



GEORGIA  
HEALTHCARE  
GROUP

# Investor Presentation

*Third quarter and nine month of 2016 results*

*November 2016*  
*[www.ghg.com.ge](http://www.ghg.com.ge)*



 **GHG | Overview and strategy**

 GHG | Results discussion

 Industry and Macroeconomic Overview

 Annexes

# A unique investment story supported by compelling theme

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

## 1 Market Leader

- ✓ **Largest healthcare service provider in Georgia:** 23.0% market share by number of beds (2,474), which is expected to grow to c.28% as a result of renovation of two major hospital facilities, scheduled for completion in 2017 (additional c.600 beds)<sup>(2)</sup>
- ✓ **3rd largest pharmaceuticals retailer and wholesaler in Georgia:** 15% market share by sales (c.75% of market share concentrated within four major players). Approximately 1 million client interactions per month, with 0.5 million loyalty card members. **We have just announced the acquisition of ABC pharmacy, which increases GHG's market share into the pharma business up to 29%.**
- ✓ **Largest medical insurer in Georgia:** c.208,000 persons insured and 34.8% market share<sup>(3)</sup>
- ✓ **Widest Population Coverage:** coverage of over 3/4 of Georgia's 3.7mln population<sup>(4)</sup> with 35 high quality hospitals, 11 district and 28 express ambulatory clinics and 112 pharmacies<sup>(5)</sup>
- ✓ **Institutionalising the industry:** Strong corporate governance; standardised processes; improving safety and quality by implementing JCI benchmarked standards; own personnel training center

## 2 Business Model with Cost and Synergy Advantage

- ✓ **The single largest scale integrated player in the Georgia Healthcare ecosystem of GEL 3.4 billion aggregated value with cost advantage** through scale: purchasing, centralisation of administrative functions, training center
  - Next healthcare services competitor has only 4% market share by beds
  - Largest purchaser of pharmaceutical products in Georgia
- ✓ **Better access to professional management and high calibre talent**
  - One of the largest employers in the country: c. 12,478 full time employees, including 3,140 physicians, 2,840 nurses and 730 pharmacists<sup>(4)</sup>.
- ✓ **Referral system & synergies with insurance and pharma business:**
  - Presence along patient pathway, and referral synergies
  - Insurance activities provide steady revenue stream for our ambulatory clinics and bolster hospital patient referrals
  - 0.5 million loyal customers at pharma business with upside to cross-sell

Sources:

- (1) Georgia Healthcare Group established in Georgia and in UK  
 (2) Market share by number of beds. Source: National Center for Disease Control, data as of December 2015, 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 30 June 2016  
 (4) Geostat.ge, data as of 2015. Coverage refers to geographic areas served by GHG facilities  
 (5) GHG internal reporting 3Q16

## 3 Long-term High-growth Opportunities

- ✓ **Very low base:** healthcare services spending per capita only US\$217, outpatient encounters only 3.5 per capita annually<sup>(6)</sup>, GHG revenue per hospital bed only US\$ 39,000<sup>(4)</sup>
- ✓ **Supported by attractive macro:**<sup>(7)</sup> Georgia – one of the fastest growing countries in Eastern Europe, open and easy<sup>(8)</sup> 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<sup>(9)</sup>
- ✓ **Implying long-term, high-growth expansion** that is driven by:
  - Universal Healthcare Program (UHC) covering Georgia's population driving utilisation of basic healthcare services nationwide, primarily inpatient (inpatient market was GEL 1,075mln in 2014)
  - Pick-up in ambulatory growth (outpatient market was only GEL 802mln in 2014) driven by newly introduced prescription policy and improved quality in supply<sup>(10)</sup>
  - Even small investments in medical equipment expected to increase market, due to historical underinvestment

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## 4 Strong Management with Proven Track Record

- ✓ **Strong business management team – increased market share by beds from under 1% in 2009 to 23.0% currently, with built-in additional development capacity**
- ✓ **Achieved our target of c.30% EBITDA margin ahead of time, delivering 30.0% healthcare services EBITDA margin in 3Q16**
- ✓ **Robust corporate governance:** exceptional in Georgia's healthcare sector, as it is the only Premium listed company from healthcare sector (LSE:GHG LN)<sup>(11)</sup>; 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 and Management as part of (ESOP)
- ✓ **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

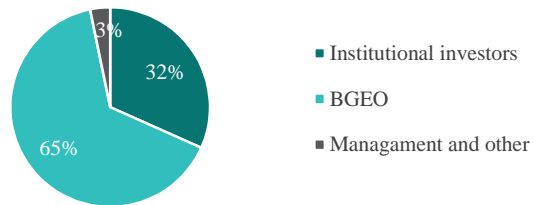


# GHG – shareholder structure and share price

## Investors

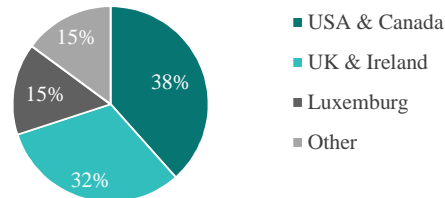
### Strong support from institutional investors at IPO<sup>(1)</sup>

Institutional Investors represent 32% of the shareholders



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

USA & Canada – 38%  
UK & Ireland – 32%  
Luxemburg – 15%  
Other – 15%



### Top Investors

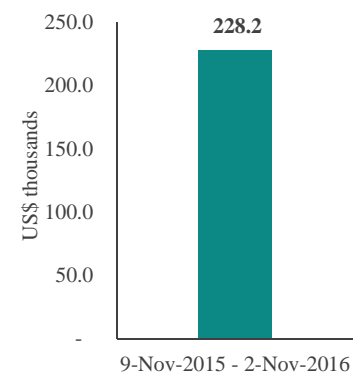
B GEO	65.0%
Wellington Management	7.0%
T – Row Price	5.2%

## Stock trading performance

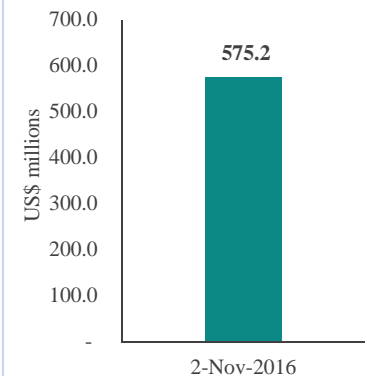
### Stock Price Performance<sup>(2)</sup>



### Average trading daily volume



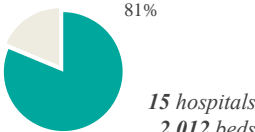
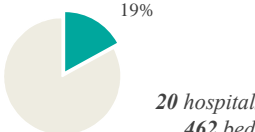
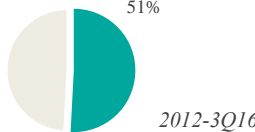
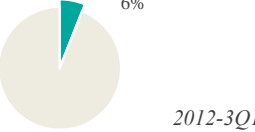
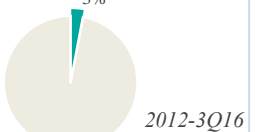
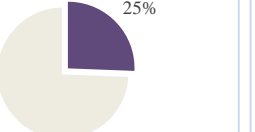
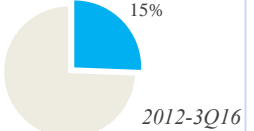
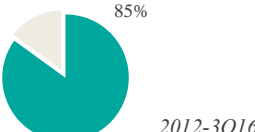
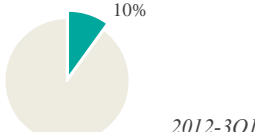
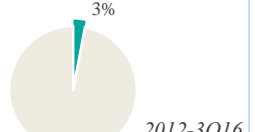
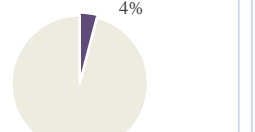
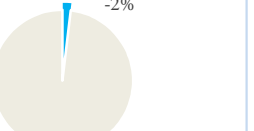
### Market Capitalisation<sup>(3)</sup>



Note: (1) As of 30 September 2016  
(2) Share price change calculated from the closing price of GHG LN, starting from trading date 9 November 2015 to the price of GHG LN as of 2 November 2016  
(3) Source: Bloomberg; Market Capitalisation of GHG as of 2 November 2016, GBP/USD exchange rate 1.2304.

# 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 <sup>(1)</sup>	GEL 1.2bln (2015)			GEL 0.9bln (2015)	GEL 1.3bln (2015)	GEL 0.17bln (2015)
Market Share	20% by revenue 23.0% by beds (2,474), which is expected to grow to c.28% as a result of renovation of recently acquired hospital facilities (additional c.600 beds);			1.5% by revenue	15% by revenue <sup>(2)</sup>	35% by revenue
Selected Operating Data 9M16	 <p>81% 15 hospitals 2,012 beds</p>	 <p>19% 20 hospitals 462 beds</p>	<p>eight clusters with 11 district ambulatory clinics 28 express ambulatory clinics</p>	112 pharmacies in major cities	208,000 individuals insured	
Financials 9M16	<p><b>Revenue</b> GEL 288.5mln<sup>(3)</sup></p>  <p>51% GEL 151.5 mln 2012-3Q16 CAGR 51%</p>	 <p>6% GEL 16.9 mln 2012-3Q16 CAGR 17%</p>	 <p>3% GEL 8.2 mln 2012-3Q16 CAGR 28%</p>	 <p>25% GEL 76.4 mln 2012-3Q16 CAGR 15%</p>	 <p>15% GEL 45.2 mln 2012-3Q16 CAGR 15%</p>	
	<p><b>EBITDA</b> GEL 53.7mln</p>  <p>85% GEL 45.3 mln 2012-3Q16 CAGR 60%</p>	 <p>10% GEL 5.6 mln 2012-3Q16 CAGR 32%</p>	 <p>3% GEL 1.8 mln 2012-3Q16 CAGR 40%</p>	 <p>4% GEL 2.3 mln 2012-3Q16 CAGR -2%</p>	 <p>-2% GEL -1.4 mln 2012-3Q16 CAGR -2%</p>	
	EBITDA Margin <sup>(4)</sup> : 29.9%	EBITDA Margin <sup>(4)</sup> : 33.4%	EBITDA Margin <sup>(4)</sup> : 22.3%	EBITDA Margin <sup>(4)</sup> : 3.1%	EBITDA Margin <sup>(4)</sup> : -3.1%	

Sources:

(1) Frost & Sullivan analysis, 2015

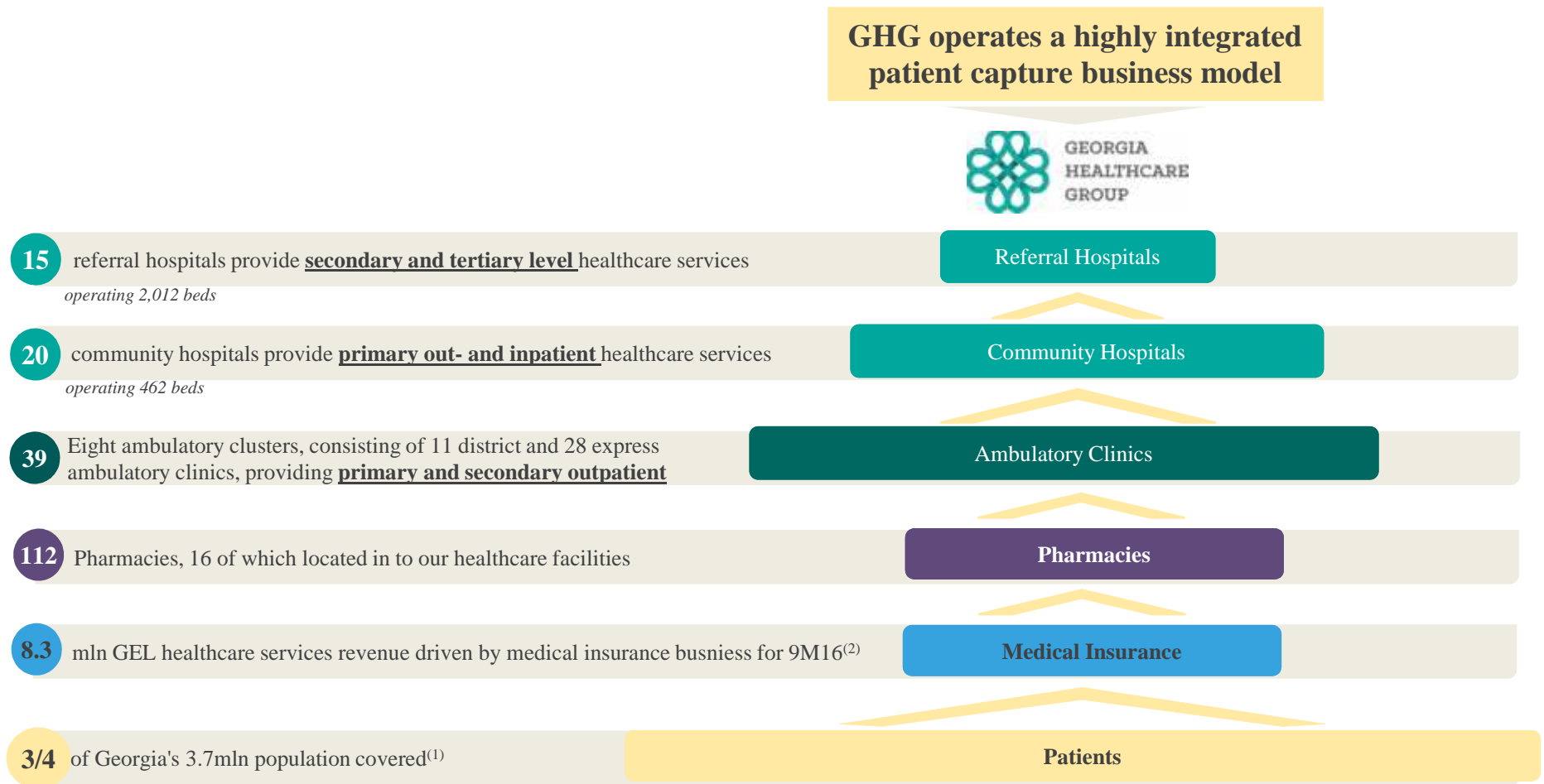
(2) Market share for pharma business is for 2015 year

(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 and pharma business play a feeder role in originating and directing patients



A vertically integrated care pathway

Sources:  
(1) Geostat.ge, data as of 2015

# Clear market leader (1/2)

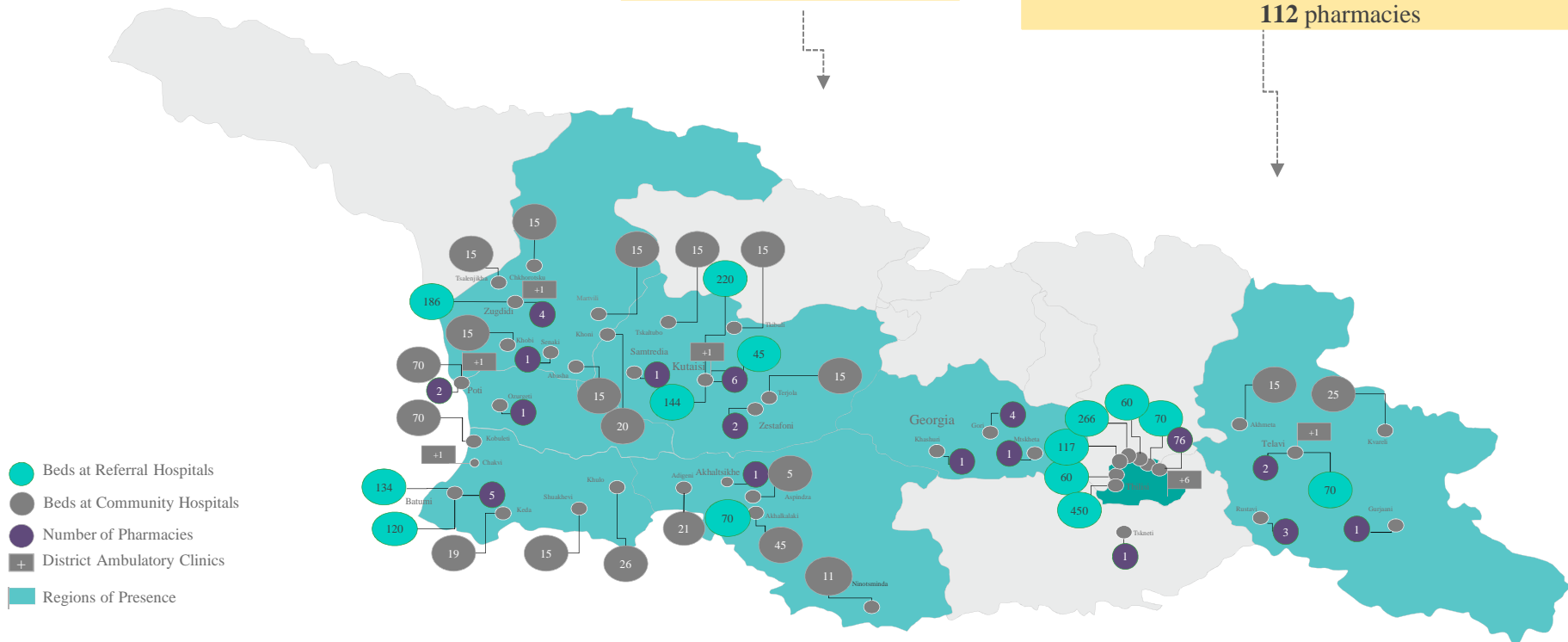
Broad geographic coverage and diversified healthcare services and pharmacy network covering 3/4 of Georgia's population

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

Network of healthcare facilities and pharmacies

3/4 of population covered

2,474 hospital beds  
 15 referral hospitals  
 20 community hospitals  
 8 ambulatory clusters with 11 district ambulatory clinic  
 and 28 express ambulatory clinics  
 112 pharmacies



Sources:

(1) GHG internal reporting



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

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



## Healthcare services (Hospitals)

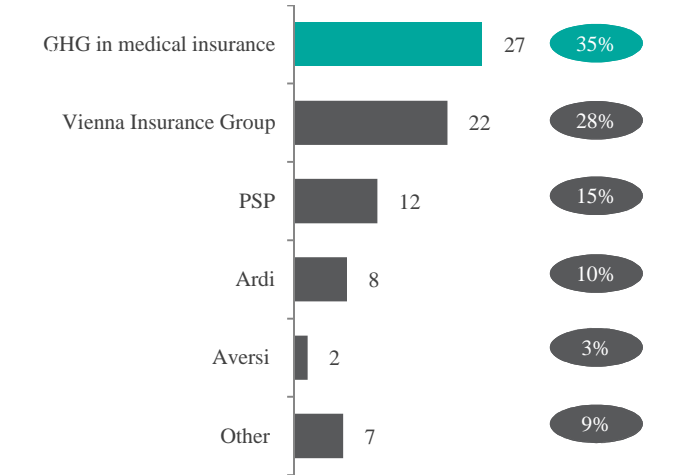
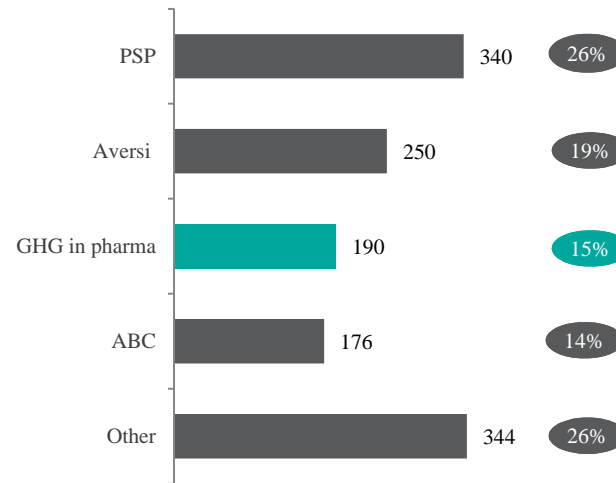
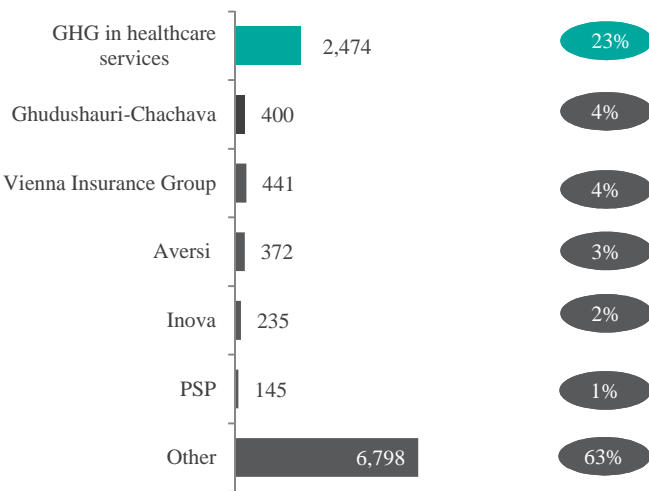
## Pharma

