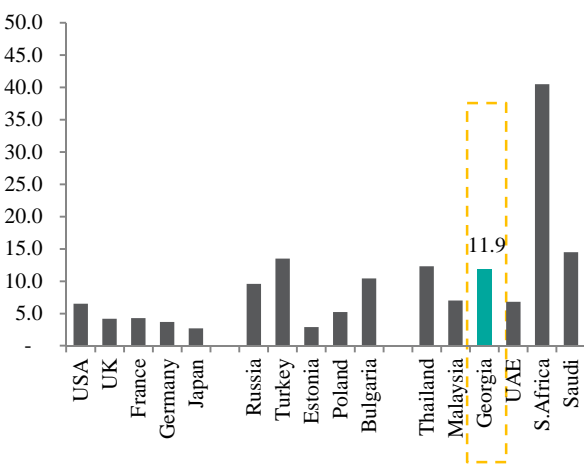
However, physician overcapacity yet to be addressed

Number of physicians per 1,000 people⁽³⁾

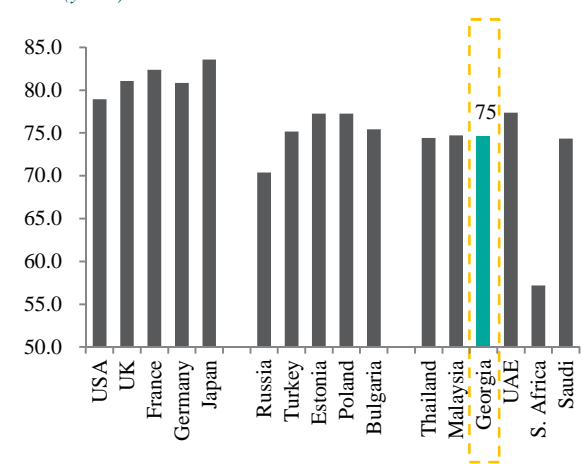


With significant room for optimisation in terms of service quality, as indicated by: Under 5 Mortality Rate... ... And Life Expectancy At Birth

Under 5 mortality per 1,000 live births⁽³⁾



Total (years)⁽³⁾



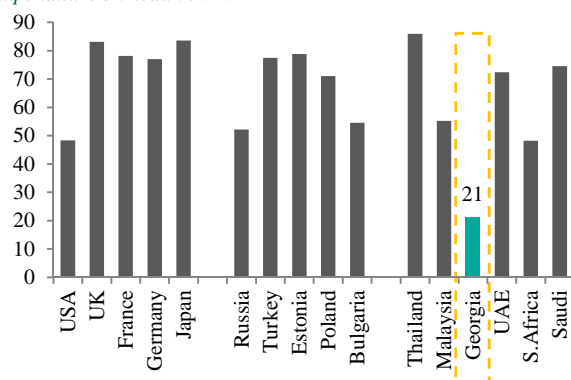
Source:
(1) NCDC 2014
(2) Geostat 2014, NCDC 2014
(3) World Bank | 2012, 2013, 2014, 2015

Long-term, high growth prospects

Favorable government healthcare policy

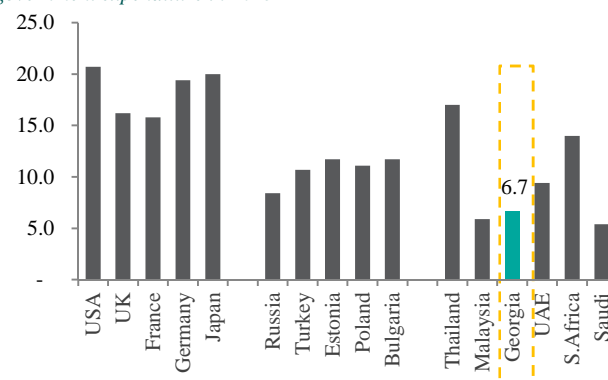
Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013

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



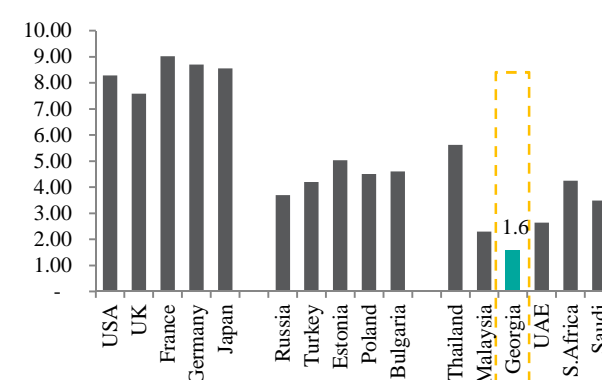
Government spending on healthcare was only 6.7% of state budget in 2013, which grew up to 9.3% in 2015 year.

General government expenditure on health as a percentage of total government expenditure in 2013⁽¹⁾



Government expenditure on healthcare as a % of GDP increased from c.2% in 2013, up to c.2.7% in 2015 year⁽⁴⁾

Government expenditure on health as % of GDP in 2013⁽¹⁾

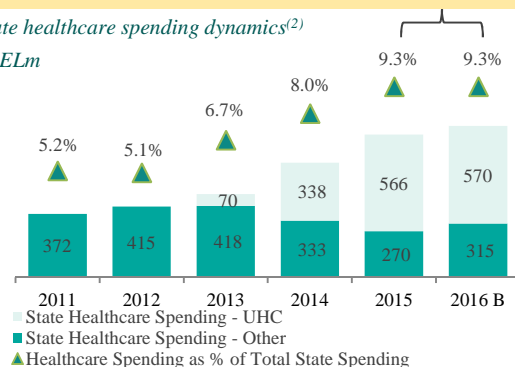


And catching up gradually – State financing of healthcare increasing for the last several years

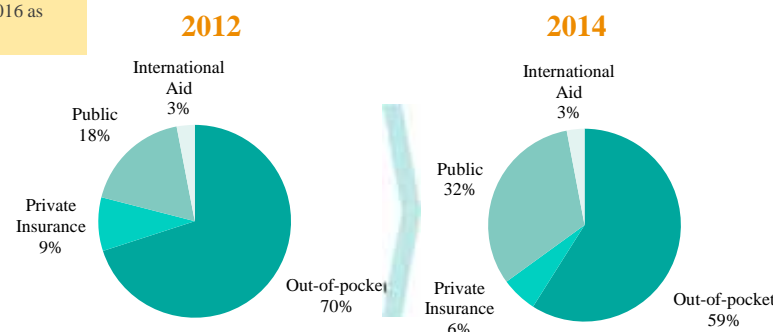
2015 UHC spending was initially planned at GEL 470mln. In 2nd half of 2015 state has adjusted initial budget of 2015 UHC spending and increased from GEL 470mln to GEL 566mln; UHC budget is expected to be adjusted and increased in 2016 as well.

State healthcare spending dynamics⁽²⁾

GELm

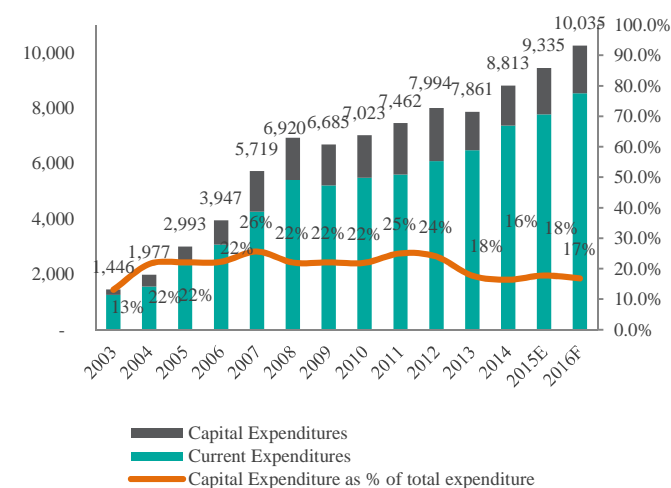


High private spending and growing public sector participation on the back of UHC implementation⁽³⁾



With C.20% of government tax revenues spent on capex

Total government budget, breakdown by operating and capital expenditures⁽²⁾



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

- Area: 69,700 km²
- Population (2015): 3.7 million people
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi (Population of 1.1 million people)
- Currency: Lari (GEL)

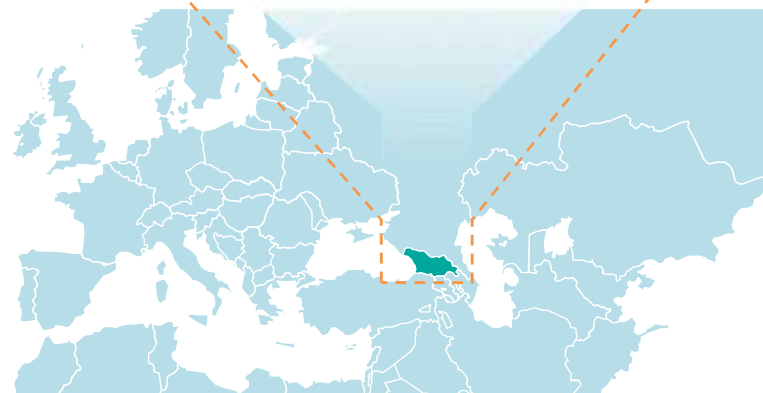


Ease of Doing
Business
Best Improvement
since 2005

- Nominal GDP: 2015 GEL 31.7bn (US\$14.0bn)
- Real GDP average 10yr growth: 5.1%
- GDP per capita 2015 (PPP) per IMF: US\$9,566
- Inflation rate (e-o-p) 2015: 4.9%
- External public debt to GDP 2015: 32.6%

Sovereign ratings:

S&P	BB-/B/Stable, affirmed in November 2015
Moody's	Ba3/NP/Positive, affirmed in March 2016
Fitch	BB-/B/Stable, affirmed in April 2016



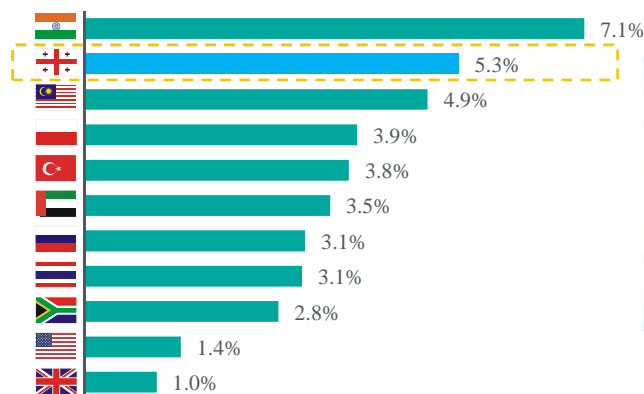
Sources: Ministry of Finance of Georgia, Geostat, IMF, Government of Georgia Presentation (Georgia.gov.ge)



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

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

Real GDP CAGR 2005-14



...Fueled by Liberal Reforms...