## Medical Insurance

(Number of Beds as of September 2016)<sup>(1)</sup>

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

(Gross premium revenue, GEL millions as of 30 June 2016)<sup>(3)</sup>



● Market share

Sources:

(1) Market share by number of beds. Source: NCDC, data as of December 2015, updated by company to include changes before 30 September 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 30 June 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**

**20%** *Market share by revenue* → **30%+**  
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**

**1.5%** *Market share by revenue* → **15%+**  
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%** *Market share by revenue* → **30%+**  
In 2015 Long-term target

#### Growth opportunity:

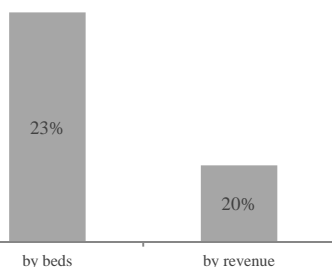
- Growing wholesale revenue
- Enhancing retail margin
- Expanding pharmacy footprint

## 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)

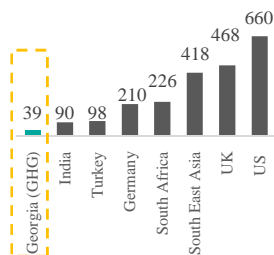
#### Revenue market share gap

Market shares



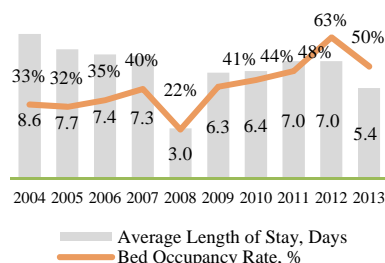
#### Low revenue per bed

Average revenue per bed, US\$ thousand



#### Low bed utilisation

Utilisation & ALOS



10x price gap with developed EM benchmarks

#### Price gap

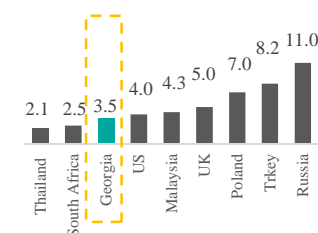
Prices in USD

	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

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

#### Low outpatient encounters

Outpatient encounter per capita, annual





# Long-term, high-growth story

*Scale up and Institutionalise the Healthcare Services Business*

*Enhance revenues by capitalising on scale*

*Significant Levers for Further Growth*

Milestone

**At least double 2015 revenue by 2018**

*through utilising acquired hospital capacities and aggressively launching ambulatory clinics*

**Georgia medium term = Turkey 2014**

*By healthcare spent per capita*

*Through enhanced service mix, improved quality of care*

**Catch up with developed EM benchmarks in long-term**

**2015-2018**

**Medium-term Target (5-10 Year Horizon)**

**Long-term Target (Beyond 10 Year Horizon)**

Enabler

- **Utilize existing hospital capabilities**
  - no need for new hospital acquisitions for targeted growth
  - only c.58.1% bed utilisation<sup>(1)</sup> in 9M16, c.600 beds in development
- **First mover advantage in fragmented outpatient market**
  - enhancing presence across patient pathway

- **Gaining 1/3 market share by revenue in hospitals**
- **Gaining 15%+ market share by revenue in outpatient**

**Georgia Year 2013-14<sup>(1)</sup>**

Spending per capita (US\$) **217 (Georgia)**

Price inflation (heart surgery, US\$) **6,500 (GHG)**

GHG Revenue per bed (US\$) **39,000 (GHG)**

Outpatient encounters **3.5 (Georgia)**

**Georgia Medium-term<sup>(1)</sup>**

**502**

**9,000**

**99k**

**5.4**

*Significant expansion of capacity by 2025*

**EM Year 2013-14<sup>(2)</sup>**

**1,076**

**25,000**

**280k**

**8.9**

*Substantial room to grow beyond 2025*

Sources:

(1) Bed utilisation for referral hospitals; World Bank; GHG internal reporting; Management Estimates; Ministry of Finance of Georgia; Frost & Sullivan 2015, NCDC healthcare statistical yearbook 2014

(2) WHO: Average of countries: Chile, Costa Rica, Czech Republic, Estonia, Croatia, Hungary, Lithuania, Latvia, Poland, Russian Federation, Slovak Republic; BAML Global Hospital Benchmark, August 2014

## 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<sup>(1)</sup>, by revenue it is significantly less

### Outpatient services

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

- more than 10 ambulatory clusters are expected to be launched within two 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 5% share of GHG's healthcare services business revenues with target of achieving 15% of 2018 revenues<sup>(3,5)</sup>; 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<sup>(2)</sup>, CIS: 8.9, EU: 7.5)<sup>(3)</sup>
- 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

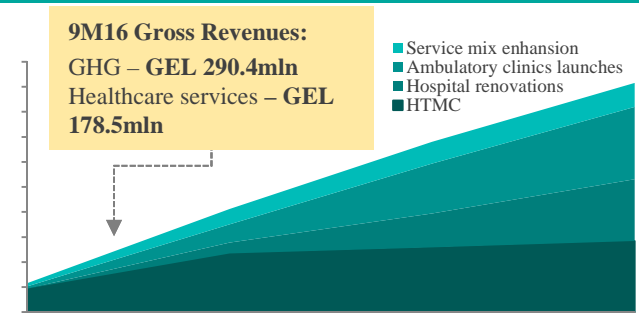
- expand offering in Oncology, Diagnostics, Paediatric, and Transplantology
- capitalise on existing service gaps and overall lower quality of medical care in the country and on the other hand improved access to healthcare services through UHC financing. Need for improvement as evidenced by low incidence 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.)<sup>(4)</sup>

#### Solid growth track record

- 21.9% healthcare services organic growth, CAGR 2012-3Q16
- 13.4% healthcare services organic growth, 9M16
- Solid margin performance - 30.0% healthcare services EBITDA margin, in 3Q16

#### Sources:

- (1) NCDC 2015, updated by the company to include changes before 30 September 2016
- (2) NCDC healthcare statistical yearbook 2014
- (3) Frost & Sullivan 2015 (Data 2011-2012)
- (4) NCDC healthcare statistical yearbook 2013
- (5) GHG internal reporting





# Focused growth strategy for pharmaceutical business

## 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:

- **We successfully continued the elimination of unnecessary costs.** We have already eliminated GEL 2.1 million compared to initial guidance of GEL 1.9 million on annulised basis. We are planning further saving of GEL 1.2 million in operating expenses, bringing total annulised savings to GEL 3.3 million
- **We are delivering better purchase pricing from manufacturers.** As a result of the consolidated purchasing of our healthcare services and pharma business, we expected to deliver GEL 3.0 million cost savings from manufacturer discounts, of which GEL 2.3 million has been already achieved. We continue negotiations and expect to achieve further annulised savings of GEL 1.1 million, bringing total annual effect to GEL 3.4 million

<i>Cost Synergies from:</i>	<i>Original guidance</i>	<i>Delivered through the end of 3Q16</i>	<i>Further expected</i>	<i>Total saving</i>
Elimination of unnecessary cost	GEL 1.9 million	GEL 2.1 million	GEL 1.2million	GEL 3.3 million
Better purchase pricing	GEL 3.0 million	GEL 2.3 million	GEL 1.1million	GEL 3.4 million
<b>Total:</b>	<b>GEL 4.9 million</b>	<b>GEL 4.4 million</b>	<b>GEL 2.3 million</b>	<b>GEL 6.7 million</b>

- We expect c.GEL 4 million annualised intercompany purchases, compared to GEL 1.0 million in 2015. As of now we have already GEL 2.9 million intercompany purchases.
- 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
- Number of our pharmacies at our hospitals reaching 16 units



# Focused growth strategy

## Capacity in place for accelerated hospital revenue growth

23.0% market share as of 30 September 2016, further development capacity of up to c.600 beds that GHG aims to develop in 2016-17, bringing overall market share to c.28%

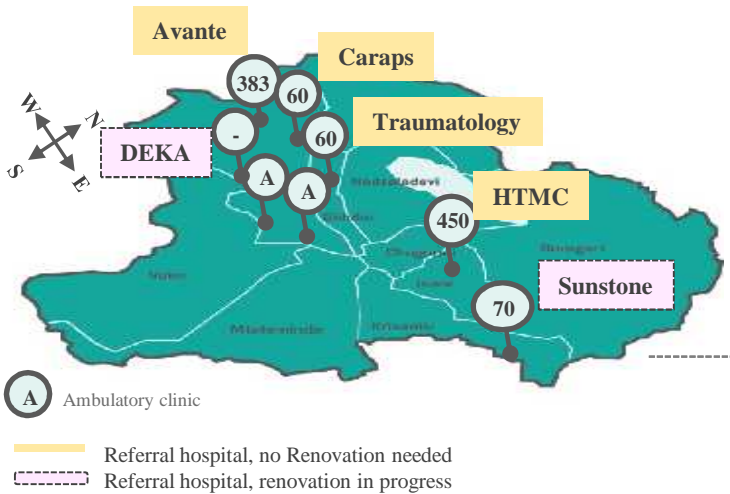
### Recent acquisitions

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

### Integration of Existing Facilities

- ❖ Upgrading and modernizing facilities
  - Market share to reach c.28% 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 320-bed-hospital, and Sunstone will be a 334-bed-hospital

Sources:  
(1) GHG internal reporting.



# Focused growth strategy

## Rapid launch of ambulatory clinics

### Overview

#### 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

#### Concept

**Ambulatory clusters** are developed in all major districts of Tbilisi and in other major cities in Georgia. Our strategy of launching a total of more than 15 clusters with more than 40 ambulatory clinics in the next 2-3 year

#### Performance

We operate with eight ambulatory clusters consisting of 11 district ambulatory clinics and 28 express ambulatory clinics:

*for the period ended 30 September 2016 <sup>(1)</sup> :*

- **GEL 8.2mln revenue** from ambulatory clinics
- **22.3% EBITDA margin of ambulatory clinics**
- **4.6% share in total healthcare revenue**

### District Ambulatory Clinic specifications:

- **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

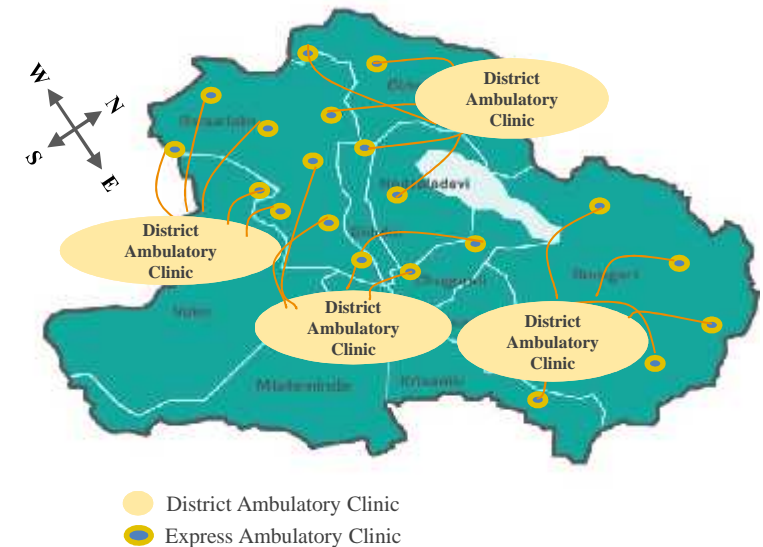
Source:

(1) GHG internal reporting,

### Ambulatory clusters in Tbilisi

#### Ambulatory cluster consists of:

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



### Express Ambulatory Clinic specifications

- **Area:** 20-200 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.*



# Focused growth strategy

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

### Competition



Mitskevich polyclinic, Tbilisi, September 2015

### Reception



Joen clinic, Tbilisi, September 2015

### Doctor's office



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

### GHG ambulatory clinics



Express ambulatory clinic, Tbilisi, December 2014

### Reception



Express ambulatory clinic, Tbilisi, December 2014

### Doctor's office



Express ambulatory clinic, Tbilisi, December 2014



# 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



**Arthroscope**  
Capex: US\$ 30-60k



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



**Choledocoscope**  
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



- 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

Sources: GHG internal reporting





# Focused growth strategy

*Investing in medical equipment, utilising existing service gaps*

## *Medical equipment at GHG healthcare facilities*

**Before:**



**After:**



# 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

SIEMENS

FUJIFILM

BRAUN  
SHARING EXPERTISE



Johnson & Johnson

VARIAN  
medical systems

GETINGE  
GETINGE GROUP

PHILIPS

Leica

sysmex

TOSHIBA

OLYMPUS  
Your Vision, Our Future

Dräger



# 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 Gogja** | 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

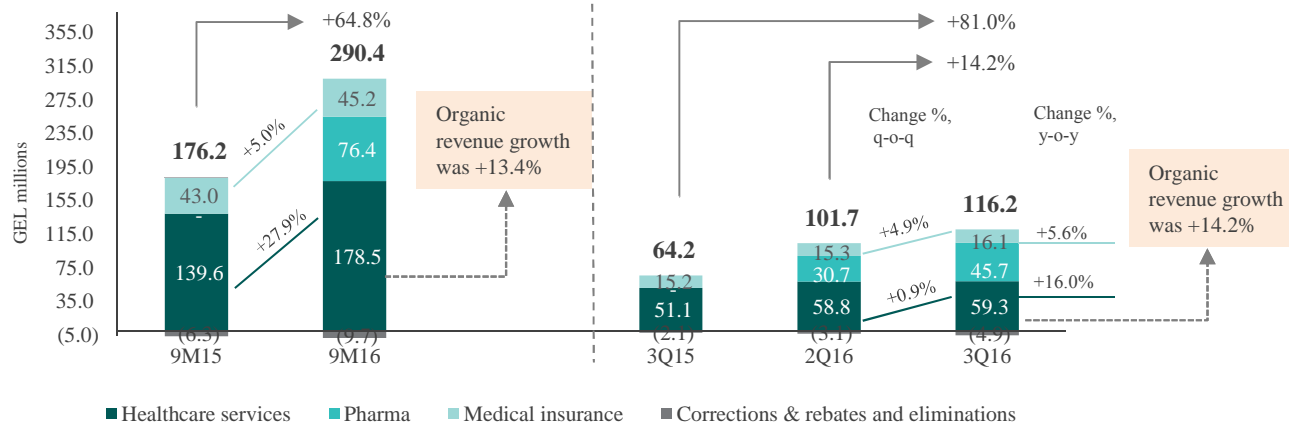
✿ **GHG | Results discussion**

✿ Industry and Macroeconomic Overview

✿ Annexes

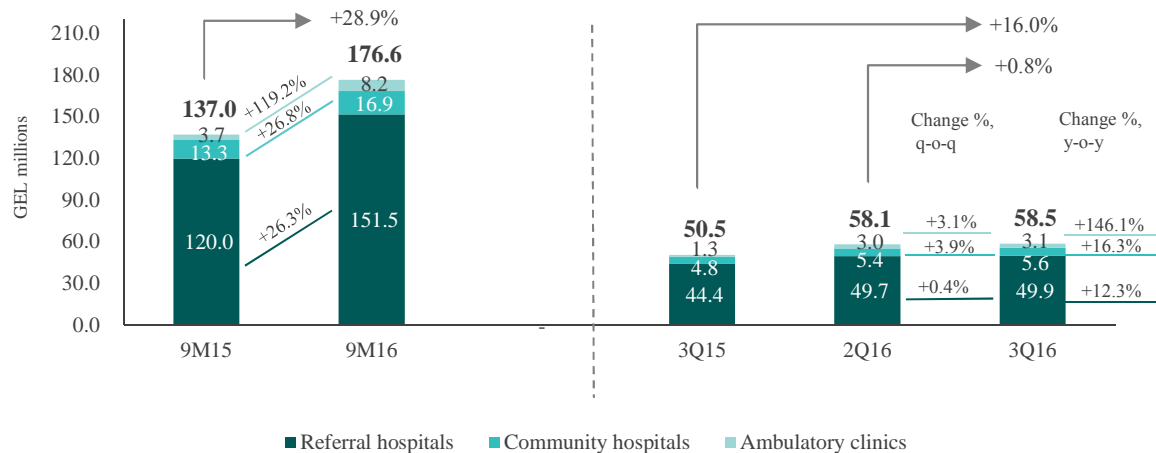
# Revenue growth driven by all business lines, primarily by the consolidation of pharma business as well as by revenue from healthcare services

## GHG – Gross revenue breakdown by segments



Note: Pharma business financials are included since 1<sup>st</sup> of May 2016, as GHG completed the acquisition of the pharma business in May 2016 and started consolidation afterwards.