Georgia is the top improver on the World Bank's Ease of Doing Business report since 2005, rising from 113th in 2005 to 24th in 2016

- Georgia has implemented one of the most radical market and government reforms and programme of economic liberalisation in the former Soviet Union states
- 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 net FDI inflow at average rate of 10% of GDP since 2005

...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

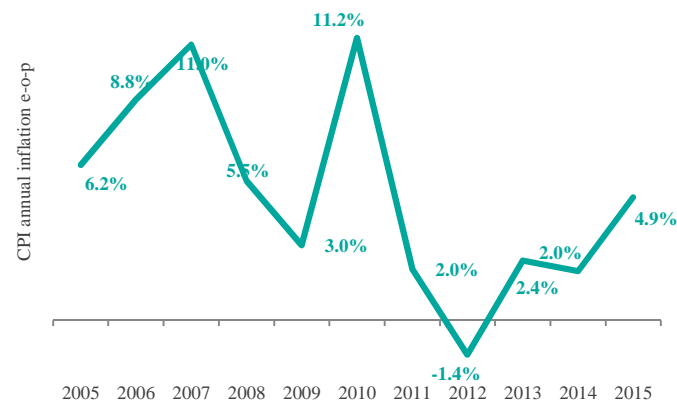
Prudent Fiscal Policy

"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

Monetary policy aims to maintain price stability with medium-term inflation target defined at 5% in 2016



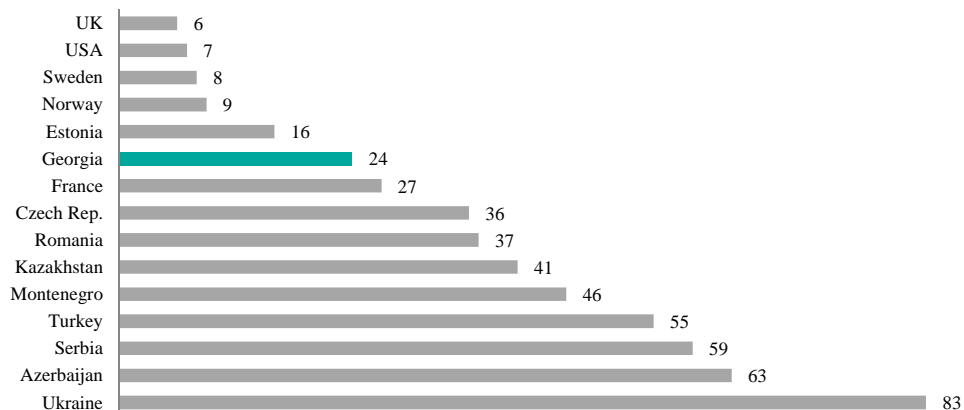


GEORGIA
HEALTHCARE
GROUP

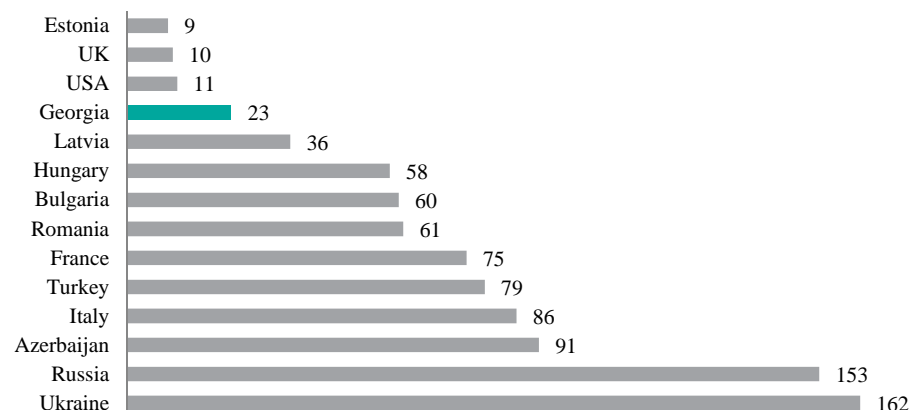
Long-term, high growth prospects

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

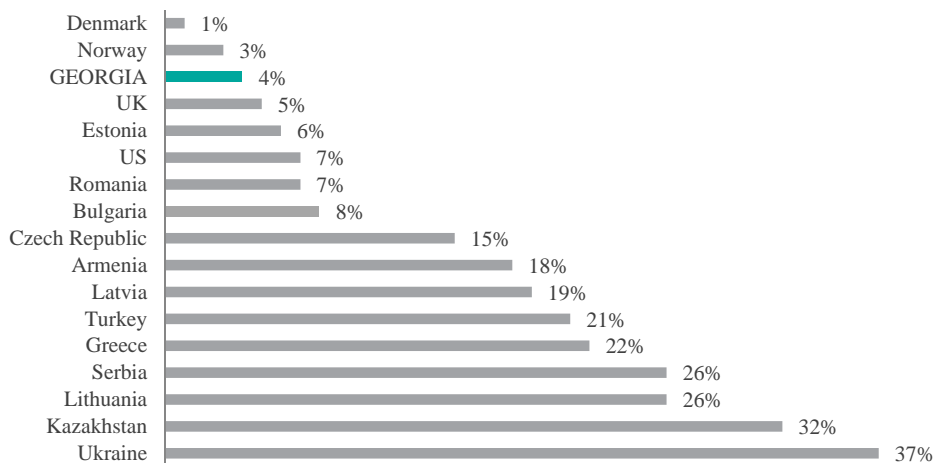
Ease of Doing Business | 2016 (WB-IFC Doing Business Report)



Economic Freedom Index | 2016 (Heritage Foundation)



Global Corruption Barometer | TI 2013

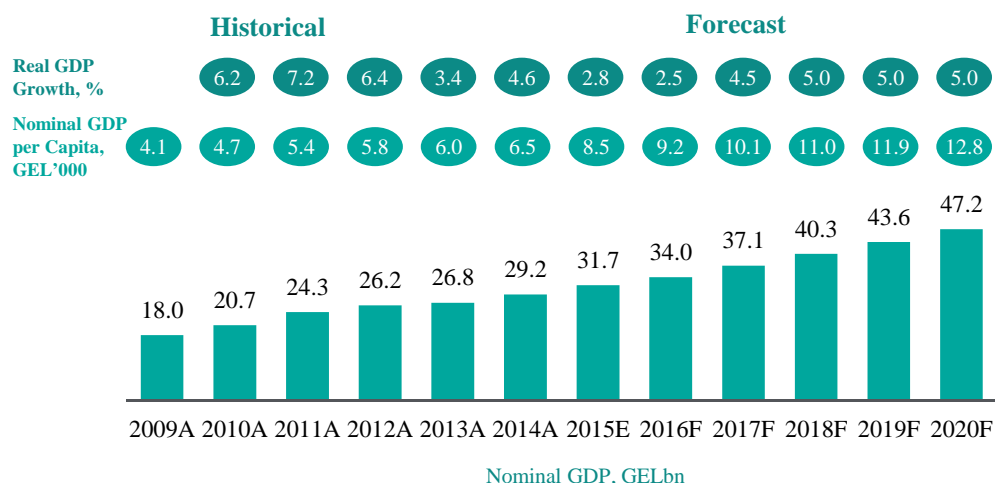


GEORGIA - No 1
Reformer 2005-2012
(WB Doing Business Report)

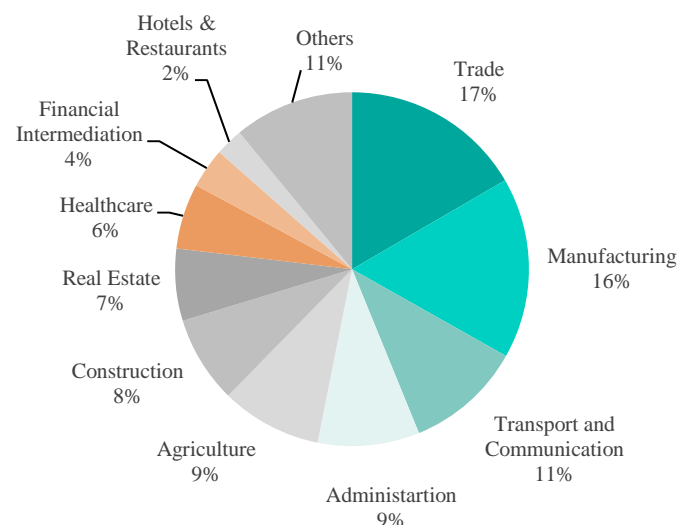


Long-term, high growth prospects *Georgia | positive economic outlook*

GDP Growth Expected to Continue



GDP composition, FY 2015



Sources: Geostat, Ministry of Finance, National Bank of Georgia Research.

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 13.9% of GDP in 2015 and arrivals reached 5.9mln visitors in 2015 (up 6.9% y-o-y)
- Regional energy transit corridor with approx. 1.6% of world's oil production and diversified gas supply passing through the country

Strong FDI

- An influx of foreign investors on the back of the economic reforms have boosted productivity and accelerated growth
- FDI at US\$1,351mln (9.7% of GDP) in 2015 (down 23.2% y-o-y), FDI at US\$ 376mln in 1Q16 (up 113% y/y)
- FDI averaged 10% of GDP in 2006-2015

Support from International Community

- Georgia and the EU signed an Association Agreement in June 2014 and Georgia's parliament ratified the agreement in July 2014. The deal includes a DCFTA, which is the major vehicle for Georgia's economic integration with the EU
- 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
- Limited dependence on Russia which accounts for c.10% of exports and c.7% of imports

Cheap Electricity

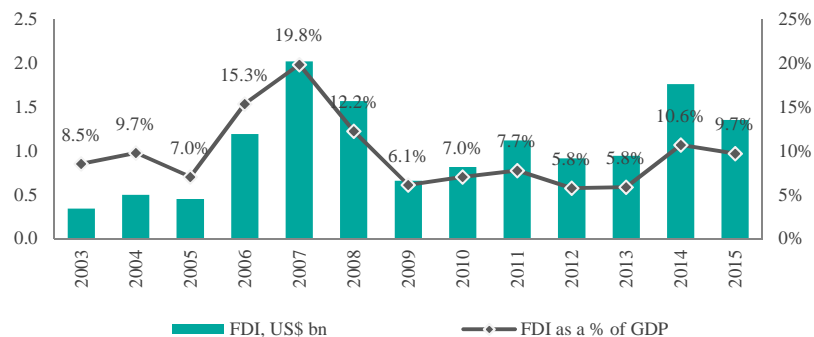
- Only 20% of hydropower capacity utilized; 88 hydropower stations are being built/developed
- Net electricity exporter from 2007-2011 (net importer in 2012 and 2013 due to low precipitation)
- Significantly boosted transmission capacity in recent years