## Healthcare services – Net revenue breakdown by service lines

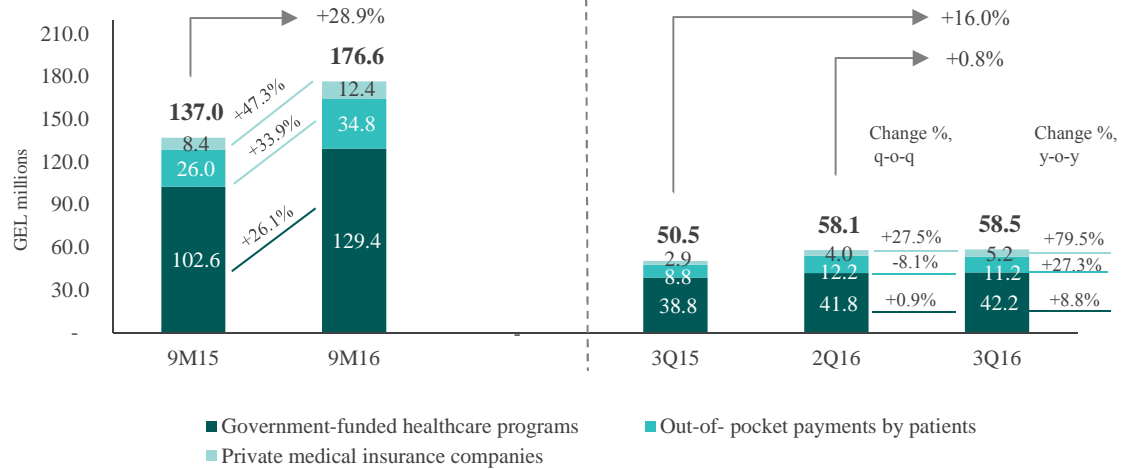


Note: GHG Internal Reporting

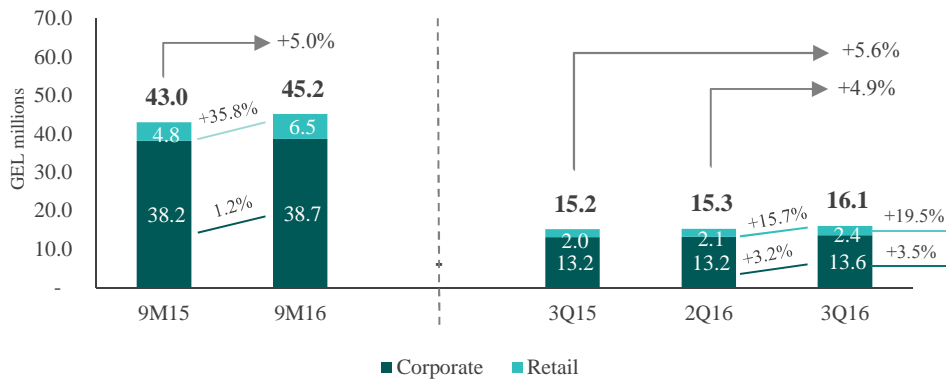


# All sources of our Net healthcare services revenue grew y-o-y, with UHC contributing the most volume-wise

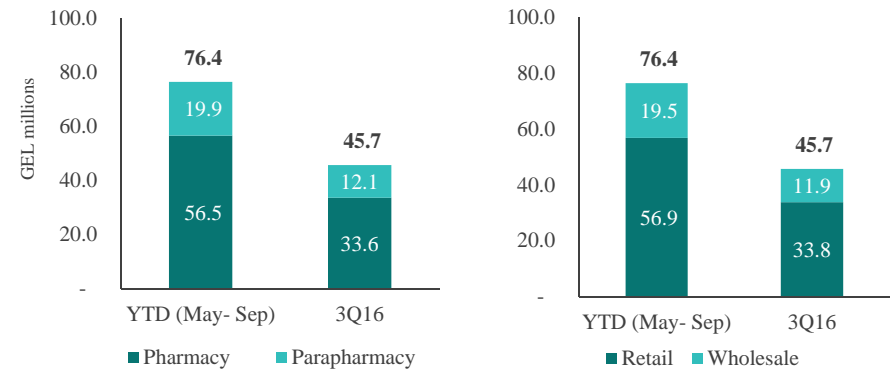
## Healthcare services – Net revenue breakdown by source of payments



## Medical insurance – Net revenue breakdown by products

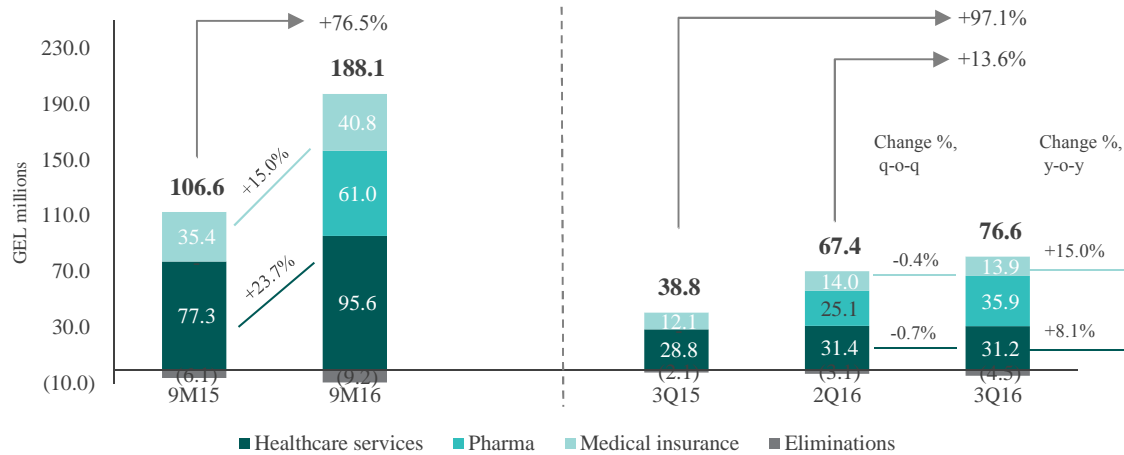


## Pharma – revenue breakdown by: business lines types

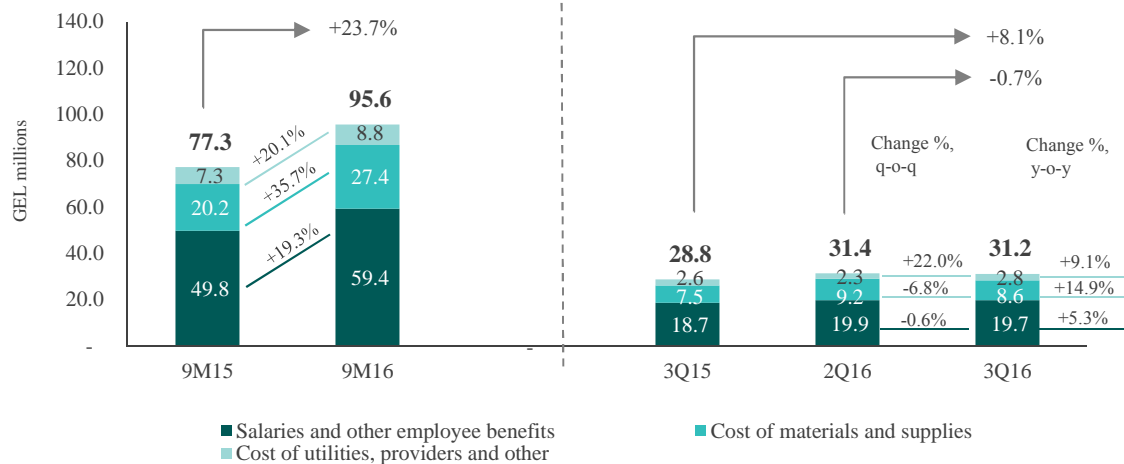


# Cost of services - growth follows healthcare services expansion as well as pharma acquisition

## GHG – Cost of services breakdown by segments



## Healthcare services - cost of services breakdown

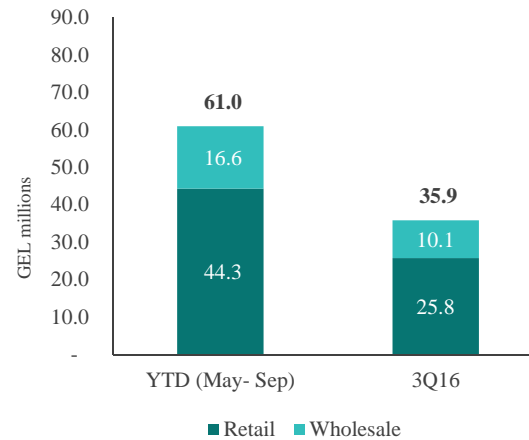


Note: GHG Internal Reporting

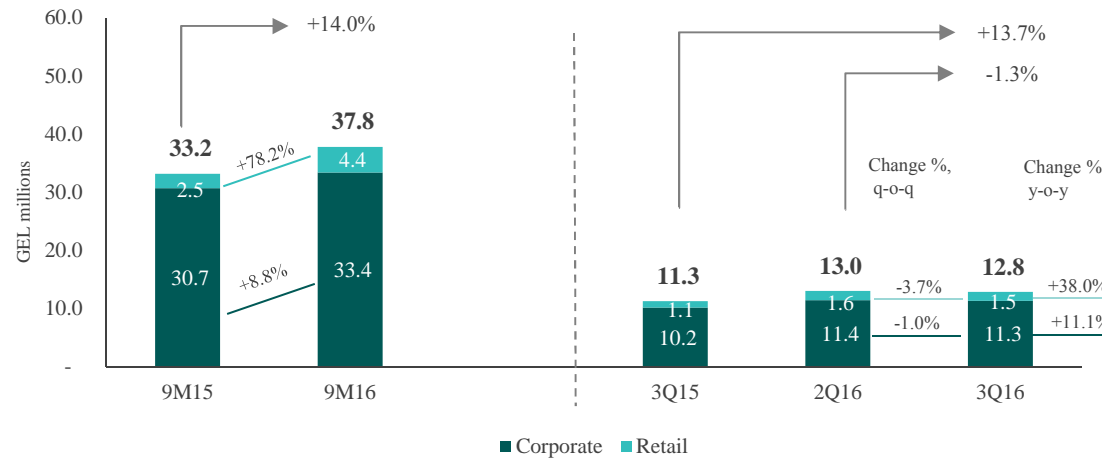


# Cost of services - Pharma and Medical insurance business

## Pharmaceuticals - cost of services breakdown



## Medical insurance – net insurance claims breakdown

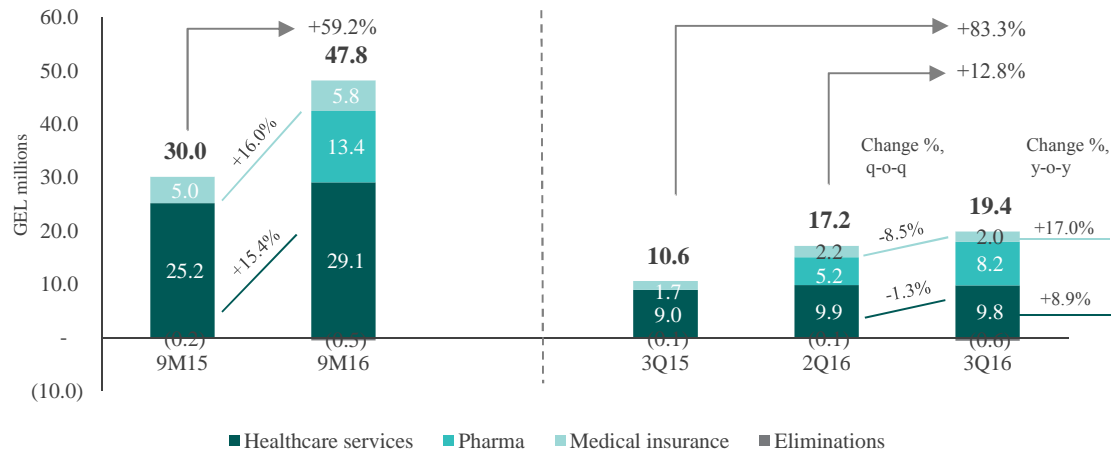


Note: GHG Internal Reporting

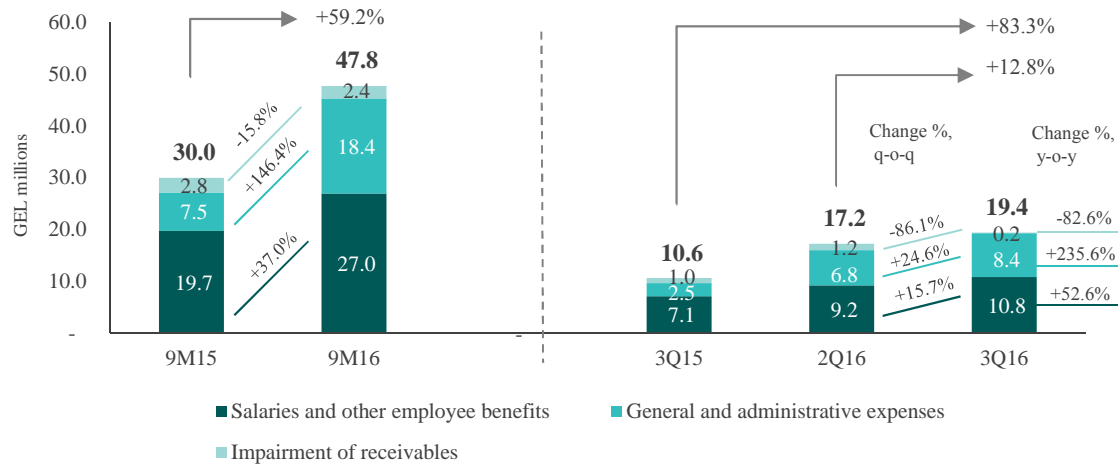


# Operating expenses followed the growth of healthcare services as well as pharma acquisition

## GHG – Operating expense breakdown by Segments



## GHG – Operating expense breakdown types

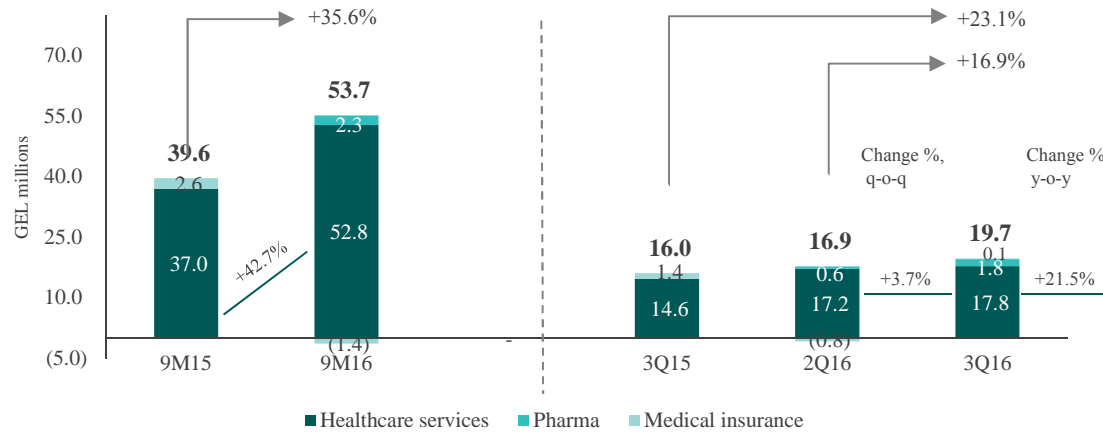


Note: GHG Internal Reporting

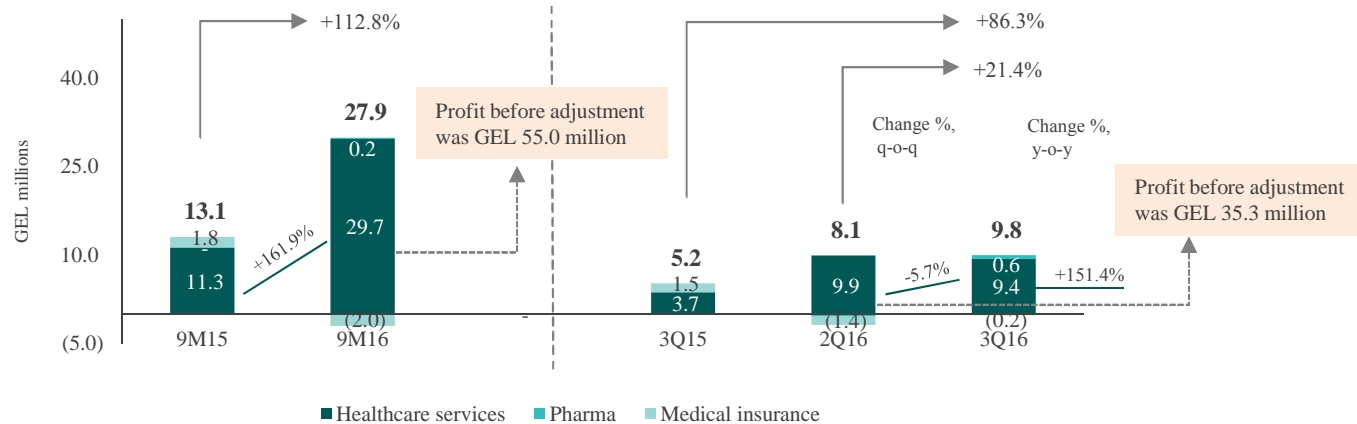


# EBITDA and Net profit

**GHG – EBITDA growth primarily driven by healthcare services, 30.0% and 29.6% EBITDA Margin in 3Q16 and 9M16 respectively**



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



Note: GHG Internal Reporting

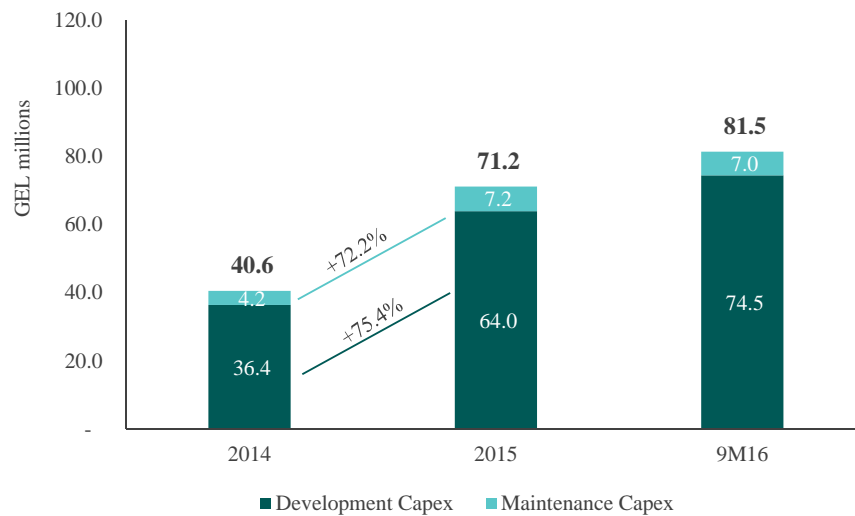
9M16 and 2Q16 profits are normalised – which represents net profit adjusted for one-off non-recurring gain due to deferred tax adjustments (in the amount of GEL 29.3 million for GHG, which fully resulted from the Group's healthcare services business) and adjusted for one-off currency translation loss in June ("translation loss") (in the amount of GEL 2.1 million), which resulted from settlement of the US Dollar denominated payable for the acquisition of GPC, the Group's pharma business.



# Capex – Key driver for our 2016-2018 strategy

## Capex 2014-2015

Maintenance capex as % of healthcare service revenue	2014	2015	9M16
	2.8%	3.7%	3.9%



## 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 9M16 we spent a total of GEL 81.5 million on capital expenditures, from which:**
  - Development Capex was GEL 74.5 million
  - Maintenance Capex was GEL 7.0 million
- These expenditures already include commencement of the flagship projects of DEKA and Sunstone.



🌀 GHG | Overview and strategy

🌀 GHG | Results discussion

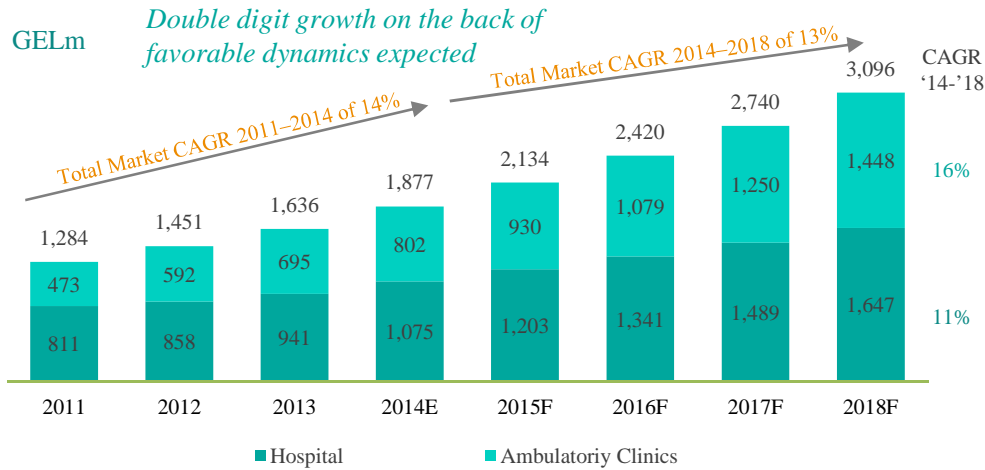
🌀 **Industry and Macroeconomic Overview**

🌀 Annexes

# Long-term, high growth prospects

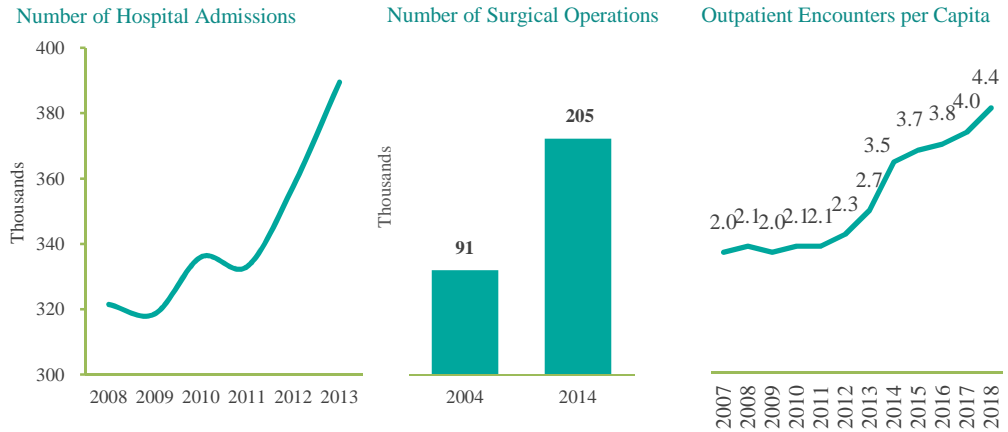
## Rapidly Growing Healthcare Services Market

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



Source: Frost & Sullivan analysis.

### Demand Analysis

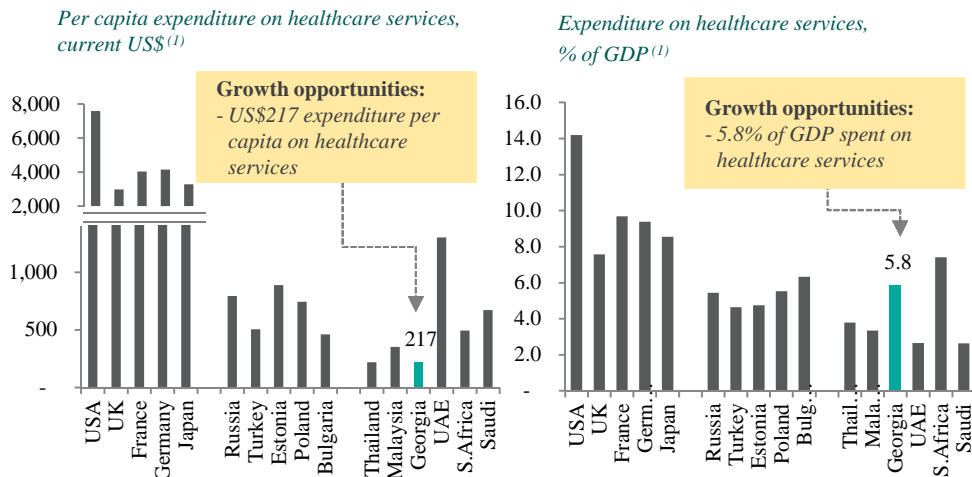


Source: NCDC.

Source: NCDC.

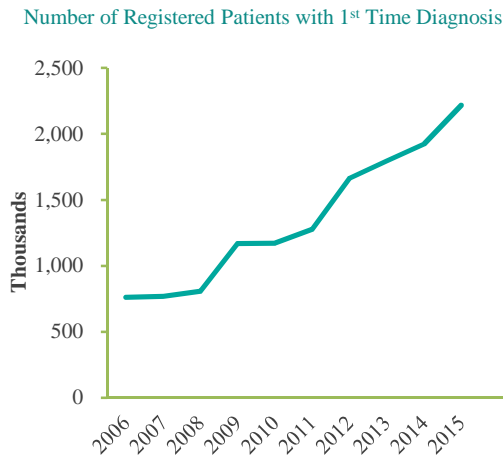
Source: NCDC, Frost & Sullivan analysis.

### Low Expenditure on Health Services



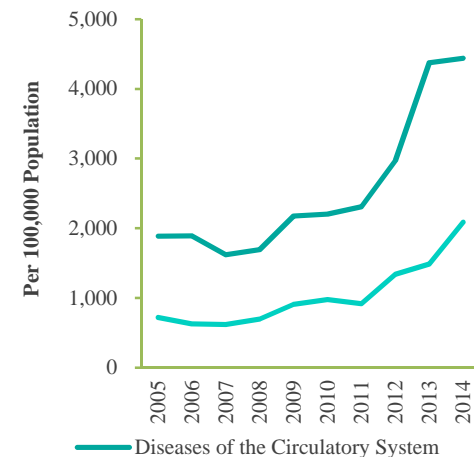
Note: Healthcare services expenditure for other countries is pro-forma, based on assumption that pharmaceuticals is 17% of total spending

### Increasing Overall Disease Incidence...



Source: Geostat.

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



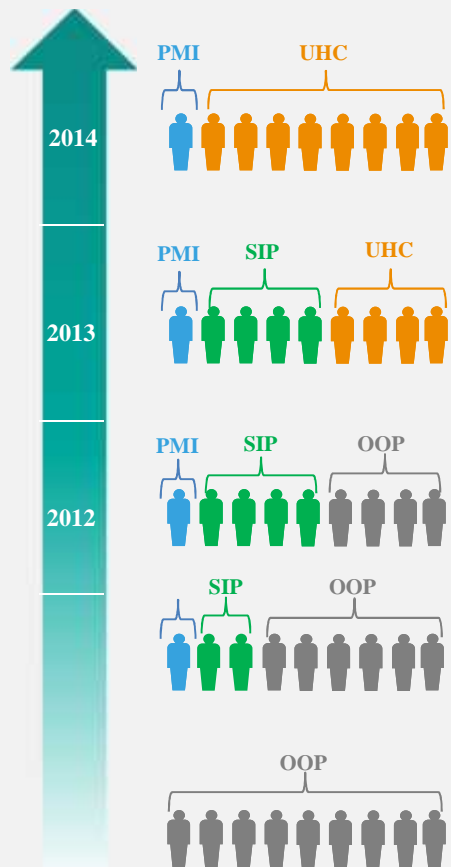
Source: NCDC.

# Long-term, high growth prospects

## *Favorable government healthcare policy*

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

Healthcare coverage of Georgia's 4.5m population:



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

### Key Principles of UHC Programme

#### Overview

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

#### Financing and top-up mechanism

- UHC is fully financed by the government
- UHC doesn't reimburse 100% of costs in most cases, leaving substantial room for top-up coverage including in the form of private medical insurance policies

#### Beneficiaries and Providers

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



# Long-term, high growth prospects

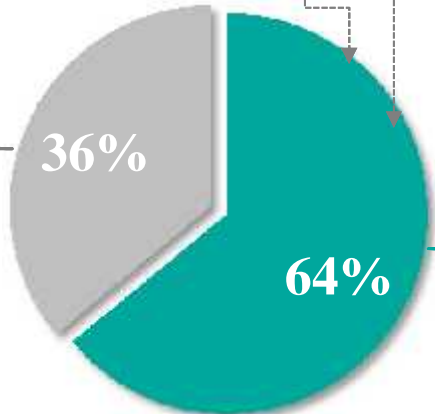
## *Favorable government healthcare policy*

### Soviet-era legacy



64% of beds are renovated in Georgia<sup>(1)</sup>

86% of GHG beds are renovated<sup>(2)</sup>



■ Renovated beds  
■ Soviet-era beds

### Renovated



Source:  
(1) NCDC, data as of 2014  
(2) GHG internal reporting

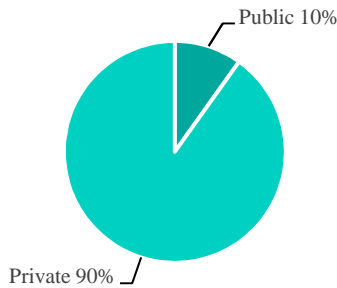
# Long-term, high growth prospects

## Favorable government healthcare policy

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

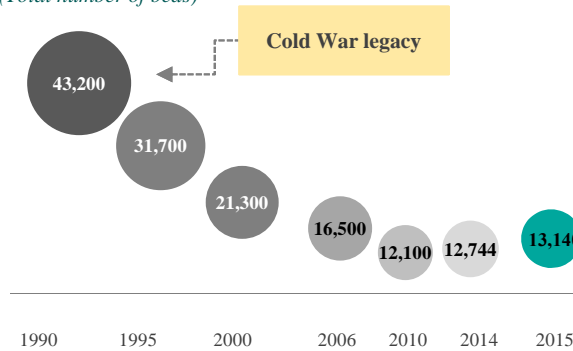
#### 84% Of Hospital capacity is private

Total Number of Beds (2015): 10,865<sup>(1)</sup>

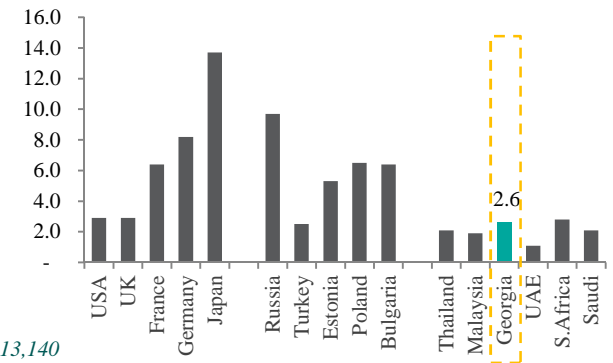


#### Capacity-wise Georgia stands alongside US, UK and Turkey

Optimising bed capacity over the years  
(Total number of beds)<sup>(2)</sup>



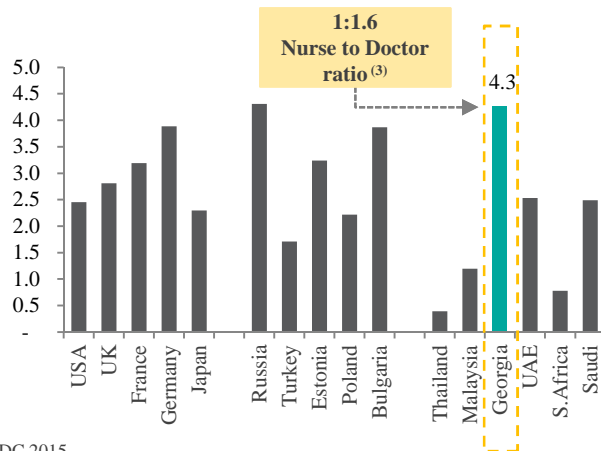
Beds per 1,000 people<sup>(3)</sup>



Note: (\*) Target market bed capacity = Total market bed capacity of 13,140 beds – 2,275 specialty beds at penitentiary, TB and psychiatric clinics

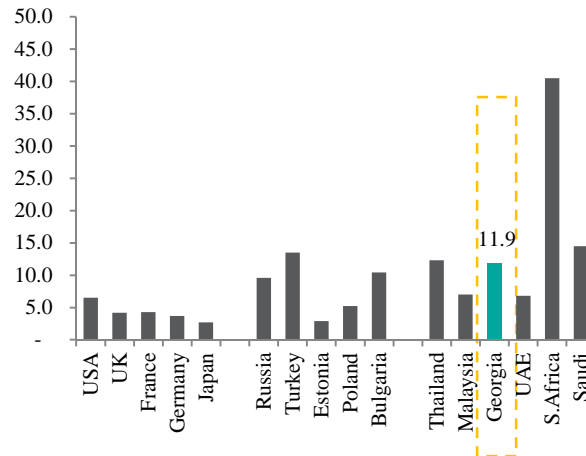
#### However, physician overcapacity yet to be addressed

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

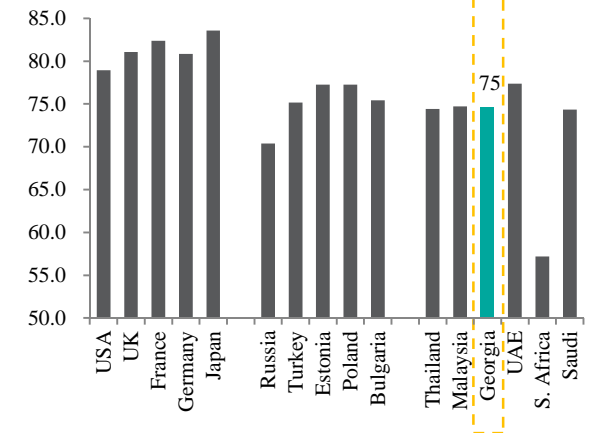


#### With significant room for optimisation in terms of service quality, as indicated by: Under 5 Mortality Rate... .. And Life Expectancy At Birth

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



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



Source:

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

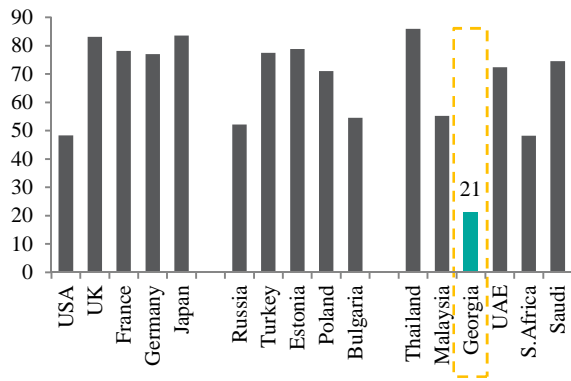


# Long-term, high growth prospects

## Favorable government healthcare policy

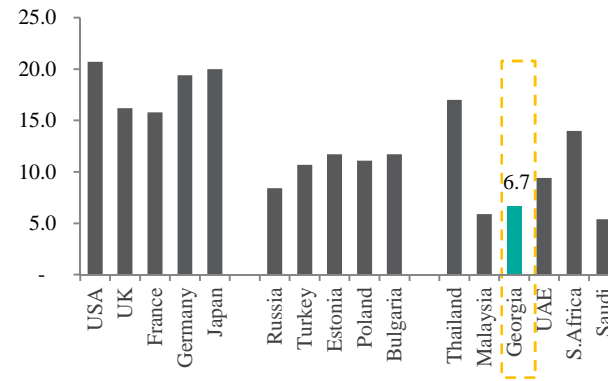
### Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013

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



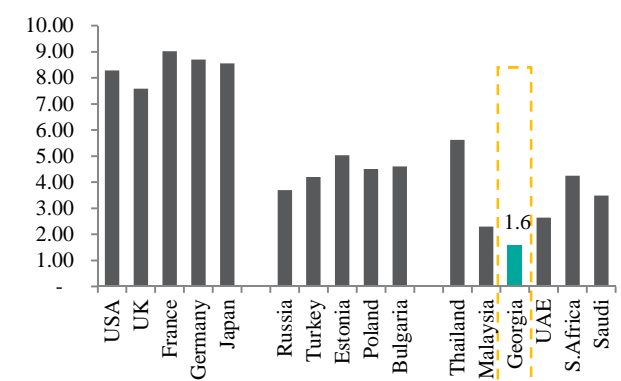
### Government spending on healthcare was only 6.7% of state budget in 2013, which is expected to grow up to 10.4% in 2016 year.

General government expenditure on health as a percentage of total government expenditure in 2013<sup>(1)</sup>



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

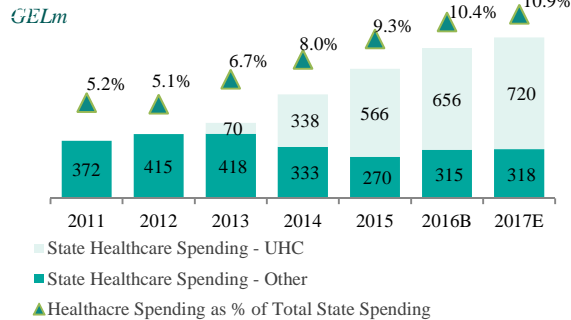
Government expenditure on health as % of GDP in 2013<sup>(1)</sup>



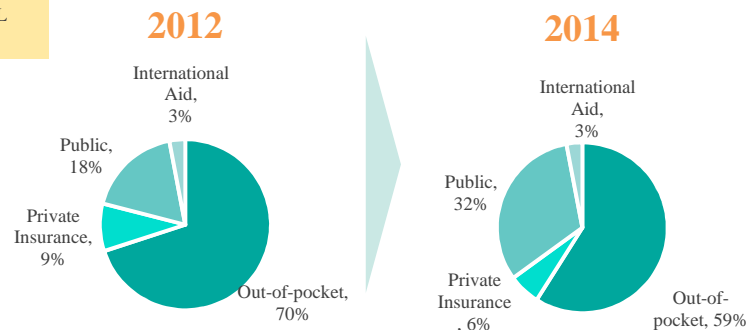
### And catching up gradually – State financing of healthcare increasing for the last several years

2015 UHC spending was initially planned at GEL 470mln. In 2<sup>nd</sup> half of 2015 state has adjusted initial budget of 2015 UHC spending and increased from GEL 470mln to GEL 570mln; UHC budget is expected to be adjusted and increased up to GEL 656mln in 2016 as well.

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

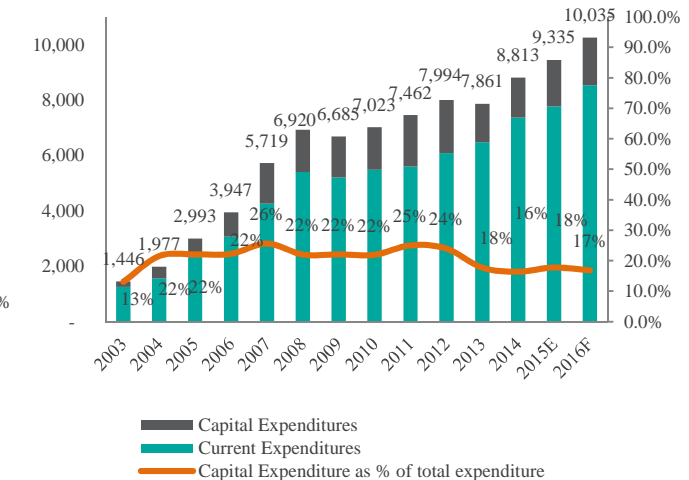


### High private spending and growing public sector participation on the back of UHC implementation<sup>(3)</sup>



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

Total government budget, breakdown by operating and capital expenditures<sup>(2)</sup>



Sources:

- (1) World Health Organisation and World Bank, 2013 data
- (2) Ministry of Finance of Georgia; 2016 and 2017 UHC budgets represents Management estimates
- (3) Global health expenditure database – World Health Organisation, Frost & Sullivan analysis
- (4) GHG Internal reporting



# Long-term, high growth prospects

## Georgia | rapidly developing reform driven economy

- Area: 69,700 km<sup>2</sup>
- 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\$9,591
- Inflation rate (e-o-p) 2015: 4.9%
- External public debt to GDP 2015: 32.6%

Sovereign ratings:

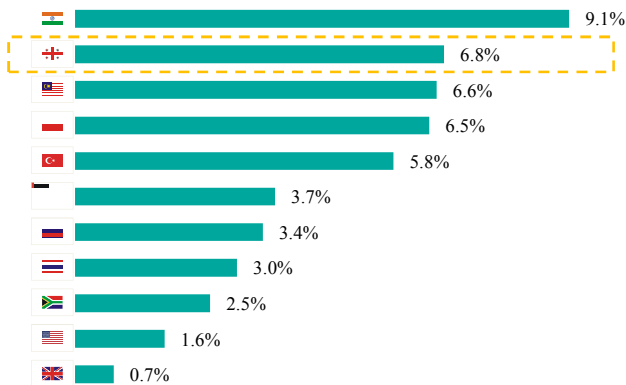
<b>S&amp;P</b>	BB-/B/Stable, affirmed in May 2016
<b>Moody's</b>	Ba3/NP/Positive, affirmed in March 2016
<b>Fitch</b>	BB-/B/Stable, affirmed in September 2016