Diversified sources of capital flow

FDI inflows

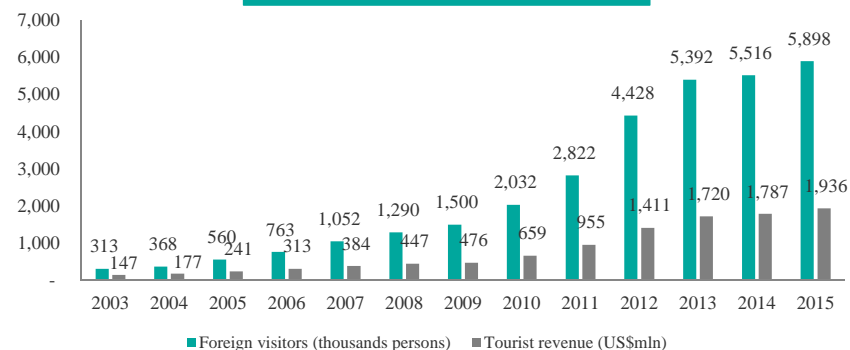
US\$376 million in 1Q16, up 113%



Sources: Geostat

Number of tourists

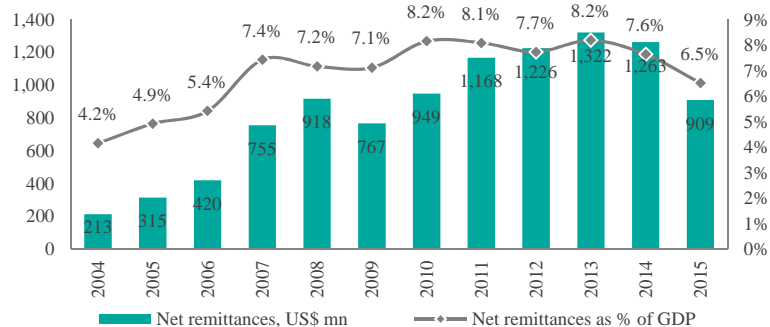
2.6 million visitors in 1H16, up 13%



Sources: Georgian National Tourism Agency, National Bank of Georgia

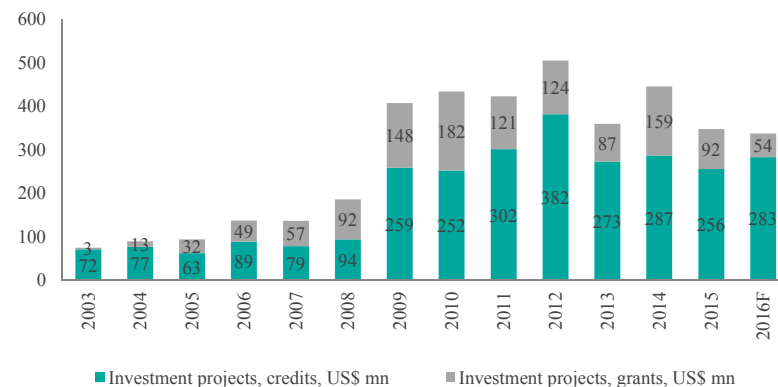
Net remittances

US\$530.2 million in 1H16, down 1.6%



Source: National Bank of Georgia

Public donor funding

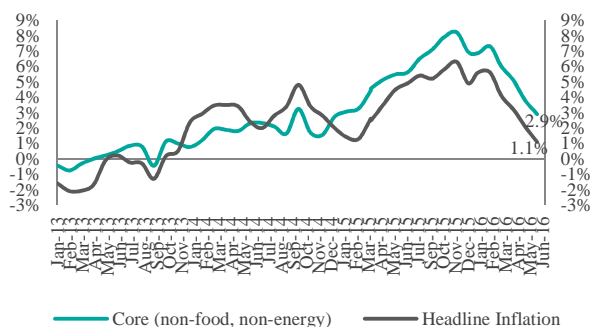


Source: Ministry of Finance of Georgia



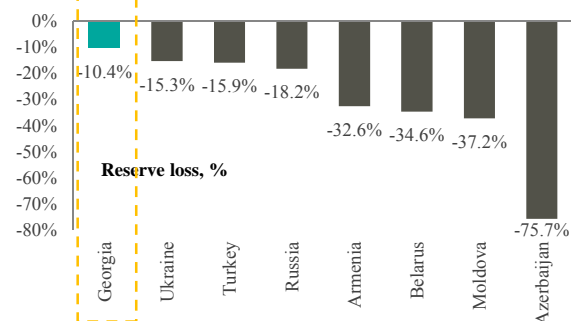
Georgian macro retains resilient in light of recent regional crisis

Annual inflation



Sources: Geostat

Georgia used less reserves to support GEL



Source: IMF

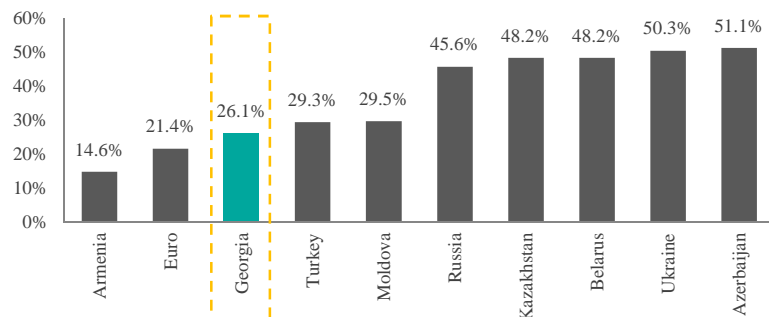
Note: Feb-2016 vs Aug-2014; Armenia's reserves exclude a US\$ 500mn Eurobond issued in March 2015

Real effective exchange rate (REER)



Sources: NBG

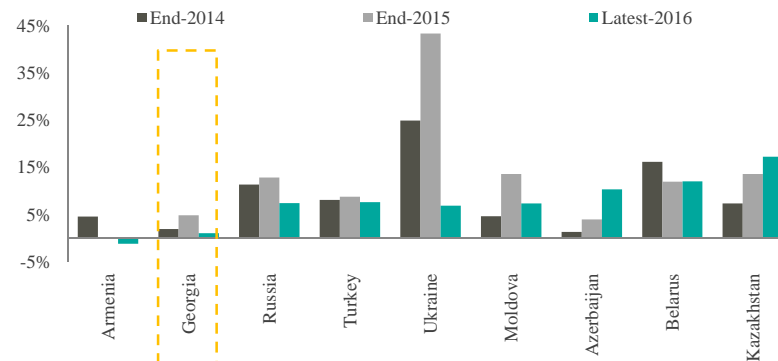
Currency weakening vs US\$



Source: Bloomberg, National Statistics Offices

Note: US\$ per unit of national currency, period 1-Aug-2014 – 27-Jul-2016

Inflation remains modest in Georgia











Source: Central banks



- 🌿 GHG | Overview and strategy
- 🌿 GHG | Results discussion
- 🌿 Industry and Macroeconomic Overview
- 🌿 **Annexes**

Consensus Target Price is 2.76 GBP

			
			
GBP 3.1	GBP 2.50	GBP 2.65	GBP 2.80
*as of 18 May 2016	*as of 16 May 2016	*as of 17 May 2016	*as of 9 May 2016

GHG is the largest provider of healthcare services in Georgia and operates a vertically integrated network of 15 referral hospitals, 20 community hospitals and 6 ambulatory clusters - consisting of 9 district ambulatory clinics and 28 express ambulatory clinics



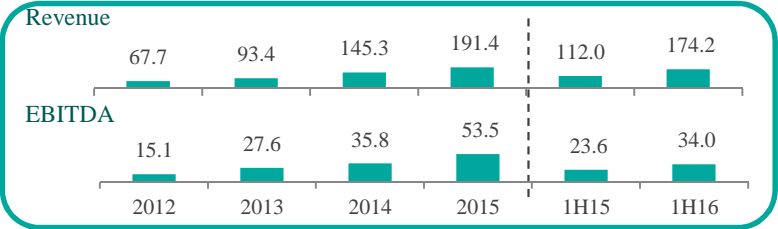
Key Highlights

- Provides a comprehensive range of inpatient and outpatient healthcare services
- 25.1% market share by number of beds, 5x the size of the nearest competitor
 - 2,467 beds in total
- 2,954 physicians and 2,795 nursing staff⁽¹⁾

Medical Specialties

- ✓ Cardiology
 - ✓ Cardiovascular surgery
 - ✓ Dialysis
 - ✓ General Surgery
 - ✓ Intensive care
 - ✓ Neurosurgery
- ✓ Traumatology – orthopedics
 - ✓ Gynecology
 - ✓ Conservative medicine
 - ✓ Oncology
 - ✓ ER – Emergency
 - ✓ Diagnostics

Key Financials (GELm)



Hospital Development / M&A Track Record

	Developed / Greenfield	Acquisition
2008-2011	3 ambulatory	13 hospitals
2012	6 hospitals	10 hospitals
2013	4 hospitals + 1 ambulatory	1 hospital
2014	1 ambulatory	3 hospitals
2015	5 ambulatory	2 hospitals
2016	2 ambulatory	-

Services Provided Through

1
Referral Hospitals

- Provides secondary or tertiary level outpatient and inpatient diagnostic, surgical and treatment services

of facilities: 15

2
Community Hospitals

- Provides basic outpatient and inpatient diagnostic, surgical and treatment services

of facilities: 20

3
Ambulatory Clinics

- Provides outpatient diagnostic and treatment services
- High margin business

of facilities: 37

Refers patients for inpatient / outpatient services Refers patients for secondary or tertiary level treatment

Sources:
(1) GHG Internal Reporting.