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

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

Real GDP CAGR 2006-15



Source: IMF

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



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

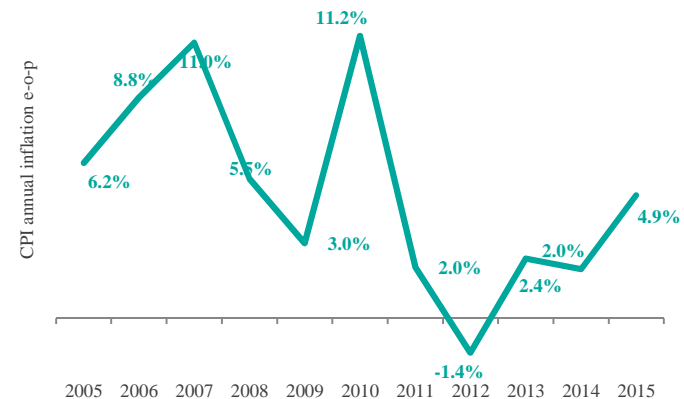
## Prudent Fiscal Policy

"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

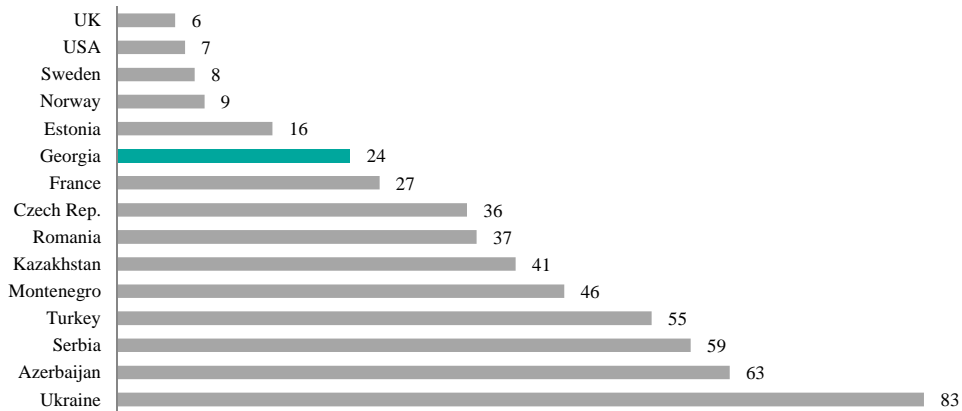




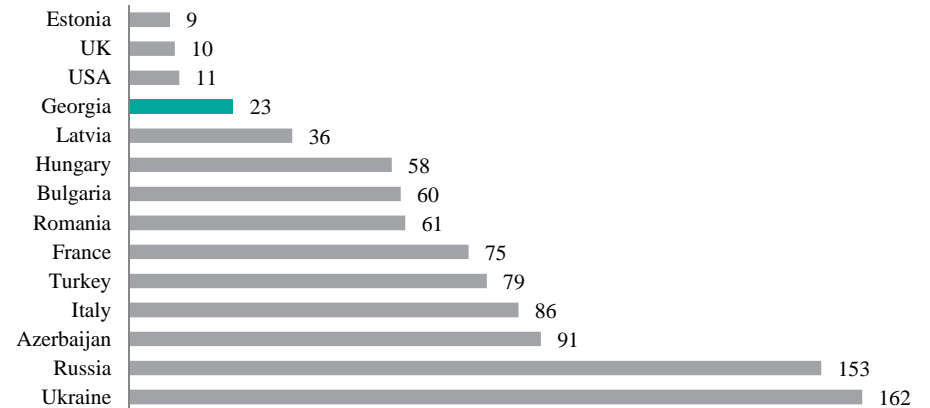
# Long-term, high growth prospects

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

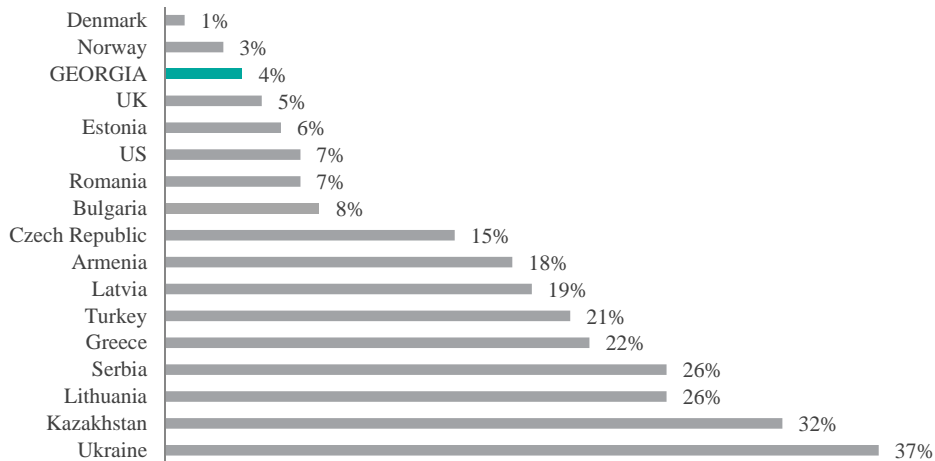
Ease of Doing Business | 2016 (WB-IFC Doing Business Report)



Economic Freedom Index | 2016 (Heritage Foundation)



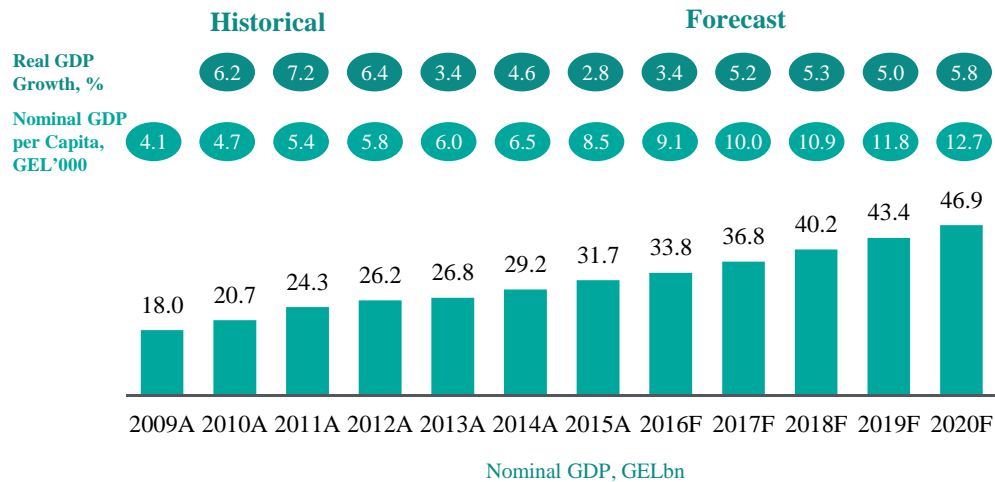
Global Corruption Barometer | TI 2013



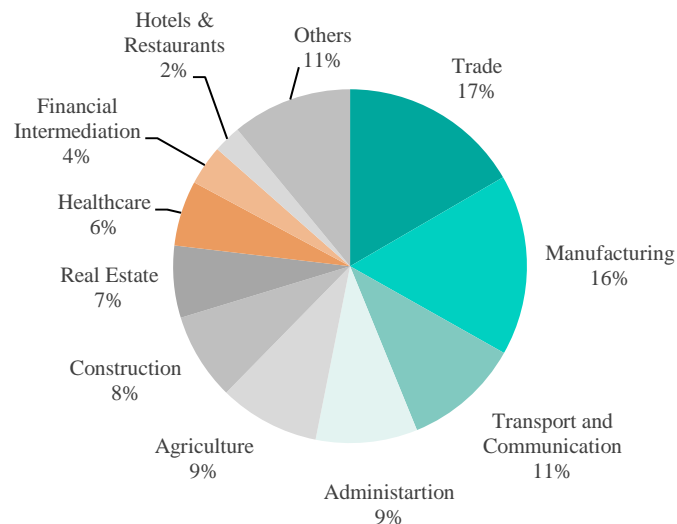
**GEORGIA - No 1 Reformer 2005-2012**  
(WB Doing Business Report)

# 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\$ 1,565mln (11.2% of GDP) in 2015 (down 11.0% y-o-y), FDI at US\$ 834mln in 1H16 (up 10.6% y/y)
- FDI averaged 10.2% of GDP in 2006-2015

### Support from International Community

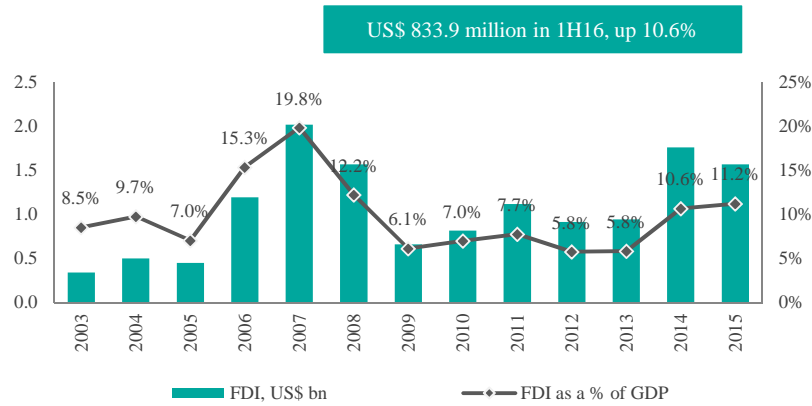
- Georgia and the EU signed an Association Agreement in June 2014 and Georgia's parliament ratified the agreement in July 2014. The deal includes a DCFTA, which is the major vehicle for Georgia's economic integration with the EU
- Discussions commenced with the USA to drive inward investments and exports
- 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

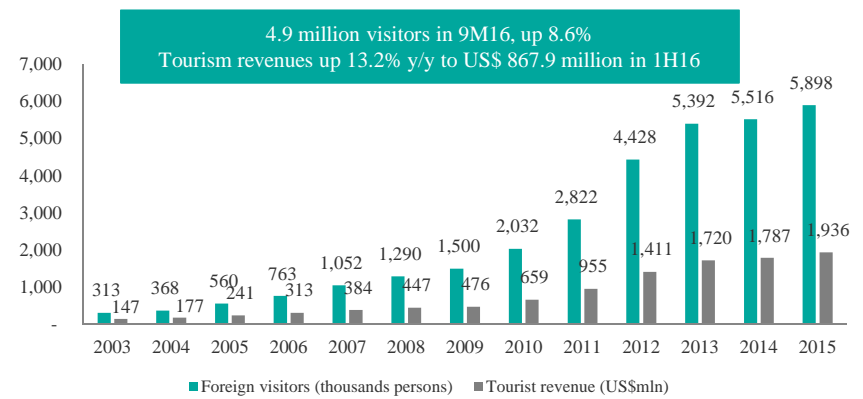
# Diversified sources of capital flow

## Strong foreign investor interest



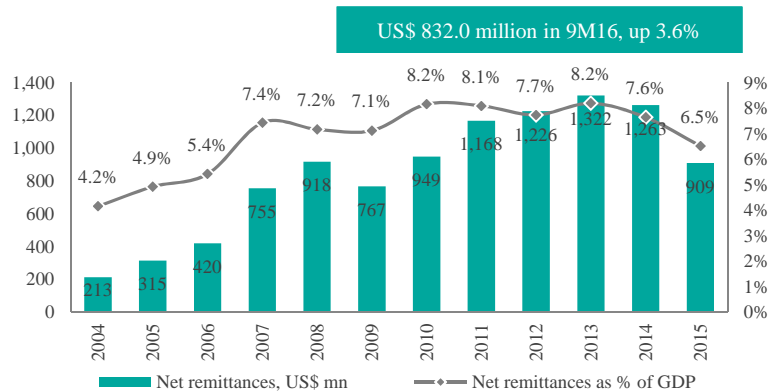
Sources: Geostat

## Number of tourists



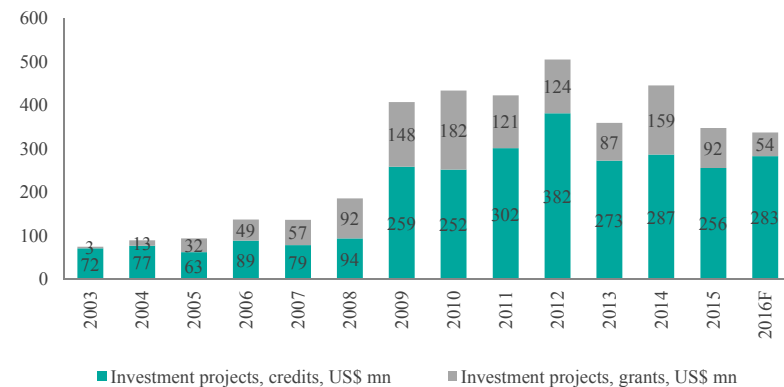
Sources: Georgian National Tourism Agency, National Bank of Georgia

## Net remittances



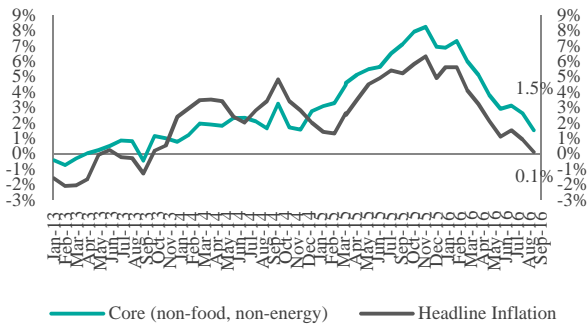
Source: National Bank of Georgia

## Public donor funding



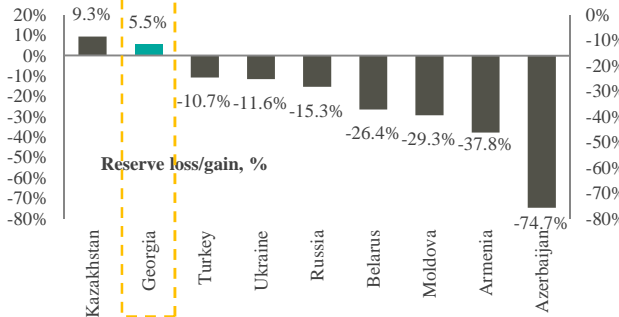
Source: Ministry of Finance of Georgia

## Annual inflation



Sources: Geostat

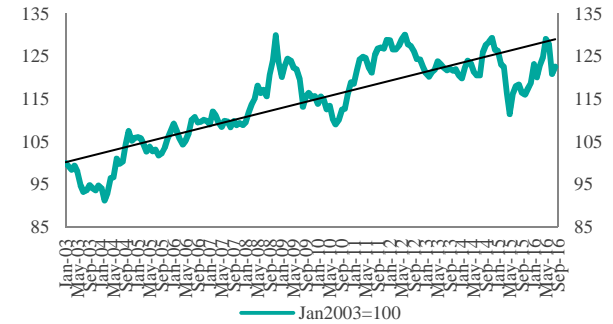
## Georgia used less reserves to support GEL



Source: IMF

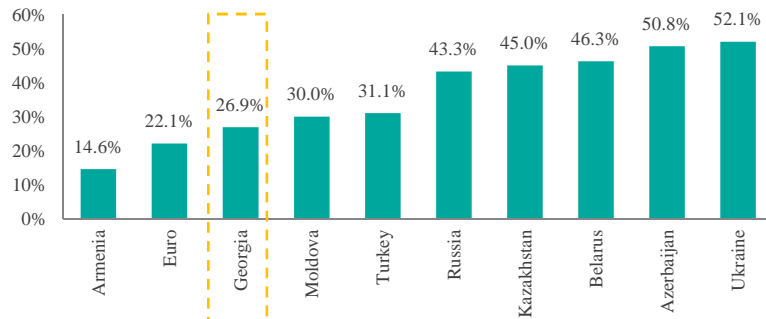
Note: Jul-2016 vs Aug-2014; Armenia's reserves exclude a US\$ 500mn Eurobond issued in March 2015

## Real effective exchange rate (REER)



Sources: NBG

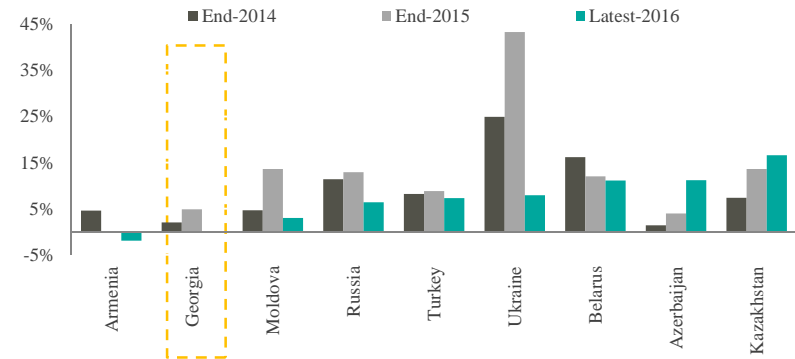
## Currency weakening vs US\$



Source: Bloomberg,

Note: US\$ per unit of national currency, period 1-Aug-2014 – 17-Oct-2016

## Inflation remains low in Georgia



Source: National Statistics Offices



🌀 GHG | Overview and strategy

🌀 GHG | Results discussion

🌀 Industry and Macroeconomic Overview

🌀 **Annexes**





## Consensus Target Price is 3.56 GBP



GBP 3.55

\*as of 16 August 2016



GBP 3.15

\*as of 17 August 2016



GBP 3.55

\*as of 1 September 2016



GBP 3.95

\*as of 15 August 2016



GBP 3.61

\*as of 5 October 2016

# Segment overview – healthcare services

GHG is the largest provider of healthcare services in Georgia and operates a vertically integrated network of 15 referral hospitals, 20 community hospitals and 8 ambulatory clusters - consisting of 11 district ambulatory clinics and 28 express ambulatory clinics

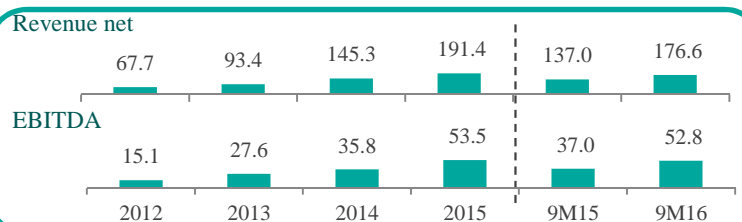
## Key Highlights

- Provides a comprehensive range of inpatient and outpatient healthcare services
- 23.0% market share by number of beds, 5x the size of the nearest competitor
  - 2,474 beds in total
- 3,140 physicians and 2,840 nursing staff<sup>(1)</sup>

## 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	2 district ambulatory	13 hospitals
2012	6 hospitals	10 hospitals
2013	4 hospitals + 1 district ambulatory	1 hospital
2014	1 district ambulatory	3 hospitals
2015	3 district ambulatory	2 hospitals
2016	4 district 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: 39

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



Sources:  
(1) GHG Internal Reporting.

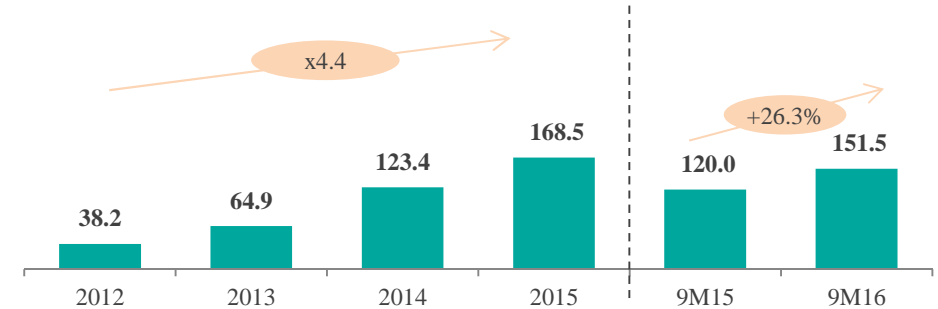
# Overview of referral hospitals

## Overview

- GHG owns and operates 15 referral hospitals, with a total of 2,012 beds.
  - Contributed ~85.% of healthcare services revenue in 9M16
  - 66.4% bed utilisation in 9M16
  - Average length of stay in 9M16 - 5.0
- 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
- 7,143 employees, of which 2,075 physicians and 2,203 nurses<sup>(1)</sup>
  - On average 476 employees per hospital, of which 138 physicians and 147 nurses

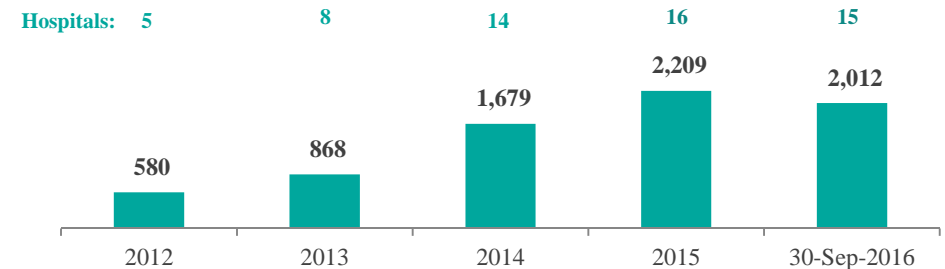
## Referral Hospitals Revenue (GELm)

GEL millions

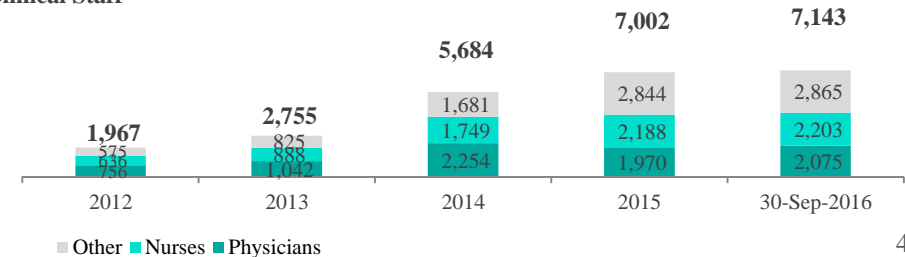


## Key Performance Indicators

### Facilities – Beds / Hospitals



### Clinical Staff



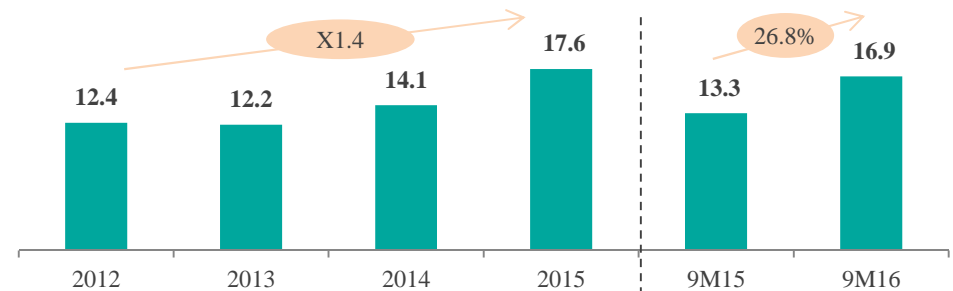
# Overview of community hospitals

## Overview

- GHG owns and operates 20 hospitals and 462 beds
  - Contributed ~10% of healthcare services revenue in 9M16
  - 25.2% bed utilisation in 9M16
  - Average length of stay in 9M16 – 3.5
- 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
- 1,801 employees, of which 698 physicians and 509 nurses
  - On average 90 employees per hospital, of which 35 physicians and 30 nurses

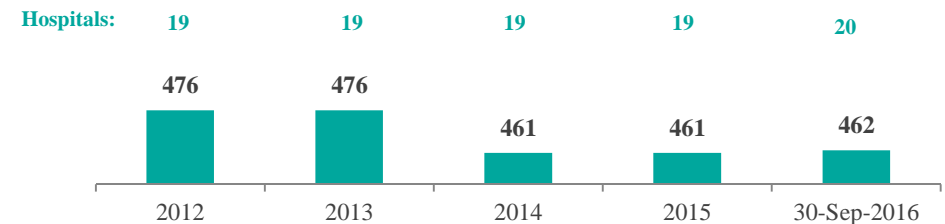
## Community Hospitals Revenue (GELm)

GEL millions

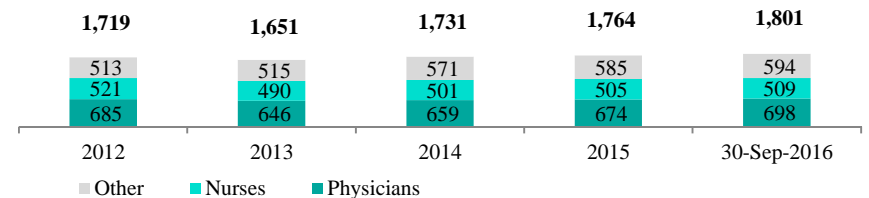


## Key Performance Indicators

### Facilities – Beds / Hospitals



### Clinical Staff



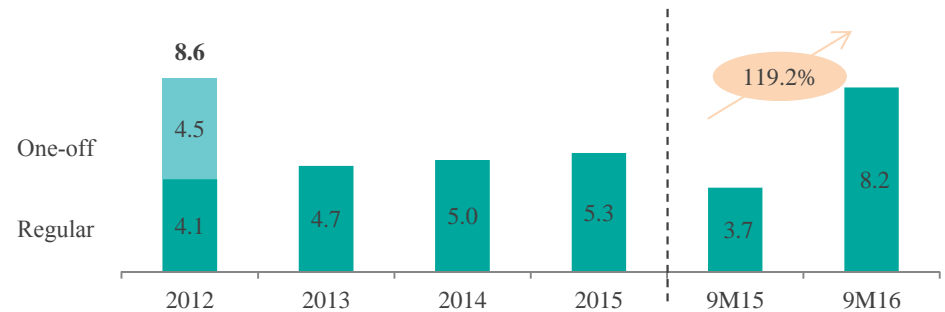
# Overview of ambulatory clinics

## Overview

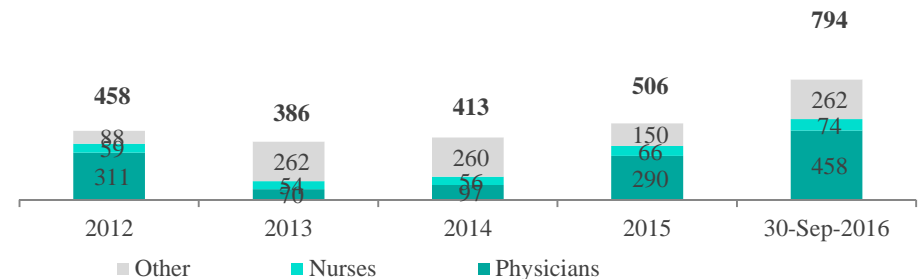
- ✿ Opened the first ambulatory clinic in 2006;
- ✿ Clinics are located in Tbilisi and major regional cities.
- ✿ Organised in cluster models, whereby each cluster includes a district ambulatory clinic, located centrally in a particular district of the city, and three to five smaller express ambulatory clinics, located in other areas of the same district
  - Serves as the first feeder into the patient treatment pathway
- ✿ Operates 11 district ambulatory clinics and 28 express ambulatory clinics that provide outpatient diagnostic and treatment services<sup>(1)</sup>
  - Contributed ~5% of healthcare services revenue in 9M16
  - Generates the highest margin and management believes this segment will become the largest source of future growth
- ✿ Strategy of launching a total of more than 15 clusters with more than 40 ambulatory clinics in the next 2-3 years
- ✿ 794 employees, of which 458 are physicians and 74 are nurses
  - On average 57 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

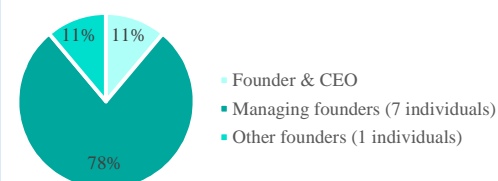
- GPC is 3<sup>rd</sup> largest pharmaceuticals retailer and wholesaler in Georgia, with 15% market share by sales, with about 80% of market share concentrated within four major players. Operates since 1995.
- Established urban-retailer with solid footprint.** GPC is an urban-retailer, with a countrywide distribution network of 112 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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

- 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

- **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:**
  - 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

- **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:**
  - *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
    - 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

- **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

- **Achieved more than half of cost synergies GEL 2.3 million** as a result of the consolidated purchasing of our healthcare services and pharma business - out of GEL 3.0 million expected on an annualized basis. We are planning further saving of GEL 1.1 million in operating expenses, bringing total annualised savings to GEL 3.4 million.
- **We have already eliminated GEL 2.1 million of the unnecessary costs** - out of GEL 1.9 million expected on an annualised basis. Further saving are expected GEL 1.2 million, bringing total annualised savings to GEL 3.3 million.
- **We expect c.GEL 4 million annualised intercompany purchases until the year end of 2016**, compared to GEL 1.0 million in 2015. As of now we have already GEL 2.9 million intercompany purchases.
- **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
- Number of our pharmacies at our hospitals reached 16 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 35% 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

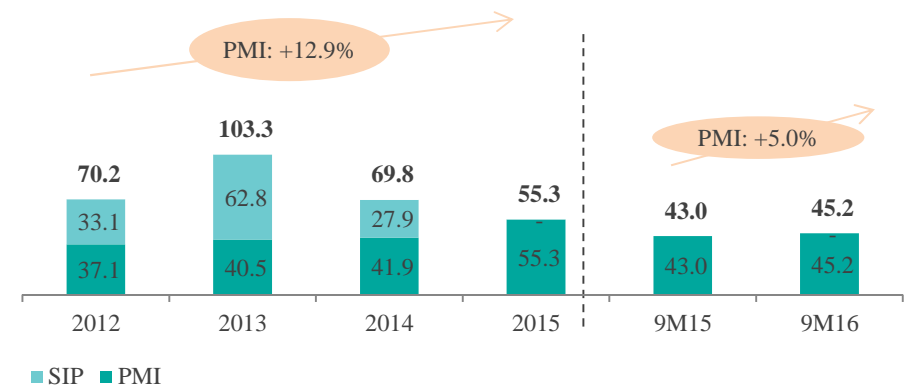
- Broad range of insurance packages to cover the costs of inpatient, outpatient, dental, pregnancy, and oncology treatment and medicine
- Different monthly premiums and coverage limits based on individual requirements
- Shift in focus to selling private medical insurance due to the impact of the introduction 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>9M16</u>
Loss Ratio	83.6%
Expense Ratio	20.8%
Combined Ratio	104.4%
Insurance renewal rate (corporate clients)	77.4%

## Net insurance premiums earned

GEL millions





# Quality standards and accreditation

## Quality Standards

- Reputation for high clinical standards
- Recruiting high-calibre and experienced physicians and providing them with ongoing professional development in the latest global best practices
- Developed internal quality requirements: the healthcare services Quality Standards (EQS)
  - Benchmark based on JCI and EU standards and adoption of global best practices
  - Focus on evidence based quality care such as infection control, medication safety, facility safety and quality of medical service
  - Audited on regular basis
  - Implemented across all facilities by end of 2015
- Accreditations received by 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 business launched residency programs, where we have 13 specialities with 166 residency quotas. currently are waiting accreditation in seven additional specialties (general surgery, orthopedic surgery, neurosurgery, pediatric general surgery, oncology, radiation oncology, cardiac surgery). Since the launch of residency programs at the end of 2015, we have 58 residents involved in 12 specialties.
- Healthcare services signed MOU with Tvildiani Medical university and established mutual nurse collage. More than 200 nurses will graduate collage per year.
- Healthcare services learning Center (ELC) also developed external nurse courses in 4 regions (Adjara, Samegrelo, Imereti and Samtskhe-Javakheti) of Georgia, where more than 200 new nurses from external institutions started their trainings
- In 2015 healthcare services financed and organized specialization program abroad for 6 persons to launch the first Oncology center in the western of Georgia
- In 2015 healthcare services also financed Emergency retraining program for 20 doctors from the different regions of Georgia

# Income Statement, GHG consolidated

## Income statement

*GEL thousands; unless otherwise noted*

	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Revenue, gross</b>	<b>116,159</b>	<b>64,192</b>	<b>81.0%</b>	<b>101,673</b>	<b>14.2%</b>	<b>290,408</b>	<b>176,238</b>	<b>64.8%</b>
Corrections & rebates	(762)	(680)	12.1%	(724)	5.2%	(1,896)	(2,522)	-24.8%
<b>Revenue, net</b>	<b>115,397</b>	<b>63,512</b>	<b>81.7%</b>	<b>100,949</b>	<b>14.3%</b>	<b>288,512</b>	<b>173,716</b>	<b>66.1%</b>
Revenue from healthcare services	58,542	50,451	16.0%	58,056	0.8%	176,639	137,028	28.9%
Revenue from pharma	45,725	-	-	30,691	49.0%	76,416	-	-
Net insurance premiums earned	16,054	15,196	5.6%	15,298	4.9%	45,182	43,010	5.0%
Eliminations	(4,925)	(2,135)	130.6%	(3,095)	59.1%	(9,725)	(6,322)	53.8%
<b>Costs of services</b>	<b>(76,563)</b>	<b>(38,844)</b>	<b>97.1%</b>	<b>(67,395)</b>	<b>13.6%</b>	<b>(188,109)</b>	<b>(106,603)</b>	<b>76.5%</b>
Cost of healthcare services	(31,170)	(28,821)	8.1%	(31,399)	-0.7%	(95,567)	(77,283)	23.7%
Cost of pharma	(35,915)	-	-	(25,059)	43.3%	(60,974)	-	-
Cost of insurance services	(13,939)	(12,123)	15.0%	(13,989)	-0.4%	(40,775)	(35,444)	15.0%
Eliminations	4,461	2,101	112.3%	3,052	46.2%	9,207	6,125	50.3%
<b>Gross profit</b>	<b>38,834</b>	<b>24,668</b>	<b>57.4%</b>	<b>33,554</b>	<b>15.7%</b>	<b>100,403</b>	<b>67,113</b>	<b>49.6%</b>
Salaries and other employee benefits	(10,841)	(7,104)	52.6%	(9,229)	17.5%	(26,993)	(19,706)	37.0%
General and administrative expenses	(8,423)	(2,510)	235.6%	(6,758)	24.6%	(18,383)	(7,460)	146.4%
Impairment of receivables	(172)	(990)	-82.6%	(1,236)	-86.1%	(2,388)	(2,836)	-15.8%
Other operating income	329	1,964	-83.2%	551	-40.3%	1,099	2,505	-56.1%
<b>EBITDA</b>	<b>19,727</b>	<b>16,029</b>	<b>23.1%</b>	<b>16,882</b>	<b>16.9%</b>	<b>53,738</b>	<b>39,617</b>	<b>35.6%</b>
Depreciation and amortisation	(5,215)	(3,482)	49.8%	(4,581)	13.8%	(14,261)	(8,371)	70.4%
Net interest expense	(3,838)	(4,786)	-19.8%	(3,469)	10.6%	(8,963)	(14,904)	-39.9%
Net gains/(losses) from foreign currencies	(263)	(1,759)	-85.1%	(1,964)	-86.6%	(2,487)	3,690	-167.4%
Net non-recurring income/(expense)	(48)	(722)	-93.4%	(586)	-91.8%	(864)	(1,489)	-42.0%
<b>Profit before income tax expense</b>	<b>10,363</b>	<b>5,279</b>	<b>96.3%</b>	<b>6,282</b>	<b>65.0%</b>	<b>27,163</b>	<b>18,542</b>	<b>46.5%</b>
Income tax benefit	(587)	(31)	NMF	26,920	-102.2%	27,838	22	NMF
<i>of which: Deferred tax adjustments</i>	-	-		27,113		29,311		
<b>Profit for the period</b>	<b>9,776</b>	<b>5,248</b>	<b>86.3%</b>	<b>33,202</b>	<b>-70.6%</b>	<b>55,001</b>	<b>18,564</b>	<b>196.3%</b>
<b>Attributable to:</b>								
- shareholders of the Company	7,125	3,973	79.3%	27,755	-74.3%	44,801	15,827	183.1%
- non-controlling interests	2,651	1,275	107.9%	5,447	-51.3%	10,200	2,737	272.7%
<i>of which: Deferred tax adjustments</i>	-	-		4,705		5,057	-	



# Balance Sheet, GHG consolidated

## Balance sheet

<i>GEL thousands; unless otherwise noted</i>	<b>30-Sep-16</b>	<b>30-Sep-15</b>	<b>Change, Y-o-Y</b>	<b>30-Jun-16</b>	<b>Change, Q-o-Q</b>
<b>Total assets, of which:</b>	<b>876,940</b>	<b>622,021</b>	<b>41.0%</b>	<b>814,089</b>	<b>7.7%</b>
Cash and bank deposits	48,067	26,789	79.4%	26,395	82.1%
Receivables from healthcare services	73,895	61,128	20.9%	70,398	5.0%
Receivables from sale of pharmaceuticals	8,757	-	-	6,110	43.3%
Insurance premiums receivable	31,147	29,048	7.2%	34,275	-9.1%
Property and equipment	541,206	424,304	27.6%	501,739	7.9%
Goodwill and other intangible assets	65,053	22,204	193.0%	64,733	0.5%
Inventory	49,490	11,266	339.3%	42,470	16.5%
Prepayments	40,451	7,375	448.5%	49,074	-17.6%
Other assets	18,874	39,907	-52.7%	18,895	-0.1%
<b>Total liabilities, of which:</b>	<b>361,976</b>	<b>372,791</b>	<b>-2.9%</b>	<b>306,861</b>	<b>18.0%</b>
Borrowed Funds	195,188	223,339	-12.6%	141,257	38.2%
Accounts payable	54,179	25,960	108.7%	52,582	3.0%
Insurance contract liabilities	31,067	26,289	18.2%	32,941	-5.7%
Other liabilities	81,542	97,203	-16.1%	80,081	1.8%
<b>Total shareholders' equity attributable to:</b>	<b>514,964</b>	<b>249,230</b>	<b>106.6%</b>	<b>507,228</b>	<b>1.5%</b>
<i>Shareholders of the Company</i>	<i>460,848</i>	<i>191,915</i>	<i>140.1%</i>	<i>455,824</i>	<i>1.1%</i>
<i>Non-controlling interest</i>	<i>54,116</i>	<i>57,315</i>	<i>-5.6%</i>	<i>51,404</i>	<i>5.3%</i>

# Cash Flow, GHG consolidated

## Cash Flow

	9M16, Adjusted	Adjustments	9M16, Actual	9M15, Actual	Change, Y-o-Y (9M16 adjusted to 9M15 actual)
<b>Cash flows from / (used in) operating activities</b>					
Healthcare services revenue received	156,523	-	156,523	120,325	30%
Cost of healthcare services paid	(99,459)	633	(100,092)	(73,133)	36%
Pharma revenue received	76,364	2,600	73,764	-	-
Cost of pharma paid	(61,116)	-	(61,116)	-	-
Net insurance premiums received	42,380	-	42,380	40,565	4%
Net insurance claims paid	(30,176)	-	(30,176)	(29,174)	3%
Salaries and other employee benefits paid	(28,669)	-	(28,669)	(19,260)	49%
General and administrative expenses paid	(16,044)	4,565	(20,609)	(6,536)	145%
Other	(2,775)	-	(2,775)	(1,522)	82%
<b>Net cash flows from / (used in) operating activities before income tax</b>	<b>37,028</b>	<b>7,798</b>	<b>29,230</b>	<b>31,264</b>	<b>18%</b>
Income tax paid	(1,123)	1,000	(2,123)	(543)	107%
<b>Net cash flows from operating activities</b>	<b>35,905</b>	<b>8,798</b>	<b>27,107</b>	<b>30,721</b>	<b>17%</b>
<b>Cash flows from / (used in) investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	(52,230)	-	(52,230)	(48,205)	8%
Acquisition of additional interest in existing subsidiaries	(2,472)	-	(2,472)	(2,011)	23%
Purchase of property and equipment	(81,682)	-	(81,682)	(29,505)	177%
Other investing activities	(2,997)	-	(2,997)	1,011	-396%
<b>Net cash from / (used in) investing activities</b>	<b>(139,380)</b>	<b>-</b>	<b>(139,380)</b>	<b>(78,710)</b>	<b>77%</b>
<b>Cash flows from / (used in) financing activities</b>					
Proceeds from debt securities issued	-	-	-	34,247	-100%
Redemption of debt securities issued	(1,350)	-	(1,350)	-	100%
Proceeds from borrowings	125,154	-	125,154	39,191	219%
Repayment of borrowings	(103,341)	-	(103,341)	(37,431)	176%
Interest expense paid	(12,660)	-	(12,660)	(15,021)	-16%
Other financing activities	(2,300)	-	(2,300)	2,204	-204%
<b>Net cash flows from / (used in) financing activities</b>	<b>5,503</b>	<b>-</b>	<b>5,503</b>	<b>23,190</b>	<b>-76%</b>
Effect of exchange rates changes on cash and cash equivalents	(4,007)	-	(4,007)	2,673	-250%
<b>Net increase in cash and cash equivalents</b>	<b>(101,978)</b>	<b>8,798</b>	<b>(110,776)</b>	<b>(22,127)</b>	<b>361%</b>
<b>Cash and cash equivalents excluding bank deposits, beginning</b>	<b>145,153</b>	<b>-</b>	<b>145,153</b>	<b>32,784</b>	<b>343%</b>
<b>Cash and cash equivalents excluding bank deposits, ending</b>	<b>43,175</b>	<b>8,798</b>	<b>34,377</b>	<b>10,657</b>	<b>305%</b>
<b>Bank deposits, beginning</b>	<b>12,245</b>	<b>-</b>	<b>12,245</b>	<b>25,484</b>	<b>-52%</b>
<b>Bank deposits, ending</b>	<b>13,690</b>	<b>-</b>	<b>13,690</b>	<b>16,132</b>	<b>-15%</b>
<b>Cash and Bank deposits, beginning</b>	<b>157,398</b>	<b>-</b>	<b>157,398</b>	<b>58,268</b>	<b>170%</b>
<b>Cash and Bank deposits, ending</b>	<b>56,865</b>	<b>8,798</b>	<b>48,067</b>	<b>26,789</b>	<b>112%</b>

Note: Statement of Cash Flows adjusted for effect of accelerated payments of aged accounts payables in 9M 2016 as compared to 9M 2015