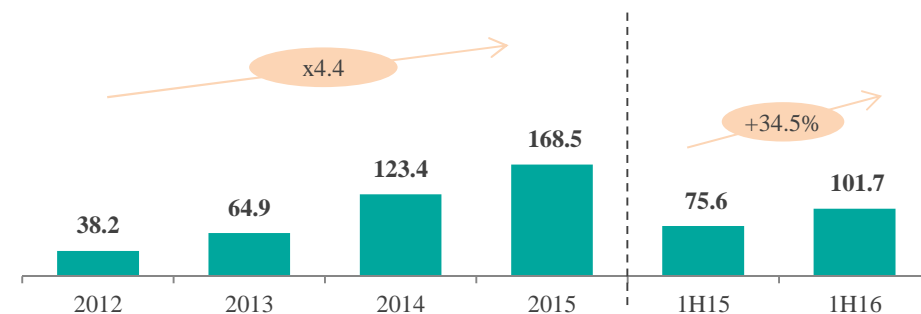
Overview

- GHG owns and operates 16 referral hospitals, with a total of 2,005 beds. Change in referral number of beds, from 2,229 to 2,005 is primarily due to:
 - disposal of 82-bed Tbilisi Maternity Hospital “New Life” (“**New Life**”), in exchange for the 33.3% minority shareholding at Iashvili that GHG acquired in February 2016
 - Temporary reduction in the number of operating beds at Deka and Sunstone Hospitals, due to the renovation of these two hospitals.
- Contributed ~86.% of healthcare services revenue in 1H16
- 65.8% bed utilisation in 1H16
- Average length of stay in 1H16 - 5.1
- Hospitals are located in Tbilisi and major regional cities and provide secondary or tertiary level outpatient and inpatient diagnostic, surgical and treatment services
 - Hospitals serve as hubs for patients within a given region
- Services are typically priced at an average 10-15% higher than community hospitals
- 7,309 employees, of which 2,287 physicians and 2,195 nurses⁽¹⁾
 - On average 457 employees per hospital, of which 143 physicians and 137 nurses

Source: GHG Internal reporting.

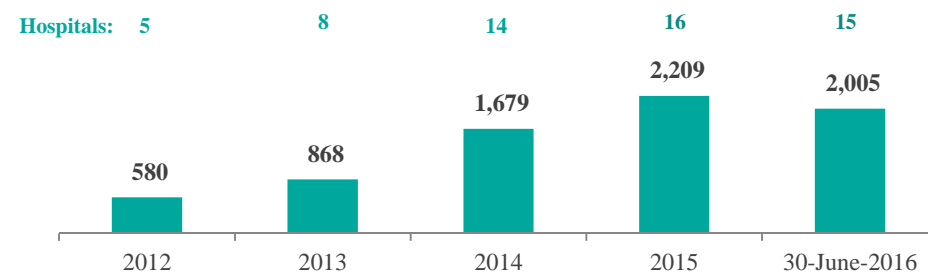
Referral Hospitals Revenue (GELm)

GEL millions

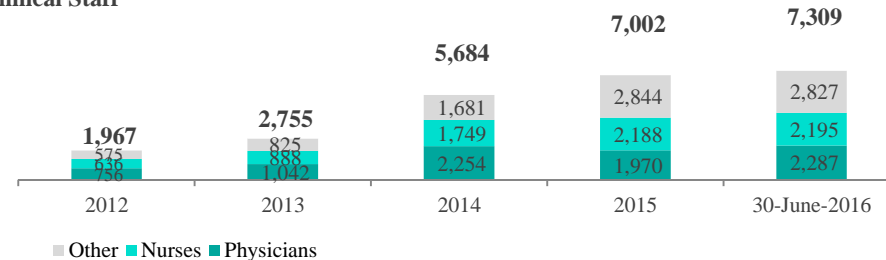


Key Performance Indicators

Facilities – Beds / Hospitals



Clinical Staff





Referral hospitals – *selected financial and operating data*

Data for 1H16 or as of 30 June 2016.

#	Name of Referral Hospital	Number of operating beds as at 30 June 2016	Occupancy rate during 1H16	Net Revenue 1H16 (Gel mln)	Net Revenue 1H15 (Gel mln)	Change, y-o-y
1	KNMC	220	84.7%	16.7	14.7	13.1%
2	Iashvili Paediatric Tertiary	266	75.2%	13.6	12.6	7.9%
3	Children's new ¹	110	102.5%	9.6	8.4	13.8%
4	HTMC Hospital ²	450	72.1%	20.5	-	n/a
5	Batumi Regional	134	64.1%	7.4	7.1	4.8%
6	Zugdidi Regional	186	56.0%	7.2	6.4	10.9%
7	Kutaisi	144	77.7%	5.9	5.0	19.7%
8	Caraps Speciality	60	22.8%	4.6	5.2	-10.4%
9	Batumi Paediatric Regional	120	78.3%	4.5	3.8	18.5%
10	Traumatology	60	47.2%	4.0	4.0	0.3%
11	Sunstone ³	70	26.5%	2.1	2.6	-20.4%
12	Telavi	70	46.6%	2.0	1.6	24.5%
13	Akhalsikhe	70	27.6%	1.4	1.2	20.8%
14	New Life ⁴	-	19.6%	0.6	1.1	-40.7%
15	Saint Nikolozi Surgery and Oncology	45	14.9%	1.0	0.9	17.9%
16	Deka ^{2 3}	-	n/a	0.9	-	n/a
	Inter-hospital eliminations and other revenue			(0.5)	(0.9)	
	Total	2,005	65.8%	101.7	75.6	34.5%

Note 1: Because of high demand, several beds were added temporarily during 1H16, with the permit of Government, that caused the utilization over 100%.

Note 2: HTMC and Deka was acquired during second half of 2015

Note 3: Deka and Sunstone hospitals are under renovation

Note 4: We have disposed New Life Hospital in May 2016, in exchange for the 33.3% minority shareholding in Iashvili that GHG acquired in February 2016

Sources: GHG Internal Reporting



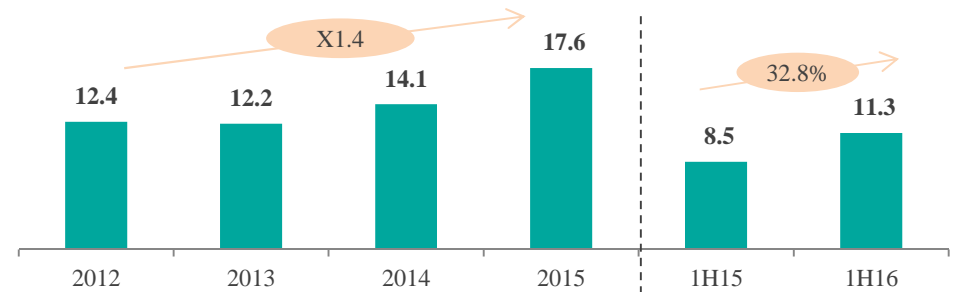
Overview of community hospitals

Overview

- GHG owns and operates 20 hospitals and 462 beds
 - Contributed ~10% of healthcare services revenue in 1H16
 - 25.9% bed utilisation in 1H16
 - Average length of stay in 1H16 – 3.4
- Located in regional towns and municipalities and offer basic outpatient and inpatient diagnostic, surgical and treatment services to the local population
- Referral hierarchical clinical system allows for patients to benefit from the entire treatment pathway to referral hospitals for secondary or tertiary level treatment
- Services are typically priced at an average 10-15% lower than referral hospitals
- 1,883 employees, of which 771 physicians and 513 nurses
 - On average 94 employees per hospital, of which 39 physicians and 26 nurses

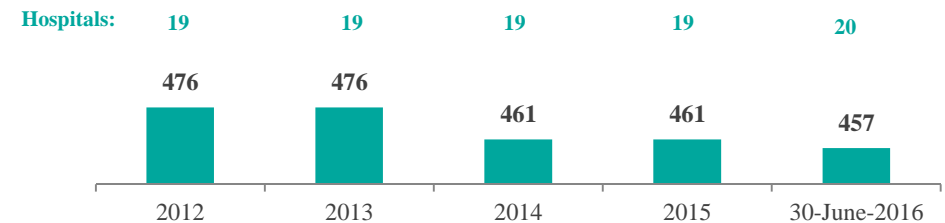
Community Hospitals Revenue (GELm)

GEL millions

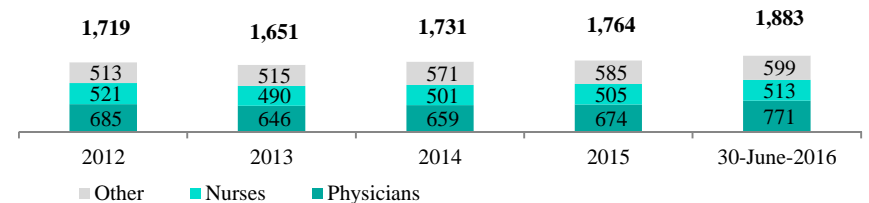


Key Performance Indicators

Facilities – Beds / Hospitals



Clinical Staff





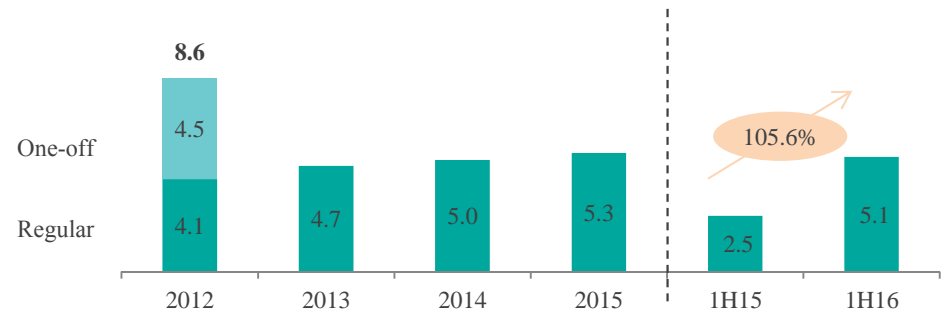
Overview of ambulatory clinics

Overview

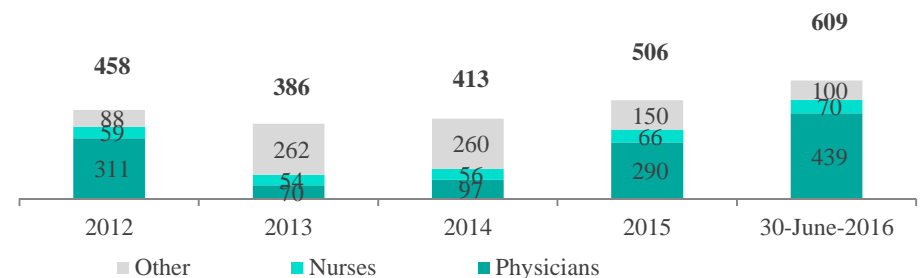
- Opened the first ambulatory clinic in 2006; since then the company has acquired and integrated 5 facilities
- Operates 9 district ambulatory clinics and 28 express ambulatory clinics that provide outpatient diagnostic and treatment services⁽¹⁾
 - Contributed ~4% of healthcare services revenue in 1H16
 - Generates the highest margin and management believes this segment will become the largest source of future growth
- Clinics are located in Tbilisi and major regional cities
- Currently developing networks of clinics organised in cluster models, whereby 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
 - Serves as the first feeder into the patient treatment pathway
- Strategy of aggressive rollout with the launch of 20-30 clinics over the next 2-3 years
- 609 employees, of which 439 are physicians and 70 are nurses
 - On average 51 employees per clinic

Revenue (GELm)