# Income Statement, healthcare service business

## Income Statement

<i>GEL thousands; unless otherwise noted</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Healthcare service revenue, gross</b>	<b>59,305</b>	<b>51,131</b>	<b>16.0%</b>	<b>58,779</b>	<b>0.9%</b>	<b>178,535</b>	<b>139,550</b>	<b>27.9%</b>
Corrections & rebates	(762)	(680)	12.1%	(724)	5.2%	(1,896)	(2,522)	-24.8%
<b>Healthcare services revenue, net</b>	<b>58,543</b>	<b>50,451</b>	<b>16.0%</b>	<b>58,055</b>	<b>0.8%</b>	<b>176,639</b>	<b>137,028</b>	<b>28.9%</b>
<b>Costs of healthcare services</b>	<b>(31,170)</b>	<b>(28,821)</b>	<b>8.1%</b>	<b>(31,399)</b>	<b>-0.7%</b>	<b>(95,567)</b>	<b>(77,283)</b>	<b>23.7%</b>
<b>Gross profit</b>	<b>27,373</b>	<b>21,630</b>	<b>26.6%</b>	<b>26,656</b>	<b>2.7%</b>	<b>81,072</b>	<b>59,745</b>	<b>35.7%</b>
Salaries and other employee benefits	(6,003)	(6,060)	-0.9%	(5,254)	14.3%	(17,372)	(16,897)	2.8%
General and administrative expenses	(3,708)	(1,954)	89.8%	(3,517)	5.4%	(9,708)	(5,641)	72.1%
Impairment of receivables	(48)	(943)	-94.9%	(1,120)	-95.7%	(2,026)	(2,680)	-24.4%
Other operating income	180	1,970	-90.9%	395	-54.4%	816	2,461	-66.8%
<b>EBITDA</b>	<b>17,794</b>	<b>14,642</b>	<b>21.5%</b>	<b>17,160</b>	<b>3.7%</b>	<b>52,782</b>	<b>36,987</b>	<b>42.7%</b>
<b>EBITDA margin</b>	<b>30.0%</b>	<b>28.6%</b>		<b>29.2%</b>		<b>29.6%</b>	<b>26.5%</b>	
Depreciation and amortisation	(4,613)	(3,327)	38.7%	(4,121)	11.9%	(12,995)	(7,927)	63.9%
Net interest income (expense)	(3,125)	(4,733)	-34.0%	(2,999)	4.2%	(8,383)	(14,817)	-43.4%
Net gains/(losses) from foreign currencies	(95)	(1,982)	-95.2%	(1,711)	-94.4%	(2,217)	2,898	-176.5%
Net non-recurring income/(expense)	22	(676)	-103.3%	387	-94.3%	179	(1,443)	-112.4%
<b>Profit before income tax expense</b>	<b>9,983</b>	<b>3,923</b>	<b>154.5%</b>	<b>8,716</b>	<b>14.5%</b>	<b>29,366</b>	<b>15,697</b>	<b>87.1%</b>
Income tax benefit/(expense)	(612)	(196)	212.8%	26,619	-102.3%	27,493	512	NMF
<i>of which: Deferred tax adjustments</i>	-	-		27,113		29,311	-	
<b>Profit for the period</b>	<b>9,371</b>	<b>3,728</b>	<b>151.4%</b>	<b>35,335</b>	<b>-73.5%</b>	<b>56,859</b>	<b>16,210</b>	<b>250.8%</b>
<b>Attributable to:</b>								
- shareholders of the Company	6,721	2,453	174.0%	29,888	-77.5%	46,660	13,473	246.3%
- non-controlling interests	2,650	1,275	107.8%	5,447	-51.3%	10,199	2,737	272.6%
<i>of which: Deferred tax adjustments</i>	-	-		4,705		5,057	-	

# Healthcare services business - P&L breakdowns (1/2)

## Healthcare services business revenue by types of healthcare facilities

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Healthcare services revenue, net</b>	<b>58,543</b>	<b>50,451</b>	<b>16.0%</b>	<b>58,055</b>	<b>0.8%</b>	<b>176,639</b>	<b>137,028</b>	<b>28.9%</b>
Referral hospitals	49,850	44,381	12.3%	49,667	0.4%	151,543	119,962	26.3%
Community hospitals	5,601	4,814	16.3%	5,389	3.9%	16,910	13,332	26.8%
Ambulatory clinics	3,092	1,256	146.1%	2,999	3.1%	8,186	3,734	119.2%

## Healthcare services business revenue by source of payment

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Healthcare services revenue, net</b>	<b>58,543</b>	<b>50,451</b>	<b>16.0%</b>	<b>58,055</b>	<b>0.8%</b>	<b>176,639</b>	<b>137,028</b>	<b>28.9%</b>
Government-funded healthcare programs	42,194	38,786	8.8%	41,835	0.9%	129,406	102,602	26.1%
Out-of-pocket payments by patients	11,197	8,795	27.3%	12,179	-8.1%	34,802	25,990	33.9%
Private medical insurance companies, of which	5,152	2,871	79.5%	4,041	27.5%	12,431	8,437	47.3%
GHG medical insurance	3,574	2,101	70.1%	3,052	17.1%	8,320	6,125	35.8%

## Cost of services and Gross profit, healthcare services business

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Cost of healthcare services</b>	<b>(31,170)</b>	<b>(28,821)</b>	<b>8.1%</b>	<b>(31,399)</b>	<b>-0.7%</b>	<b>(95,567)</b>	<b>(77,283)</b>	<b>23.7%</b>
Cost of salaries and other employee benefits	(19,746)	(18,748)	5.3%	(19,857)	-0.6%	(59,355)	(49,759)	19.3%
Cost of materials and supplies	(8,602)	(7,486)	14.9%	(9,228)	-6.8%	(27,443)	(20,226)	35.7%
Cost of medical service providers	(463)	(852)	-45.7%	(401)	15.5%	(1,292)	(1,830)	-29.4%
Cost of utilities and other	(2,359)	(1,736)	35.9%	(1,913)	23.3%	(7,477)	(5,469)	36.7%
<b>Gross profit</b>	<b>27,373</b>	<b>21,630</b>	<b>26.6%</b>	<b>26,656</b>	<b>2.7%</b>	<b>81,072</b>	<b>59,745</b>	<b>35.7%</b>
<b>Gross margin</b>	<b>46.2%</b>	<b>42.3%</b>		<b>45.3%</b>		<b>45.4%</b>	<b>42.8%</b>	
<i>Cost of healthcare services as % of revenue</i>								
Direct salary rate	33.3%	36.7%		33.8%		33.2%	35.7%	
Materials rate	14.5%	14.6%		15.7%		15.4%	14.5%	

# Healthcare services business - P&L breakdowns (2/2)

## Operating expenses and EBITDA, healthcare services business

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Operating expenses</b>	<b>(9,579)</b>	<b>(6,988)</b>	<b>37.1%</b>	<b>(9,496)</b>	<b>0.9%</b>	<b>(28,290)</b>	<b>(22,758)</b>	<b>24.3%</b>
Salaries and other employee benefits	(6,003)	(6,060)	-0.9%	(5,254)	14.3%	(17,372)	(16,897)	2.8%
General and administrative expenses	(3,708)	(1,954)	89.8%	(3,517)	5.4%	(9,708)	(5,641)	72.1%
Impairment of receivables	(48)	(943)	-94.9%	(1,120)	-95.7%	(2,026)	(2,680)	-24.4%
Other operating income	180	1,970	-90.9%	395	-54.4%	816	2,461	-66.8%
<b>EBITDA</b>	<b>17,794</b>	<b>14,642</b>	<b>21.5%</b>	<b>17,160</b>	<b>3.7%</b>	<b>52,782</b>	<b>36,987</b>	<b>42.7%</b>
<b>EBITDA margin</b>	<b>30.0%</b>	<b>28.6%</b>		<b>29.2%</b>		<b>29.6%</b>	<b>26.5%</b>	

## Depreciation; net-interest expense and Profit for the period, healthcare services business

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
Depreciation and amortisation	(4,613)	(3,327)	38.7%	(4,121)	11.9%	(12,995)	(7,927)	63.9%
Net interest income (expense)	(3,125)	(4,733)	-34.0%	(2,999)	4.2%	(8,383)	(14,817)	-43.4%
Net gains/(losses) from foreign currencies	(95)	(1,982)	-95.2%	(1,711)	-94.4%	(2,217)	2,898	-176.5%
Net non-recurring income/(expense)	22	(676)	-103.3%	387	-94.3%	179	(1,443)	-112.4%
<b>Profit before income tax expense</b>	<b>9,983</b>	<b>3,923</b>	<b>154.5%</b>	<b>8,716</b>	<b>14.5%</b>	<b>29,366</b>	<b>15,697</b>	<b>87.1%</b>
Income tax benefit/(expense)	(612)	(196)	212.8%	26,619	-102.3%	27,493	512	NMF
<i>of which: Deferred tax adjustments</i>	-	-		27,113		29,311	-	
<b>Profit for the period</b>	<b>9,371</b>	<b>3,728</b>	<b>151.4%</b>	<b>35,335</b>	<b>-73.5%</b>	<b>56,859</b>	<b>16,210</b>	<b>250.8%</b>
<b>Attributable to:</b>								
- shareholders of the Company	6,721	2,453	174.0%	29,888	-77.5%	46,660	13,473	246.3%
- non-controlling interests	2,650	1,275	107.8%	5,447	-51.3%	10,199	2,737	272.6%
<i>of which: Deferred tax adjustments</i>	-	-		4,705		5,057	-	

# Income Statement, Pharma business

## Income statement

*GEL thousands; unless otherwise noted*

	3Q16	2Q16	YTD 2016
<b>Pharma revenue</b>	<b>45,725</b>	<b>30,691</b>	<b>76,416</b>
<b>Costs of pharma</b>	<b>(35,915)</b>	<b>(25,059)</b>	<b>(60,974)</b>
<b>Gross profit</b>	<b>9,810</b>	<b>5,632</b>	<b>15,442</b>
Salaries and other employee benefits	(4,106)	(2,690)	(6,796)
General and administrative expenses	(4,066)	(2,533)	(6,599)
Impairment of receivables	-	-	-
Other operating income	150	145	295
<b>EBITDA</b>	<b>1,788</b>	<b>554</b>	<b>2,342</b>
<b>EBITDA margin</b>	<b>3.9%</b>	<b>1.8%</b>	<b>3.1%</b>
Depreciation and amortisation	(391)	(258)	(649)
Net interest income (expense)	(627)	(427)	(1,054)
Net gains/(losses) from foreign currencies	(77)	(272)	(349)
Net non-recurring income/(expense)	(71)	-	(71)
<b>Profit before income tax expense</b>	<b>622</b>	<b>(403)</b>	<b>219</b>
Income tax benefit/(expense)	-	-	-
<b>Profit for the period</b>	<b>622</b>	<b>(403)</b>	<b>219</b>
<b>Attributable to:</b>			
- shareholders of the Company	622	(403)	219
- non-controlling interests	-	-	-



# Income Statement, Medical insurance business

## Income Statement

<i>GEL thousands; unless otherwise noted</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Net insurance premiums earned</b>	<b>16,054</b>	<b>15,196</b>	<b>5.6%</b>	<b>15,298</b>	<b>4.9%</b>	<b>45,182</b>	<b>43,010</b>	<b>5.0%</b>
<b>Cost of insurance services</b>	<b>(13,939)</b>	<b>(12,123)</b>	<b>15.0%</b>	<b>(13,989)</b>	<b>-0.4%</b>	<b>(40,775)</b>	<b>(35,444)</b>	<b>15.0%</b>
<b>Gross profit</b>	<b>2,115</b>	<b>3,073</b>	<b>-31.2%</b>	<b>1,309</b>	<b>61.6%</b>	<b>4,407</b>	<b>7,566</b>	<b>-41.8%</b>
Salaries and other employee benefits	(1,196)	(1,078)	11.0%	(1,328)	-9.9%	(3,343)	(3,006)	11.2%
General and administrative expenses	(649)	(558)	16.3%	(708)	-8.3%	(2,076)	(1,821)	14.0%
Impairment of receivables	(124)	(47)	164.9%	(116)	6.9%	(362)	(156)	132.3%
Other operating income	(1)	(4)	-71.7%	11	-109.1%	(12)	46	-125.8%
<b>EBITDA</b>	<b>145</b>	<b>1,387</b>	<b>-89.5%</b>	<b>(832)</b>	<b>-117.4%</b>	<b>(1,386)</b>	<b>2,630</b>	<b>-152.7%</b>
<b>EBITDA margin</b>	<b>0.9%</b>	<b>9.1%</b>		<b>-5.4%</b>		<b>-3.1%</b>	<b>6.1%</b>	
Depreciation and amortisation	(211)	(155)	36.4%	(202)	4.5%	(617)	(444)	39.1%
Net interest income (expense)	(86)	(53)	62.5%	(43)	100.0%	474	(87)	-645.4%
Net gains/(losses) from foreign currencies	(91)	223	-140.9%	19	-578.9%	79	792	-90.0%
Net non-recurring income/(expense)	-	(46)	NMF	(973)	NMF	(973)	(46)	NMF
<b>Profit before income tax expense</b>	<b>(243)</b>	<b>1,356</b>	<b>-117.9%</b>	<b>(2,031)</b>	<b>-88.0%</b>	<b>(2,423)</b>	<b>2,845</b>	<b>-185.2%</b>
Income tax benefit/(expense)	25	164	-84.8%	301	-91.7%	345	(491)	-170.3%
<b>Profit for the period</b>	<b>(218)</b>	<b>1,520</b>	<b>-114.3%</b>	<b>(1,730)</b>	<b>-87.4%</b>	<b>(2,078)</b>	<b>2,354</b>	<b>-188.3%</b>
<b>Attributable to:</b>								
- shareholders of the Company	(218)	1,520	-114.3%	(1,730)	-87.4%	(2,078)	2,354	-188.3%
- non-controlling interests	-	-		-		-	-	

# Medical insurance business - P&L breakdowns

## Medical insurance business revenue by types of clients

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M 15	Change, Y-o-Y
<b>Net insurance premiums earned</b>	<b>16,054</b>	<b>15,196</b>	<b>5.6%</b>	<b>15,298</b>	<b>4.9%</b>	<b>45,182</b>	<b>43,010</b>	<b>5.0%</b>
Private medical insurance products sold to retail clients	2,438	2,041	19.5%	2,108	15.7%	6,516	4,797	35.8%
Private medical insurance products sold to corporate clients	13,616	13,155	3.5%	13,190	3.2%	38,666	38,213	1.2%

## Cost of insurance services, medical insurance business

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M 15	Change, Y-o-Y
<b>Cost of insurance services</b>	<b>(12,834)</b>	<b>(11,286)</b>	<b>13.7%</b>	<b>(13,003)</b>	<b>-1.3%</b>	<b>(37,790)</b>	<b>(33,158)</b>	<b>14.0%</b>
Private medical insurance products sold to retail clients	(1,512)	(1,096)	38.0%	(1,570)	-3.7%	(4,397)	(2,468)	78.2%
Private medical insurance products sold to corporate clients	(11,322)	(10,190)	11.1%	(11,433)	-1.0%	(33,393)	(30,690)	8.8%
<b>Agents, brokers and employee commissions</b>	<b>(1,105)</b>	<b>(837)</b>	<b>32.0%</b>	<b>(986)</b>	<b>12.1%</b>	<b>(2,985)</b>	<b>(2,286)</b>	<b>30.6%</b>
<b>Gross profit</b>	<b>2,115</b>	<b>3,073</b>	<b>-31.2%</b>	<b>1,309</b>	<b>61.6%</b>	<b>4,407</b>	<b>7,566</b>	<b>-41.8%</b>

## Operating expenses and EBITDA, medical insurance business

<i>(GEL thousands, unless otherwise noted)</i>	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	9M16	9M15	Change, Y-o-Y
<b>Operating expenses</b>	<b>(1,970)</b>	<b>(1,686)</b>	<b>16.8%</b>	<b>(2,141)</b>	<b>-8.0%</b>	<b>(5,793)</b>	<b>(4,936)</b>	<b>17.4%</b>
Salaries and other employee benefits	(1,196)	(1,078)	11.0%	(1,328)	-9.9%	(3,343)	(3,006)	11.2%
General and administrative expenses	(649)	(558)	16.3%	(708)	-8.3%	(2,076)	(1,821)	14.0%
Impairment of receivables	(124)	(47)	164.9%	(116)	6.9%	(362)	(156)	132.3%
Other operating income	(1)	(4)	-71.7%	11	-109.1%	(12)	46	-125.8%
<b>EBITDA</b>	<b>145</b>	<b>1,387</b>	<b>-89.5%</b>	<b>(832)</b>	<b>-117.4%</b>	<b>(1,386)</b>	<b>2,630</b>	<b>-152.7%</b>

# Consolidated income statement, 9M16

## Income Statement, 9M16

	Healthcare services			Medical insurance		Pharma	Eliminations		GHG			
<i>GEL thousands; unless otherwise noted</i>	9M16	9M15	Change, Y-o-Y	9M16	9M15	Change, Y-o-Y	YTD16	9M16	9M15	9M16	9M15	Change, Y-o-Y
<b>Revenue, gross</b>	<b>178,535</b>	<b>139,550</b>	<b>27.9%</b>	<b>45,182</b>	<b>43,010</b>	<b>5.0%</b>	<b>76,416</b>	<b>(9,725)</b>	<b>(6,322)</b>	<b>290,408</b>	<b>176,238</b>	<b>64.8%</b>
Corrections & rebates	(1,896)	(2,522)	-24.8%	-	-	-	-	-	-	(1,896)	(2,522)	-24.8%
<b>Revenue, net</b>	<b>176,639</b>	<b>137,028</b>	<b>28.9%</b>	<b>45,182</b>	<b>43,010</b>	<b>5.0%</b>	<b>76,416</b>	<b>(9,725)</b>	<b>(6,322)</b>	<b>288,512</b>	<b>173,716</b>	<b>66.1%</b>
<b>Costs of services</b>	<b>(95,567)</b>	<b>(77,283)</b>	<b>23.7%</b>	<b>(40,775)</b>	<b>(35,444)</b>	<b>15.0%</b>	<b>(60,974)</b>	<b>9,207</b>	<b>6,125</b>	<b>(188,109)</b>	<b>(106,603)</b>	<b>76.5%</b>
Cost of salaries and other employee benefits	(59,355)	(49,759)	19.3%	-	-	-	-	3,228	2,236	(56,127)	(47,522)	18.1%
Cost of materials and supplies	(27,443)	(20,226)	35.7%	-	-	-	-	1,493	909	(25,950)	(19,317)	34.3%
Cost of medical service providers	(1,292)	(1,830)	-29.4%	-	-	-	-	70	82	(1,222)	(1,748)	-30.1%
Cost of utilities and other	(7,477)	(5,469)	36.7%	-	-	-	-	407	246	(7,070)	(5,223)	35.4%
Net insurance claims incurred	-	-	-	(37,790)	(33,158)	14.0%	-	4,009	2,651	(33,781)	(30,507)	10.7%
Agents, brokers and employee commissions	-	-	-	(2,985)	(2,286)	30.6%	-	-	-	(2,985)	(2,286)	30.6%
Cost of pharma - wholesale	-	-	-	-	-	-	(16,631)	-	-	(16,631)	-	-
Cost of pharma - retail	-	-	-	-	-	-	(44,343)	-	-	(44,343)	-	-
<b>Gross profit</b>	<b>81,072</b>	<b>59,745</b>	<b>35.7%</b>	<b>4,407</b>	<b>7,566</b>	<b>-41.8%</b>	<b>15,442</b>	<b>(518)</b>	<b>(197)</b>	<b>100,403</b>	<b>67,113</b>	<b>49.6%</b>
Salaries and other employee benefits	(17,372)	(16,897)	2.8%	(3,343)	(3,006)	11.2%	(6,796)	518	197	(26,993)	(19,706)	37.0%
General and administrative expenses	(9,708)	(5,641)	72.1%	(2,076)	(1,821)	14.0%	(6,599)	-	2	(18,383)	(7,460)	146.4%
Impairment of receivables	(2,026)	(2,680)	-24.4%	(362)	(156)	132.3%	-	-	-	(2,388)	(2,836)	-15.8%
Other operating income	816	2,461	-66.8%	(12)	46	NMF	295	-	(2)	1,099	2,505	-56.1%
<b>EBITDA</b>	<b>52,782</b>	<b>36,987</b>	<b>42.7%</b>	<b>(1,386)</b>	<b>2,630</b>	<b>NMF</b>	<b>2,342</b>	<b>-</b>	<b>-</b>	<b>53,738</b>	<b>39,617</b>	<b>35.6%</b>
<b>EBITDA margin</b>	<b>29.6%</b>	<b>26.5%</b>		<b>-3.1%</b>	<b>6.1%</b>		<b>3.1%</b>	<b>-</b>	<b>-</b>	<b>18.5%</b>	<b>22.5%</b>	
Depreciation and amortisation	(12,995)	(7,927)	63.9%	(617)	(444)	39.1%	(649)	-	-	(14,261)	(8,371)	70.4%
Net interest income (expense)	(8,383)	(14,817)	-43.4%	474	(87)	NMF	(1,054)	-	-	(8,963)	(14,904)	-39.9%
Net gains/(losses) from foreign currencies	(2,217)	2,898	NMF	79	792	-90.0%	(349)	-	-	(2,487)	3,690	NMF
Net non-recurring income/(expense)	179	(1,443)	NMF	(973)	(46)	NMF	(71)	-	-	(864)	(1,489)	NMF
<b>Profit before income tax expense</b>	<b>29,366</b>	<b>15,697</b>	<b>87.1%</b>	<b>(2,423)</b>	<b>2,845</b>	<b>NMF</b>	<b>219</b>	<b>-</b>	<b>-</b>	<b>27,163</b>	<b>18,542</b>	<b>46.5%</b>
Income tax benefit/(expense)	27,493	512	NMF	345	(491)	NMF	-	-	-	27,838	22	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>
<b>Profit for the period</b>	<b>56,859</b>	<b>16,210</b>	<b>250.8%</b>	<b>(2,078)</b>	<b>2,354</b>	<b>NMF</b>	<b>219</b>	<b>-</b>	<b>-</b>	<b>55,001</b>	<b>18,564</b>	<b>196.3%</b>
<b>Attributable to:</b>												
- shareholders of the Company	46,660	13,473	246.3%	(2,078)	2,354	NMF	219	-	-	44,801	15,827	183.1%
- non-controlling interests	10,199	2,737	272.6%	-	-	-	-	-	-	10,200	2,737	272.6%
<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