GEL millions



Clinical Staff





Acquisition of GPC, a major pharmaceuticals retailer and wholesaler

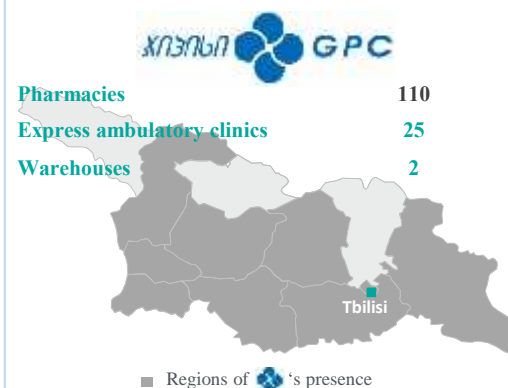
Transaction is expected to be earnings accretive from day one

GPC overview

Established major pharmaceutical player

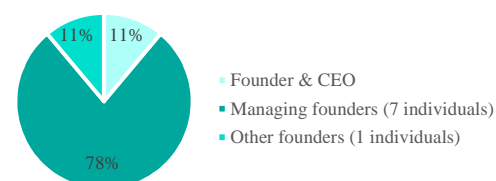
- GPC is 3rd largest pharmaceuticals retailer and wholesaler in Georgia, with 15% market share by sales, with about 80% of market share concentrated within four major players. Operates since 1995.
- Established urban-retailer with solid footprint.** GPC is an urban-retailer, with a countrywide distribution network of 110 pharmacies as of now, in major cities. 25 of these pharmacies also have express ambulatory clinics. GPC operates 2 warehouses
- Large customer base.** GPC has approximately 1 million retail customer interactions per month, with c.0.5 million loyalty card members.
- Operates à la CVS model,** with para-pharmacies representing 32% of revenues in 2015. No other pharmaceutical player on Georgian market has similar diversification of revenues.
- In 2015, GPC had revenues of GEL 191.3 million, of which:
 - GEL 130.8 million was medical products and GEL 60.5 million was para-pharmacy
 - GEL 142.5 million was retail sales and GEL 48.8 million was wholesale
- GPC also owns a 35.0% equity stake at Temka referral hospital ("Temka") - a newly renovated multi-profile referral hospital with 150 beds, located in the south-east of Tbilisi and covering a population of 0.3 million. In 2015, Temka reported revenues of GEL 11.0 million, and EBITDA of GEL 2.5 million
- GPC has over 1,700 employees as of now

Large geographical footprint



Shareholders

GPC was owned by 9 individuals, each with 11% stake



Leadership

- Mr. George Arveladze, Deputy CEO (GHG), in charge of pharmaceutical and ambulatory businesses.** Joined the Group in March 2016. He will oversee GPC operations. Prior, he served as CEO of Liberty Bank, Georgia's 3rd largest retail bank with more than 5,300 employees and over 650 branches throughout the country. His extensive experience in retail, and an excellent operational track record, will be invaluable to Georgia Healthcare Group.
- Mr. David Kiladze, GPC's CEO, will continue to lead the business.** A visionary leader, Mr. Kiladze has led the business since its establishment in 1995. Under his leadership, GPC grew to become 3rd largest player with unique business model, mirroring its American counterpart – CVS. Mr. Kiladze's service contract was extended for another 3 years.

Transaction overview

- GHG has signed a binding Memorandum of Understanding, subject to relevant regulatory approvals, to acquire a 100% equity stake in JSC GPC
- In exchange for the 100% stake in GPC, GHG paid cash consideration US\$12.0 million upon the signing of a definitive sale and purchase agreement in May 2016, and the remaining US\$2 million will be paid on the first anniversary of the closing (expected to be April or May 2017), subject to customary holdback provisions.
- Of the total US\$ 14 million consideration, US\$ 13 million is earmarked for GPC (pharmaceutical business), implying EV/EBITDA of x5.7 (x4.5 after adjustment for unnecessary costs and x3.3 after adjustment for both, unnecessary costs and cost synergies) and US\$ 1 million is earmarked for the hospital, implying x7.9 P/E**

Note: GPC 2015 figures are unaudited, derived from GPC's management accounts and adjusted by GHG as a result of due diligence.

A strong strategic fit, expected to be earnings accretive from day one

1	Full presence in Georgian healthcare ecosystem	<ul style="list-style-type: none"> GHG will be present in the entire Georgian healthcare ecosystem with an aggregate market value of GEL 3.4 billion. GHG will tap GEL 1.3 billion Georgian pharmaceuticals market, which represents 38% of total healthcare spending of the country. GHG becomes the one of the largest purchaser of pharmaceutical products in Georgia, as a result of combining GPC's purchases with GHG's existing hospital purchases and medical insurance claims on pharmaceuticals.
2	Eliminating unnecessary costs	<ul style="list-style-type: none"> Unnecessary costs can be eliminated, with at least GEL 1.9 million annual running effect on EBITDA, expected within first three months of the acquisition: <ul style="list-style-type: none"> c. GEL 1.0 million saving from on compensation of six non-executive board members / who at the same time are selling shareholders c. GEL 0.4 million saving from closing 4 loss making pharmacies c. GEL 0.5 million saving from other unnecessary operating cost eliminations
3	Cost synergies	<ul style="list-style-type: none"> Cost synergies, with at least GEL 3 million annual running effect on EBITDA, are expected to be accomplished within a year of acquisition as a result of consolidating GHG's and GPC's purchases of pharmaceuticals and medical disposables: <ul style="list-style-type: none"> Manufacturer cost synergy (c. GEL 2.5 million) – saving from additional manufacturer discounts, as a result of becoming one of the largest purchasers of pharmaceuticals in Georgia Captive cost synergy (c. GEL 0.5 million) – decrease in GHG's existing cost on pharmaceuticals and medical disposables (both, healthcare services and medical insurance businesses), by redirecting part of its purchases to GPC and thus eliminating the distributor margin <ul style="list-style-type: none"> GHG purchases from GPC amounted to only GEL 3.4 million in 2015, of which GEL 1.0 million was purchases for healthcare services business (3.4% of GHG's total healthcare services purchases of pharmaceuticals) and GEL 2.4 million was medical insurance claims on pharmaceuticals (25.8% of GHG's total medical insurance claims on pharmaceuticals) In 2015, GHG spent GEL 38.4 million on pharmaceuticals and medical disposables (GEL 29.1 million from healthcare services business and GEL 9.3 million from medical insurance business) and GPC's cost of pharmaceuticals was GEL 146.7 million.
4	Revenue Synergies / accelerating ambulatory strategy	<ul style="list-style-type: none"> c. GEL 9-10 million revenue upside from pharmaceutical sales, as a result of opening GPC's pharmacies at GHG's existing hospitals and flagship ambulatory clinics. Approximately 40 new GPC locations countrywide, which require a total capital expenditure of approximately GEL 1.2 million, and need for additional working capital is GEL 2.8 million. Accelerate ambulatory launch strategy, as 25 out of GPC's 96 pharmacies (at acquisition date) already have express ambulatory clinics, which apart from approximately GEL 2 - 2.5 million capex savings for GHG during 2016, will become feeders for GHG's existing and future outpatient clusters. GPC acquisition further enhances GHG's existing "patient capture" business model through GPC's strong customer loyalty franchise with one million monthly customer interactions and 0.5 million members of its loyalty program, which is expected to drive referrals to GHG's ambulatory clinics and drive cross-selling of our medical insurance products.
	After acquisition	<ul style="list-style-type: none"> Achieved more than half of cost synergies as a result of the consolidated purchasing of our healthcare services and pharma business GEL 1.5 million, out of GEL 3.0 million expected on an annualized basis) We expect c.GEL 4 million annualised intercompany purchases, compared to GEL 1.0 million in 2015 We have eliminated majority of the unnecessary costs, (GEL 1.4 million, out of GEL 1.9 million expected on an annualised basis) We launched bundled product for the customers of our pharma and healthcare services businesses, to tap c.400 thousand GPC clients that have never been to our ambulatory clinics Opened pharmacies in ten of our hospitals, with the number of our pharmacies at our hospitals reaching 14 units.



Overview of medical insurance

Medical insurance overview

- **Medical insurance is a significant synergistic contributor to healthcare services outpatient strategy.** It helps to easily rollout the network of new ambulatory clinics. Having the largest share in privately insured individuals market in the country, it stipulates the flow of insured patients to newly opened outpatient facilities practically from day one.
- Largest provider of medical insurance in Georgia with a 34% market share
- Customer base comprises:
 - Employers who purchase coverage for their staff
 - Self-pay individuals, principally middle and upper income Georgians
- Managed independently from healthcare services but shares some centralised functions

Key Services Offered

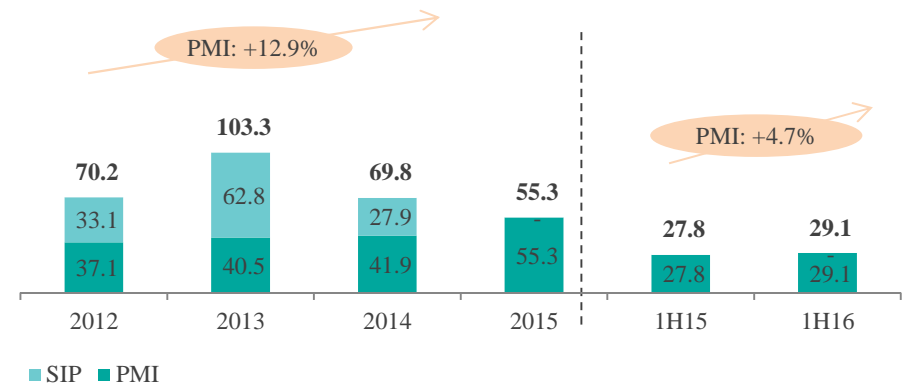
- Broad range of insurance packages to cover the costs of inpatient, outpatient, dental, pregnancy, and oncology treatment and medicine
- Different monthly premiums and coverage limits based on individual requirements
- Shift in focus to selling private medical insurance due to the impact of the introduction of the UHC on state-funded insurance
- Key part of the vertically integrated business model – medical insurance converts insurance claims into revenue for the healthcare services business

Key Performance Indicators

<u>KPI</u>	<u>1H16</u>
Loss Ratio	85.7%
Expense Ratio	21.0%
Combined Ratio	106.6%
Insurance renewal rate (corporate clients)	75.7%

Net insurance premiums earned

GEL millions





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 the Company 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



New Training Centre

- ✿ 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 launched residency programs in 8 medical directions/specialties: Anesthesiology and ICU; Obstetrics and Gynecology; Laboratory Medicine; Pediatrics; Neonatology; Children's Emergency Care (ICU); Children's Neurology; Children's cardio Enterology
- ✿ 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



Income Statement, Healthcare services

Income Statement

GEL thousands; unless otherwise noted

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Healthcare service revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	119,230	88,419	34.8%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Healthcare services revenue, net	58,055	44,789	29.6%	60,041	-3.3%	118,096	86,577	36.4%
Costs of healthcare services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(64,397)	(48,462)	32.9%
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	53,699	38,115	40.9%
Salaries and other employee benefits	(5,254)	(5,523)	-4.9%	(6,115)	-14.1%	(11,369)	(10,837)	4.9%
General and administrative expenses	(3,517)	(1,909)	84.2%	(2,483)	41.6%	(6,000)	(3,687)	62.7%
Impairment of healthcare services, insurance premiums and other receivables	(1,120)	(906)	23.6%	(858)	30.5%	(1,978)	(1,737)	13.9%
Other operating income	395	413	-4.4%	241	63.9%	636	491	29.5%
EBITDA	17,160	12,675	35.4%	17,828	-3.7%	34,988	22,345	56.6%
EBITDA margin	29.2%	27.8%		29.5%		29.3%	25.3%	
Depreciation and amortisation	(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(8,382)	(4,600)	82.2%
Net interest income (expense)	(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(5,258)	(10,084)	-47.9%
Net gains/(losses) from foreign currencies	(1,711)	1,973	NMF	(411)	NMF	(2,122)	4,880	NMF
Net non-recurring income/(expense)	387	(556)	NMF	(230)	NMF	157	(767)	NMF
Profit before income tax expense	8,716	5,667	53.8%	10,667	-18.3%	19,383	11,774	64.6%
Income tax benefit/(expense)	26,619	1,199	NMF	1,486	1691.3%	28,105	708	NMF
of which: Deferred tax adjustments	27,113	-	-	2,198	-	29,311	-	-
Profit for the period	35,335	6,866	414.6%	12,153	190.8%	47,488	12,482	280.5%
Attributable to:								
- shareholders of the Company	29,888	5,947	402.6%	10,051	197.4%	39,939	11,020	262.4%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	7,549	1,462	416.3%
of which: Deferred tax adjustments	4,705	-	-	352	-	5,057	-	-



Healthcare services P&L breakdowns

Revenue by business lines, healthcare services business

(GEL thousands, unless otherwise noted)

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Healthcare service revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	119,230	88,419	34.8%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Healthcare services revenue, net	58,055	44,789	29.6%	60,041	-3.3%	118,096	86,577	36.4%
Referral hospitals	49,667	39,337	26.3%	52,026	-4.5%	101,693	75,581	34.5%
Community hospitals	5,389	4,410	22.2%	5,920	-9.0%	11,309	8,518	32.8%
Ambulatory clinics	2,999	1,042	187.8%	2,095	43.2%	5,094	2,478	105.6%

Revenue by sources of payment, healthcare services business

(GEL thousands, unless otherwise noted)

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Healthcare service revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	119,230	88,419	34.8%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Healthcare services revenue, net	58,055	44,789	29.6%	60,041	-3.3%	118,096	86,577	36.4%
Government-funded healthcare programs	41,835	32,647	28.1%	45,377	-7.8%	87,212	63,816	36.7%
Out-of-pocket payments by patients	12,179	9,121	33.5%	11,426	6.6%	23,605	17,195	37.3%
Private medical insurance companies, of which	4,041	3,021	33.8%	3,238	24.8%	7,279	5,566	30.8%
GHG medical insurance	3,052	2,253	35.5%	1,694	80.2%	4,746	4,024	17.9%

Cost of services and Gross profit, healthcare services business

(GEL thousands, unless otherwise noted)

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Cost of healthcare services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(64,397)	(48,462)	32.9%
Cost of salaries and other employee benefits	(19,857)	(15,919)	24.7%	(19,752)	0.5%	(39,609)	(31,011)	27.7%
Cost of materials and supplies	(9,228)	(6,258)	47.5%	(9,613)	-4.0%	(18,841)	(12,740)	47.9%
Cost of medical service providers	(401)	(510)	-21.4%	(428)	-6.3%	(829)	(978)	-15.2%
Cost of utilities and other	(1,913)	(1,502)	27.4%	(3,205)	-40.3%	(5,118)	(3,733)	37.1%
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	53,699	38,115	40.9%
Gross margin	45.3%	45.1%		44.7%		45.0%	43.1%	
<i>Cost of healthcare services as % of revenue</i>								
Direct salary rate	33.8%	34.9%		32.7%		33.2%	35.1%	
Materials rate	15.7%	13.7%		15.9%		15.8%	14.4%	



Income Statement

	May-June 2016
<i>GEL thousands; unless otherwise noted</i>	
Pharma revenue	30,691
Costs of pharma	(25,059)
Gross profit	5,632
Salaries and other employee benefits	(2,690)
General and administrative expenses	(2,533)
Impairment of healthcare services, insurance premiums and other receivables	-
Other operating income	145
EBITDA	554
EBITDA margin	1.8%
Depreciation and amortisation	(258)
Net interest income (expense)	(427)
Net gains/(losses) from foreign currencies	(272)
Net non-recurring income/(expense)	-
Profit before income tax expense	(403)
Income tax benefit/(expense)	-
Profit for the period	(403)
Attributable to:	
- shareholders of the Company	(403)
- non-controlling interests	-



Income Statement, Medical insurance business

Income Statement

GEL thousands; unless otherwise noted

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Net insurance premiums earned	15,298	14,123	8.3%	13,830	10.6%	29,128	27,814	4.7%
Cost of insurance services	(13,989)	(11,785)	18.7%	(12,847)	8.9%	(26,836)	(23,321)	15.1%
Gross profit	1,309	2,338	-44.0%	983	33.2%	2,292	4,493	-49.0%
Salaries and other employee benefits	(1,328)	(892)	48.9%	(819)	62.1%	(2,147)	(1,928)	11.4%
General and administrative expenses	(708)	(642)	10.3%	(719)	-1.5%	(1,427)	(1,263)	13.0%
Impairment of healthcare services, insurance premiums and other receivables	(116)	(6)	1,833.3%	(122)	-4.9%	(238)	(109)	118.3%
Other operating income	11	3	266.7%	(22)	NMF	(11)	50	NMF
EBITDA	(832)	801	NMF	(699)	19.0%	(1,531)	1,243	NMF
EBITDA margin	-5.4%	5.7%		-5.1%		-5.3%	4.5%	
Depreciation and amortisation	(202)	(153)	32.0%	(204)	-1.0%	(406)	(289)	40.5%
Net interest income (expense)	(43)	(6)	616.7%	603	NMF	560	(34)	NMF
Net gains/(losses) from foreign currencies	19	72	-73.6%	151	-87.4%	170	569	-70.1%
Net non-recurring income/(expense)	(973)	-	-	-		(973)	-	-
Profit before income tax expense	(2,031)	714	NMF	(149)	1,263.1%	(2,180)	1,489	NMF
Income tax benefit/(expense)	301	(539)	NMF	19	1,484.2%	320	(655)	NMF
Profit for the period	(1,730)	175	NMF	(130)	1,230.8%	(1,860)	834	NMF
Attributable to:								
- shareholders of the Company	(1,730)	175	NMF	(130)	1,230.8%	(1,860)	834	NMF
- non-controlling interests	-	-	-	-	-	-	-	-



Medical insurance business P&L breakdowns

Revenue by business lines, medical insurance

(GEL thousands, unless otherwise noted)

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Net insurance premiums earned	15,298	14,123	8.3%	13,830	10.6%	29,128	27,814	4.7%
Private medical insurance products sold to retail clients	2,108	1,487	41.8%	1,970	7.0%	4,078	2,756	48.0%
Private medical insurance products sold to corporate clients	13,190	12,636	4.4%	11,860	11.2%	25,050	25,058	0.0%

Cost of insurance services, medical insurance business

(GEL thousands, unless otherwise noted)

	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Cost of insurance services	(13,003)	(11,035)	17.8%	(11,953)	8.8%	(24,956)	(21,872)	14.1%
Private medical insurance products sold to retail clients	(1,570)	(785)	100.0%	(1,315)	19.4%	(2,885)	(1,372)	110.3%
Private medical insurance products sold to corporate clients	(11,433)	(10,250)	11.5%	(10,638)	7.5%	(22,071)	(20,500)	7.7%
Agents, brokers and employee commissions	(986)	(750)	31.5%	(894)	10.3%	(1,880)	(1,449)	29.7%
Gross profit	1,309	2,338	-44.0%	983	33.2%	2,292	4,493	-49.0%



Consolidated income statement, 1H16

Income Statement, half-Year

GEL, thousands; unless otherwise noted

	Healthcare services			Medical insurance			Pharma	Eliminations		GHG		
	1H16	1H15	Change, Y-o-Y	1H16	1H15	Change, Y-o-Y	1H16	1H16	1H15	1H16	1H15	Change, Y-o-Y
Revenue, gross	119,230	88,419	34.8%	29,128	27,814	4.7%	30,691	(4,800)	(4,187)	174,249	112,046	55.5%
Corrections & rebates	(1,134)	(1,842)	-38.4%	-	-	-	-	-	-	(1,134)	(1,842)	-38.4%
Revenue, net	118,096	86,577	36.4%	29,128	27,814	4.7%	30,691	(4,800)	(4,187)	173,115	110,204	57.1%
Costs of services	(64,397)	(48,462)	32.9%	(26,836)	(23,321)	15.1%	(25,059)	4,746	4,024	(111,546)	(67,759)	64.6%
Cost of salaries and other employee benefits	(39,609)	(31,011)	27.7%	-	-	-	-	1,659	1,442	(37,950)	(29,569)	28.3%
Cost of materials and supplies	(18,841)	(12,740)	47.9%	-	-	-	-	789	592	(18,052)	(12,148)	48.6%
Cost of medical service providers	(829)	(978)	-15.2%	-	-	-	-	35	45	(794)	(933)	-14.9%
Cost of utilities and other	(5,118)	(3,733)	37.1%	-	-	-	-	214	174	(4,904)	(3,559)	37.8%
Net insurance claims incurred	-	-	-	(24,956)	(21,872)	14.1%	-	2,049	1,771	(22,907)	(20,101)	14.0%
Agents, brokers and employee commissions	-	-	-	(1,880)	(1,449)	29.7%	-	-	-	(1,880)	(1,449)	29.7%
Cost of pharma – wholesale	-	-	-	-	-	-	(6,545)	-	-	(6,545)	-	-
Cost of pharma – retail	-	-	-	-	-	-	(18,514)	-	-	(18,514)	-	-
Gross profit	53,699	38,115	40.9%	2,292	4,493	-49.0%	5,632	(54)	(163)	61,569	42,445	45.1%
Salaries and other employee benefits	(11,369)	(10,837)	4.9%	(2,147)	(1,928)	11.4%	(2,690)	54	163	(16,152)	(12,602)	28.2%
General and administrative expenses	(6,000)	(3,687)	62.7%	(1,427)	(1,263)	13.0%	(2,533)	-	-	(9,960)	(4,950)	101.2%
Impairment of healthcare services, insurance premiums and other receivables	(1,978)	(1,737)	13.9%	(238)	(109)	118.3%	-	-	-	(2,216)	(1,846)	20.0%
Other operating income	636	491	29.5%	(11)	50	NMF	145	-	-	770	541	42.3%
EBITDA	34,988	22,345	56.6%	(1,531)	1,243	NMF	554	-	-	34,011	23,588	44.2%
EBITDA margin	29.3%	25.3%	-5.3%	-5.3%	4.5%	-	1.8%	-	-	19.5%	21.1%	-4.2%
Depreciation and amortization	(8,382)	(4,600)	82.2%	(406)	(289)	40.5%	(258)	-	-	(9,046)	(4,889)	85.0%
Net interest income (expense)	(5,258)	(10,084)	-47.9%	560	(34)	NMF	(427)	-	-	(5,125)	(10,118)	-49.3%
Net gains/(losses) from foreign currencies	(2,122)	4,880	NMF	170	569	-70.1%	(272)	-	-	(2,224)	5,449	NMF
Net non-recurring income/(expense)	157	(767)	NMF	(973)	-	-	-	-	-	(816)	(767)	NMF
Profit before income tax expense	19,383	11,774	64.6%	(2,180)	1,489	NMF	(403)	-	-	16,800	13,263	26.7%
Income tax benefit/(expense)	28,105	708	NMF	320	(655)	NMF	-	-	-	28,425	53	NMF
<i>of which: Deferred tax adjustments</i>	<i>29,311</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>29,311</i>	<i>-</i>	<i>-</i>
Profit for the period	47,488	12,482	280.5%	(1,860)	834	NMF	(403)	-	-	45,225	13,316	239.6%
Attributable to:												
- shareholders of the Company	39,939	11,020	262.4%	(1,860)	834	NMF	(403)	-	-	37,676	11,854	217.8%
- non-controlling interests	7,549	1,462	416.3%	-	-	-	-	-	-	7,549	1,462	416.3%
<i>of which: Deferred tax adjustments</i>	<i>5,057</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>5,057</i>	<i>-</i>	<i>-</i>



Consolidated income statement, quarterly

Income Statement, *quarterly*

GEL thousands; unless otherwise noted

Income Statement, <i>quarterly</i>		Healthcare services				Medical insurance				Pharma	Eliminations				GHG					
GEL thousands; unless otherwise noted		2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q16	2Q15	1Q16	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q
Revenue, gross		58,779	45,674	28.7%	60,451	-2.8%	15,298	14,123	8.3%	13,830	10.6%	30,691	(3,095)	(2,325)	(1,705)	101,673	57,472	76.9%	72,576	40.1%
Corrections & rebates		(724)	(885)	-18.2%	(410)	76.6%	-	-	-	-	-	-	-	-	-	(724)	(885)	-18.2%	(410)	76.6%
Revenue, net		58,055	44,789	29.6%	60,041	-3.3%	15,298	14,123	8.3%	13,830	10.6%	30,691	(3,095)	(2,325)	(1,705)	100,949	56,587	78.4%	72,166	39.9%
Costs of services		(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(13,989)	(11,785)	18.7%	(12,847)	8.9%	(25,059)	3,052	2,253	1,694	(67,395)	(33,721)	99.9%	(44,151)	52.6%
Cost of salaries and other employee benefits		(19,857)	(15,919)	24.7%	(19,752)	0.5%	-	-	-	-	-	-	1,094	767	565	(18,763)	(15,152)	23.8%	(19,187)	-2.2%
Cost of materials and supplies		(9,228)	(6,258)	47.5%	(9,613)	-4.0%	-	-	-	-	-	-	514	302	275	(8,714)	(5,956)	46.3%	(9,338)	-6.7%
Cost of medical service providers		(401)	(510)	-21.4%	(428)	-6.3%	-	-	-	-	-	-	23	24	12	(378)	(486)	-22.2%	(416)	-9.1%
Cost of utilities and other		(1,913)	(1,502)	27.4%	(3,205)	-40.3%	-	-	-	-	-	-	122	74	92	(1,791)	(1,428)	25.4%	(3,113)	-42.5%
Net insurance claims incurred		-	-	-	-	-	(13,003)	(11,035)	17.8%	(11,953)	8.8%	-	1,299	1,086	750	(11,704)	(9,949)	17.6%	(11,203)	4.5%
Agents, brokers and employee commissions		-	-	-	-	-	(986)	(750)	31.5%	(894)	10.3%	-	-	-	-	(986)	(750)	31.5%	(894)	10.3%
Cost of pharma - wholesale		-	-	-	-	-	-	-	-	-	-	(6,545)	-	-	-	(6,545)	-	-	-	-
Cost of pharma - retail		-	-	-	-	-	-	-	-	-	-	(18,514)	-	-	-	(18,514)	-	-	-	-
Gross profit		26,656	20,600	29.4%	27,043	-1.4%	1,309	2,338	-44.0%	983	33.2%	5,632	(43)	(72)	(11)	33,554	22,866	46.7%	28,015	19.8%
Salaries and other employee benefits		(5,254)	(5,523)	-4.9%	(6,115)	-14.1%	(1,328)	(892)	48.9%	(819)	62.1%	(2,690)	43	72	11	(9,229)	(6,343)	45.5%	(6,923)	33.3%
General and administrative expenses		(3,517)	(1,909)	84.2%	(2,483)	41.6%	(708)	(642)	10.3%	(719)	-1.5%	(2,533)	-	-	-	(6,758)	(2,551)	164.9%	(3,202)	111.1%
Impairment of healthcare services, insurance premiums and other receivables		(1,120)	(906)	23.6%	(858)	30.5%	(116)	(6)	1833.3%	(122)	-4.9%	-	-	-	-	(1,236)	(912)	35.5%	(980)	26.1%
Other operating income		395	413	-4.4%	241	63.9%	10	3	233.3%	(21)	-147.6%	145	-	-	-	550	416	32.2%	219	151.1%
EBITDA		17,160	12,675	35.4%	17,828	-3.7%	(832)	801	-203.9%	(699)	19.0%	554	-	-	-	16,882	13,476	25.3%	17,129	-1.4%
EBITDA margin		29.2%	27.8%		29.5%		-5.4%	5.7%		-5.1%		1.8%	-	-	-	16.6%	23.4%		23.6%	
Depreciation and amortisation		(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(202)	(153)	32.0%	(204)	-1.0%	(258)	-	-	-	(4,581)	(2,567)	78.5%	(4,465)	2.6%
Net interest income (expense)		(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(43)	(6)	616.7%	603	NMF	(427)	-	-	-	(3,469)	(6,017)	-42.3%	(1,656)	109.5%
Net gains/(losses) from foreign currencies		(1,711)	1,973	NMF	(411)	316.3%	19	72	-73.6%	151	-87.4%	(272)	-	-	-	(1,964)	2,045	NMF	(260)	655.4%
Net non-recurring income/(expense)		387	(556)	NMF	(230)	-268.3%	(973)	-	-	-	-	-	-	-	-	(586)	(556)	NMF	(230)	154.8%
Profit before income tax expense		8,716	5,667	53.8%	10,667	-18.3%	(2,031)	714	NMF	(149)	1,263.1%	(403)	-	-	-	6,282	6,381	-1.6%	10,518	-40.3%
Income tax benefit/(expense)		26,619	1,199	NMF	1,486	1691.3%	301	(539)	NMF	19	1,484.2%	-	-	-	-	26,920	660	NMF	1,505	1,688.7%
of which: Deferred tax adjustments		27,113	-	-	2,198	-	-	-	-	-	-	-	-	-	-	27,113	-	-	2,198	-
Profit for the period		35,335	6,866	414.6%	12,153	190.8%	(1,730)	175	NMF	(130)	1,230.8%	(403)	-	-	-	33,202	7,041	371.6%	12,023	176.2%
Attributable to:																				
- shareholders of the Company		29,888	5,947	402.6%	10,051	197.4%	(1,730)	175	NMF	(130)	1,230.8%	(403)	-	-	-	27,755	6,122	353.4%	9,921	179.8%
- non-controlling interests		5,447	919	492.7%	2,102	159.1%	-	-	-	-	-	-	-	-	-	5,447	919	492.7%	2,102	159.1%
of which: Deferred tax adjustments		4,705	-	-	352	-	-	-	-	-	-	-	-	-	-	4,705	-	-	352	-



Balance sheet

Balance Sheet

Healthcare services

Medical insurance

Pharma

	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q	30-Jun-16
<i>GEL thousands; unless otherwise noted</i>											
Total assets, of which:	675,998	437,341	54.6%	670,861	0.8%	71,120	74,885	-5.0%	75,493	-5.8%	56,334
Cash and bank deposits	12,551	23,663	-47.0%	52,408	-76.1%	11,991	18,091	-33.7%	12,996	-7.7%	1,853
Receivables from healthcare services	77,757	57,606	35.0%	78,034	-0.4%	-	-	-	-	-	-
Receivables from sale of pharmaceuticals	-	-	-	-	-	-	-	-	-	-	6,110
Insurance premiums receivable	-	-	-	-	-	34,959	32,073	9.0%	39,042	-10.5%	-
Property and equipment	488,105	316,441	54.2%	481,969	1.3%	5,684	3,777	50.5%	5,672	0.2%	7,950
Goodwill and other intangible assets	28,192	7,189	292.2%	19,433	45.1%	6,091	5,536	10.0%	6,097	-0.1%	829
Inventory	8,552	8,059	6.1%	14,109	-39.4%	226	159	42.1%	193	17.1%	33,692
Prepayments	45,226	6,272	621.1%	10,017	351.5%	2,148	3,035	-29.2%	3,839	-44.0%	2,972
Other assets	15,615	18,111	-13.8%	14,891	4.9%	10,021	12,214	-18.0%	7,654	30.9%	2,928
Total liabilities, of which:	216,391	242,167	-10.6%	214,166	1.0%	54,229	56,334	-3.7%	56,192	-3.5%	55,225
Borrowed Funds	120,897	181,904	-33.5%	92,336	30.9%	11,942	17,221	-30.7%	11,775	1.4%	18,020
Accounts payable	25,156	11,271	123.2%	36,533	-31.1%	-	954	-	832	-	31,122
Insurance contract liabilities	-	-	-	-	-	35,424	31,831	11.3%	39,431	-10.2%	-
Other liabilities	70,338	48,992	43.6%	85,297	-17.5%	6,863	6,328	8.5%	4,154	65.2%	6,083
Total shareholders' equity attributable to:	459,607	195,174	135.5%	456,695	0.6%	16,891	18,551	-8.9%	19,301	-12.5%	1,109
Shareholders of the Company	408,203	169,977	140.2%	409,504	-0.3%	16,891	18,551	-8.9%	19,301	-12.5%	1,109
Non-controlling interest	51,404	25,197	104.0%	47,191	8.9%	-	-	-	-	-	-

Balance Sheet

Eliminations

GHG

	30-Jun-16	30-Jun-15	31-Mar-16	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>								
Total assets, of which:	10,637	(8,134)	(8,539)	814,089	504,092	61.5%	737,815	10.3%
Cash and bank deposits	-	-	-	26,395	41,754	-36.8%	65,404	-59.6%
Receivables from healthcare services	(7,359)	(4,159)	(4,284)	70,398	53,447	31.7%	73,750	-4.5%
Receivables from sale of pharmaceuticals	-	-	-	6,110	-	-	-	-
Insurance premiums receivable	(684)	(159)	-	34,275	31,914	7.4%	39,042	-12.2%
Property and equipment	-	-	-	501,739	320,218	56.7%	487,641	2.9%
Goodwill and other intangible assets	29,621	-	-	64,733	12,725	408.7%	25,530	153.6%
Inventory	-	-	-	42,470	8,218	416.8%	14,302	197.0%
Prepayments	(1,272)	-	-	49,074	9,307	427.3%	14,648	235.0%
Other assets	(9,669)	(3,816)	(4,255)	18,895	26,509	-28.7%	17,498	8.0%
Total liabilities, of which:	(18,984)	(8,134)	(8,539)	306,861	290,367	5.7%	261,819	17.2%
Borrowed Funds	(9,602)	(3,606)	(4,255)	141,257	195,519	-27.8%	99,856	41.5%
Accounts payable	(3,696)	(2,649)	-	52,582	9,576	449.1%	37,365	40.7%
Insurance contract liabilities	(2,483)	(1,689)	(2,496)	32,941	30,142	9.3%	36,935	-10.8%
Other liabilities	(3,203)	(190)	(1,788)	80,081	55,130	45.3%	87,663	-8.6%
Total shareholders' equity attributable to:	29,621	-	-	507,228	213,725	137.3%	475,996	6.6%
Shareholders of the Company	29,621	-	-	455,824	188,528	141.8%	428,805	6.3%
Non-controlling interest	-	-	-	51,404	25,197	104.0%	47,191	8.9%



Selected ratios and KPIs

Selected ratios and KPIs	2Q16	2Q15	1Q16	1H16	1H15
GHG					
EPS, GEL	0.22	NMF	0.08	0.29	NMF
EPS adjusted, GEL	0.08	NMF	0.08	0.15	NMF
ROAE	25.1%	11.0%	9.4%	17.2%	10.8%
ROAE, adjusted	12.8%	11.0%	16.5%	14.2%	10.8%
Group rent expenditure	2,266	354	405	2,670	690
<i>of which, Pharma</i>	<i>1,642</i>	<i>-</i>	<i>-</i>	<i>1,642</i>	<i>-</i>
Group capex (maintenance)	2,053	2,068	2,537	4,590	3,828
Group capex (growth)	29,895	12,318	14,357	44,252	21,751
Number of employees	11,884	8,540	9,747	11,884	8,540
Number of physicians	2,954	2,495	2,762	2,954	2,495
Number of nurses	2,795	2,320	2,706	2,795	2,320
Nurse to doctor ratio	0.95	0.93	0.98	0.95	0.93
Total number of shares			131,681,820		
Less: Treasury shares			(3,500,000)		
Shares outstanding			128,181,820	28,334,829	
<i>Of which:</i>					
Total free float			42,550,000		
Shares held by BGEO GROUP PLC			85,631,820		
Healthcare services					
EBITDA margin of healthcare services	29.2%	27.8%	29.5%	29.3%	25.3%
Direct salary rate (direct salary as % of revenue)	33.8%	34.9%	32.7%	33.2%	35.1%
Materials rate (direct materials as % of revenue)	15.7%	13.7%	15.9%	15.8%	14.4%
Administrative salary rate (administrative salaries as % of revenue)	8.9%	12.1%	10.1%	9.5%	12.3%
SG&A rate (SG&A expenses as % of revenue)	6.0%	4.2%	4.1%	5.0%	4.2%
Number of hospitals	35	34	36	35	34
Number of district outpatient clinics	9	5	7	9	5
Number of express ambulatory clinics	28	1	3	28	1
Number of beds	2,467	2,220	2,686	2,467	2,220
Number of referral hospital beds	2,005	1,759	2,229	2,005	1,759
Bed occupancy rate	57.6%	50.8%	60.4%	59.3%	52.3%
<i>Bed occupancy rate, referral hospitals</i>	<i>64.9%</i>	<i>59.0%</i>	<i>66.7%</i>	<i>65.8%</i>	<i>60.2%</i>
<i>Bed occupancy rate, community hospitals</i>	<i>23.9%</i>	<i>19.7%</i>	<i>26.6%</i>	<i>25.9%</i>	<i>22.2%</i>
Average length of stay (days)	5.1	4.4	4.9	4.9	4.5
<i>Average length of stay (days), referral hospitals</i>	<i>5.3</i>	<i>4.7</i>	<i>5.2</i>	<i>5.1</i>	<i>4.8</i>
<i>Average length of stay (days), community hospitals</i>	<i>3.9</i>	<i>2.7</i>	<i>3.0</i>	<i>3.4</i>	<i>2.8</i>
Pharma					
EBITDA margin	1.8%	-	-	1.8%	-
Days sales outstanding	12.1	-	-	12.1	-
Number of bills issued	1,92 million	-	-	1,92 million	-
Revenue from wholesale as a percentage of total revenue from pharma	25%	-	-	25%	-
Revenue from retail as a percentage of total revenue from pharma	75%	-	-	75%	-
Revenue from para-pharmacy as a percentage of total revenue from pharma	31%	-	-	31%	-
Number of pharmacy	110	-	-	110	-
Medical insurance					
Loss ratio	85.0%	78.1%	86.4%	85.7%	78.6%
Expense ratio, <i>of which</i>	21.8%	17.3%	20.1%	21.0%	17.9%
<i>Commission ratio</i>	<i>6.4%</i>	<i>5.3%</i>	<i>6.5%</i>	<i>6.5%</i>	<i>5.2%</i>
Combined ratio	106.8%	95.4%	106.5%	106.6%	96.6%
Renewal rate	88.3%	79.2%	88.5%	75.7%	77.3%
Sources: GHG Internal Reporting					



GPC pharmacies – a la CVS business model



GPC pharmacy exterior



GPC pharmacy interior



GPC loyalty card



GEORGIA
HEALTHCARE
GROUP

Healthcare infrastructure reform

GHG healthcare facilities

Before

After



Note: pictures are from GHG healthcare facilities



GHG healthcare facilities



Note: pictures are from GHG healthcare facilities



Before



After





GEORGIA
HEALTHCARE
GROUP

Referral and diagnostics hospital - DEKA

Before



After



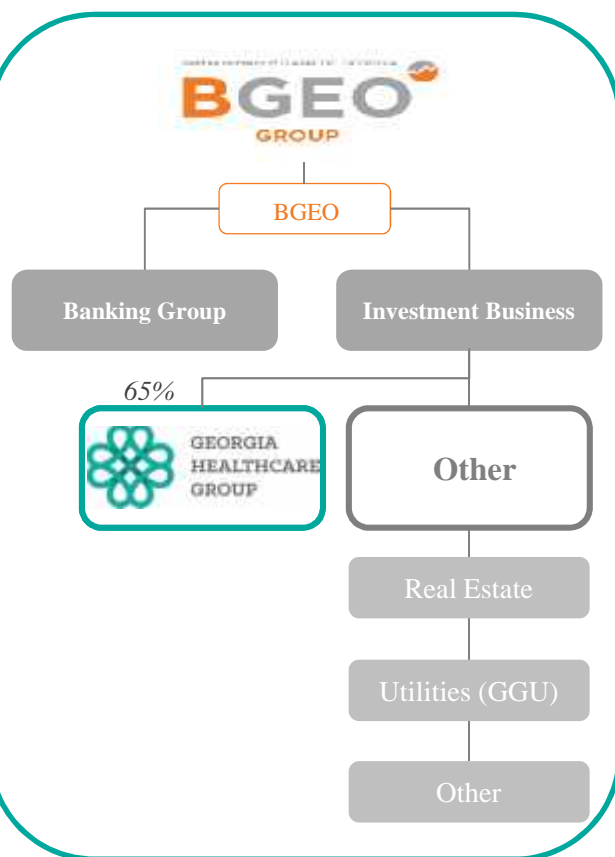


GEORGIA
HEALTHCARE
GROUP

Premium LSE listed parent group, with c.95% institutional shareholder base and strong track record for growth

65.07% Subsidiary of BGEO Group, holding company of Bank of Georgia - the leading bank in Georgia by total assets, total loans and client deposits

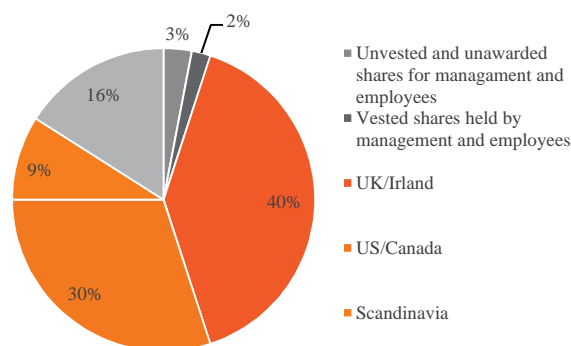
BGEO Group Structure



Diversified 95% Institutional Shareholder Base

Included in **FTSE 250** and
FTSE All-share Index Funds

As of 31 DEC 2015, BGEO's shareholder structure was as follows:



GHG Governance Is Lift & Drop Of BGEO Governance

Our governance philosophy:

- Our Chairman and CEO positions are separate and will not be filled by a single person
- We want our senior executives focused on our business and not involved in potential conflicts, so they are not allowed to hold equity interests in any Georgian company without express Board approval
- We want a diverse Board both in terms of experience, geographic origin and gender
- Board members should do site visits and attend an off-site meeting with Management at least once a year to better understand the business and influence strategy
- **Remuneration policy** senior officers receive remuneration based on two components:
 - Salary, which includes both a modest cash sum and deferred share compensation which vests over a five-year period; and
 - A discretionary award, payable 100% in deferred share compensation vesting over a two-year period, which is dependent on both Group performance and the executive achieving his KPIs.



Disclaimer

This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words similar meaning. Undue reliance should not be placed on any such statement because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Georgia Healthcare Group PLC and its subsidiaries (the “GHG Group”) plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

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