	Healthcare services				Medical insurance				Pharma		Eliminations			GHG							
	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	3Q16	May-June 2016	3Q16	3Q15	2Q16	3Q16	3Q15	Change, Y-o-Y	2Q16	Change, Q-o-Q	
<b>Revenue, gross</b>	<b>59,305</b>	<b>51,131</b>	<b>16.0%</b>	<b>58,779</b>	<b>0.9%</b>	<b>16,054</b>	<b>15,196</b>	<b>5.6%</b>	<b>15,298</b>	<b>4.9%</b>	<b>45,725</b>	<b>30,691</b>	<b>(4,925)</b>	<b>(2,135)</b>	<b>(3,095)</b>	<b>116,159</b>	<b>64,192</b>	<b>81.0%</b>	<b>101,673</b>	<b>14.2%</b>	
Corrections & rebates	(762)	(680)	12.1%	(724)	5.2%	-	-	-	-	-	-	-	-	-	-	(762)	(680)	12.1%	(724)	5.2%	
<b>Revenue, net</b>	<b>58,543</b>	<b>50,451</b>	<b>16.0%</b>	<b>58,055</b>	<b>0.8%</b>	<b>16,054</b>	<b>15,196</b>	<b>5.6%</b>	<b>15,298</b>	<b>4.9%</b>	<b>45,725</b>	<b>30,691</b>	<b>(4,925)</b>	<b>(2,135)</b>	<b>(3,095)</b>	<b>115,397</b>	<b>63,512</b>	<b>81.7%</b>	<b>100,949</b>	<b>14.3%</b>	
<b>Costs of services</b>	<b>(31,170)</b>	<b>(28,821)</b>	<b>8.1%</b>	<b>(31,399)</b>	<b>-0.7%</b>	<b>(13,939)</b>	<b>(12,123)</b>	<b>15.0%</b>	<b>(13,989)</b>	<b>-0.4%</b>	<b>(35,915)</b>	<b>(25,059)</b>	<b>4,461</b>	<b>2,101</b>	<b>3,052</b>	<b>(76,563)</b>	<b>(38,844)</b>	<b>97.1%</b>	<b>(67,395)</b>	<b>13.6%</b>	
Cost of salaries and other employee benefits	(19,746)	(18,748)	5.3%	(19,857)	-0.6%	-	-	-	-	-	-	-	1,569	794	1,094	(18,177)	(17,953)	1.2%	(18,763)	-3.1%	
Cost of materials and supplies	(8,602)	(7,486)	14.9%	(9,228)	-6.8%	-	-	-	-	-	-	-	704	317	514	(7,898)	(7,169)	10.2%	(8,714)	-9.4%	
Cost of medical service providers	(463)	(852)	-45.7%	(401)	15.5%	-	-	-	-	-	-	-	35	37	23	(428)	(815)	-47.5%	(378)	13.2%	
Cost of utilities and other	(2,359)	(1,736)	35.9%	(1,913)	23.3%	-	-	-	-	-	-	-	193	72	122	(2,166)	(1,664)	30.2%	(1,791)	20.9%	
Net insurance claims incurred	-	-	-	-	-	(12,834)	(11,286)	13.7%	(13,003)	-1.3%	-	-	1,960	880	1,299	(10,874)	(10,406)	4.5%	(11,704)	-7.1%	
Agents, brokers and employee commissions	-	-	-	-	-	(1,105)	(837)	32.0%	(986)	12.1%	-	-	-	-	-	(1,105)	(837)	32.0%	(986)	12.1%	
Cost of pharma - wholesale	-	-	-	-	-	-	-	-	-	-	(10,086)	(6,545)	-	-	-	(10,086)	-	-	(6,545)	-	
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(25,829)	(18,514)	-	-	-	(25,829)	-	-	(18,514)	-	
<b>Gross profit</b>	<b>27,373</b>	<b>21,630</b>	<b>26.6%</b>	<b>26,656</b>	<b>2.7%</b>	<b>2,115</b>	<b>3,073</b>	<b>-31.2%</b>	<b>1,309</b>	<b>61.6%</b>	<b>9,810</b>	<b>5,632</b>	<b>(464)</b>	<b>(34)</b>	<b>(43)</b>	<b>38,834</b>	<b>24,668</b>	<b>57.4%</b>	<b>33,554</b>	<b>15.7%</b>	
Salaries and other employee benefits	(6,003)	(6,060)	-0.9%	(5,254)	14.3%	(1,196)	(1,078)	11.0%	(1,328)	-9.9%	(4,106)	(2,690)	464	34	43	(10,841)	(7,104)	52.6%	(9,229)	17.5%	
General and administrative expenses	(3,708)	(1,954)	89.8%	(3,517)	5.4%	(649)	(558)	16.3%	(708)	-8.3%	(4,066)	(2,533)	-	2	-	(8,423)	(2,510)	235.6%	(6,758)	24.6%	
Impairment of receivables	(48)	(943)	-94.9%	(1,120)	-95.7%	(124)	(47)	164.9%	(116)	6.9%	-	-	-	-	-	(172)	(990)	-82.6%	(1,236)	-86.1%	
Other operating income	180	1,970	-90.9%	395	-54.4%	(1)	(4)	-71.7%	10	-110.0%	150	145	-	(2)	-	329	1,964	-83.2%	550	-40.2%	
<b>EBITDA</b>	<b>17,794</b>	<b>14,642</b>	<b>21.5%</b>	<b>17,160</b>	<b>3.7%</b>	<b>145</b>	<b>1,387</b>	<b>-89.5%</b>	<b>(832)</b>	<b>-117.4%</b>	<b>1,788</b>	<b>554</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,727</b>	<b>16,029</b>	<b>23.1%</b>	<b>16,882</b>	<b>16.9%</b>	
<b>EBITDA margin</b>	<b>30.0%</b>	<b>28.6%</b>		<b>29.2%</b>		<b>0.9%</b>	<b>9.1%</b>		<b>-5.4%</b>		<b>3.9%</b>	<b>1.8%</b>				<b>17.0%</b>	<b>25.0%</b>		<b>16.6%</b>		
Depreciation and amortisation	(4,613)	(3,327)	38.7%	(4,121)	11.9%	(211)	(155)	36.4%	(202)	4.5%	(391)	(258)	-	-	-	(5,215)	(3,482)	49.8%	(4,581)	13.8%	
Net interest income (expense)	(3,125)	(4,733)	-34.0%	(2,999)	4.2%	(86)	(53)	62.5%	(43)	NMF	(627)	(427)	-	-	-	(3,838)	(4,786)	-19.8%	(3,469)	10.6%	
Net gains/(losses) from foreign currencies	(95)	(1,982)	NMF	(1,711)	-94.4%	(91)	223	-140.9%	19	-578.9%	(77)	(272)	-	-	-	(263)	(1,759)	NMF	(1,964)	-86.6%	
Net non-recurring income/(expense)	22	(676)	NMF	387	-94.3%	-	(46)	-	(973)	-	(71)	-	-	-	-	(49)	(722)	NMF	(586)	-91.6%	
<b>Profit before income tax expense</b>	<b>9,983</b>	<b>3,923</b>	<b>154.5%</b>	<b>8,716</b>	<b>14.5%</b>	<b>(243)</b>	<b>1,356</b>	<b>NMF</b>	<b>(2,031)</b>	<b>-88.0%</b>	<b>622</b>	<b>(403)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,362</b>	<b>5,279</b>	<b>96.3%</b>	<b>6,282</b>	<b>64.9%</b>	
Income tax benefit/(expense)	(612)	(196)	NMF	26,619	-102.3%	25	164	-84.8%	301	-91.7%	-	-	-	-	-	(587)	(31)	NMF	26,920	-102.2%	
<i>of which: Deferred tax adjustments</i>	-	-	-	27,113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,113	-
<b>Profit for the period</b>	<b>9,371</b>	<b>3,728</b>	<b>151.4%</b>	<b>35,335</b>	<b>-73.5%</b>	<b>(218)</b>	<b>1,520</b>	<b>NMF</b>	<b>(1,730)</b>	<b>-87.4%</b>	<b>622</b>	<b>(403)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,775</b>	<b>5,248</b>	<b>86.3%</b>	<b>33,202</b>	<b>-70.6%</b>	
<b>Attributable to:</b>																					
- shareholders of the Company	6,721	2,453	174.0%	29,888	-77.5%	(218)	1,520	NMF	(1,730)	-87.4%	622	(403)	-	-	-	7,125	3,973	79.3%	27,755	-74.3%	
- non-controlling interests	2,650	1,275	107.8%	5,447	-51.3%	-	-	-	-	-	-	-	-	-	-	2,650	1,275	107.8%	5,447	-51.3%	
<i>of which: Deferred tax adjustments</i>	-	-	-	4,705	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,705	-	

# Balance sheet

## Balance Sheet

	<u>Healthcare services</u>					<u>Medical insurance</u>					<u>Pharma</u>		
<i>GEL thousands; unless otherwise noted</i>	30-Sep-16	30-Sep-15	Change, Y-o-Y	30-Jun-16	Change, Q-o-Q	30-Sep-16	30-Sep-15	Change, Y-o-Y	30-Jun-16	Change, Q-o-Q	30-Sep-16	30-Jun-16	Change, Q-o-Q
<b>Total assets, of which:</b>	<b>738,935</b>	<b>557,564</b>	<b>32.5%</b>	<b>675,998</b>	<b>9.3%</b>	<b>67,643</b>	<b>73,767</b>	<b>-8.3%</b>	<b>71,120</b>	<b>-4.9%</b>	<b>59,917</b>	<b>56,334</b>	<b>6.4%</b>
Cash and bank deposits	34,699	7,368	370.9%	12,551	176.5%	12,259	19,421	-36.9%	11,991	2.2%	1,109	1,853	-40.2%
Receivables from healthcare services	81,766	66,264	23.4%	77,757	5.2%	-	-	-	-	-	-	-	-
Receivables from sale of pharmaceuticals	-	-	-	-	-	-	-	-	-	-	10,538	6,110	72.5%
Insurance premiums receivable	-	-	-	-	-	31,852	29,205	9.1%	34,959	-8.9%	-	-	-
Property and equipment	527,358	420,518	25.4%	488,105	8.0%	5,693	3,786	50.4%	5,684	0.2%	8,155	7,950	2.6%
Goodwill and other intangible assets	28,415	16,193	75.5%	28,192	0.8%	6,057	6,011	0.8%	6,091	-0.6%	823	829	-0.7%
Inventory	12,889	11,097	16.1%	8,552	50.7%	162	169	-4.1%	226	-28.3%	36,439	33,692	8.2%
Prepayments	38,256	5,578	585.8%	45,226	-15.4%	3,121	1,797	73.7%	2,148	45.3%	346	2,972	-88.4%
Other assets	15,553	30,546	-49.1%	15,615	-0.4%	8,499	13,378	-36.5%	10,021	-15.2%	2,507	2,928	-14.4%
<b>Total liabilities, of which:</b>	<b>271,726</b>	<b>328,551</b>	<b>-17.3%</b>	<b>216,391</b>	<b>25.6%</b>	<b>51,291</b>	<b>53,550</b>	<b>-4.2%</b>	<b>54,229</b>	<b>-5.4%</b>	<b>58,273</b>	<b>55,225</b>	<b>5.5%</b>
Borrowed Funds	172,568	208,801	-17.4%	120,897	42.7%	10,144	18,553	-45.3%	11,942	-15.1%	20,022	18,020	11.1%
Accounts payable	24,709	28,365	-12.9%	25,156	-1.8%	-	930	-	-	-	33,224	31,122	6.8%
Insurance contract liabilities	-	-	-	-	-	33,917	27,997	21.1%	35,424	-4.3%	-	-	-
Other liabilities	74,450	91,385	-18.5%	70,338	5.8%	7,230	6,070	19.1%	6,863	5.3%	5,027	6,083	-17.4%
<b>Total shareholders' equity attributable to:</b>	<b>467,209</b>	<b>229,013</b>	<b>104.0%</b>	<b>459,607</b>	<b>1.7%</b>	<b>16,352</b>	<b>20,217</b>	<b>-19.1%</b>	<b>16,891</b>	<b>-3.2%</b>	<b>1,644</b>	<b>1,109</b>	<b>48.2%</b>
Shareholders of the Company	413,093	171,698	140.6%	408,203	1.2%	16,352	20,217	-19.1%	16,891	-3.2%	1,644	1,109	48.2%
Non-controlling interest	54,116	57,315	-5.6%	51,404	5.3%	-	-	-	-	-	-	-	-

	<u>Eliminations</u>			<u>GHG</u>				
<i>GEL thousands; unless otherwise noted</i>	30-Sep-16	30-Sep-15	30-Jun-16	30-Sep-16	30-Sep-15	Change, Y-o-Y	30-Jun-16	Change, Q-o-Q
<b>Total assets, of which:</b>	<b>10,445</b>	<b>(9,310)</b>	<b>10,637</b>	<b>876,940</b>	<b>622,021</b>	<b>41.0%</b>	<b>814,089</b>	<b>7.7%</b>
Cash and bank deposits	-	-	-	48,067	26,789	79.4%	26,395	82.1%
Receivables from healthcare services	(7,871)	(5,136)	(7,359)	73,895	61,128	20.9%	70,398	5.0%
Receivables from sale of pharmaceuticals	(1,781)	-	-	8,757	-	-	6,110	-
Insurance premiums receivable	(705)	(157)	(684)	31,147	29,048	7.2%	34,275	-9.1%
Property and equipment	-	-	-	541,206	424,304	27.6%	501,739	7.9%
Goodwill and other intangible assets	29,758	-	29,621	65,053	22,204	193.0%	64,733	0.5%
Inventory	-	-	-	49,490	11,266	339.3%	42,470	16.5%
Prepayments	(1,272)	-	(1,272)	40,451	7,375	448.5%	49,074	-17.6%
Other assets	(7,685)	(4,017)	(9,669)	18,874	39,907	-52.7%	18,895	-0.1%
<b>Total liabilities, of which:</b>	<b>(19,314)</b>	<b>(9,310)</b>	<b>(18,984)</b>	<b>361,976</b>	<b>372,791</b>	<b>-2.9%</b>	<b>306,861</b>	<b>18.0%</b>
Borrowed Funds	(7,546)	(4,015)	(9,602)	195,188	223,339	-12.6%	141,257	38.2%
Accounts payable	(3,754)	(3,335)	(3,696)	54,179	25,960	108.7%	52,582	3.0%
Insurance contract liabilities	(2,850)	(1,708)	(2,483)	31,067	26,289	18.2%	32,941	-5.7%
Other liabilities	(5,165)	(252)	(3,203)	81,542	97,203	-16.1%	80,081	1.8%
<b>Total shareholders' equity attributable to:</b>	<b>29,759</b>	<b>-</b>	<b>29,621</b>	<b>514,964</b>	<b>249,230</b>	<b>106.6%</b>	<b>507,228</b>	<b>1.5%</b>
Shareholders of the Company	29,759	-	29,621	460,848	191,915	140.1%	455,824	1.1%
Non-controlling interest	-	-	-	54,116	57,315	-5.6%	51,404	5.3%

# Selected ratios and KPIs

Selected ratios and KPIs	3Q16	3Q15	2Q16	9M16	9M15
<b>GHG</b>					
EPS, GEL	0.06	NMF	0.22	0.35	NMF
EPS normalised, GEL	0.06	NMF	0.08	0.18	NMF
ROAE	10.3%	14.3%	25.1%	15.2%	12.9%
ROAE, normalised	12.0%	14.3%	12.8%	12.4%	12.9%
Group rent expenditure	3,586	455	2,266	5,851	1,145
<i>of which, Pharma</i>	2,596	-	1,642	4,237	-
Group capex (maintenance)	2,375	1,917	2,053	6,965	5,745
Group capex (growth)	30,311	15,428	29,895	74,563	37,179
Number of employees	12,478	9,490	11,884	12,478	9,490
Number of physicians	3,140	2,690	2,954	3,140	2,690
Number of nurses	2,840	2,684	2,795	2,840	2,684
Nurse to doctor ratio, referral hospitals	0.93	0.93	0.95	0.93	0.93
Total number of shares				131,681,820	
Less: Treasury shares				(3,727,835)	
Shares outstanding				127,953,985	28,334,829
<i>Of which:</i>					
Total free float				42,550,000	
Shares held by BGEO GROUP PLC				85,631,820	
<b>Healthcare services</b>					
EBITDA margin of healthcare services	30.0%	28.6%	29.2%	29.6%	26.5%
Direct salary rate (direct salary as % of revenue)	33.3%	36.7%	33.8%	33.2%	35.7%
Materials rate (direct materials as % of revenue)	14.5%	14.6%	15.7%	15.4%	14.5%
Administrative salary rate (administrative salaries as % of revenue)	10.1%	11.9%	8.9%	9.7%	12.1%
SG&A rate (SG&A expenses as % of revenue)	6.3%	3.8%	6.0%	5.4%	4.0%
Number of hospitals	35	34	35	35	34
Number of district outpatient clinics	11	5	9	11	5
Number of express ambulatory clinics	28	1	28	28	1
Number of beds	2,474	2,220	2,467	2,474	2,220
Number of referral hospital beds	2,012	1,759	2,005	2,005	1,759
Bed occupancy rate	56.8%	52.5%	57.6%	58.1%	52.7%
<i>Bed occupancy rate, referral hospitals</i>	63.7%	60.6%	64.9%	66.4%	60.6%
<i>Bed occupancy rate, community hospitals</i>	24.5%	22.4%	23.9%	25.2%	23.0%
Average length of stay (days)	4.9	4.7	5.1	4.8	5.1
<i>Average length of stay (days), referral hospitals</i>	5.1	4.9	5.3	5.0	5.4
<i>Average length of stay (days), community hospitals</i>	3.4	2.9	3.9	3.5	3.1
<b>Pharma</b>					
EBITDA margin	3.9%	-	1.8%	3.1%	-
Days sales outstanding	21.0	-	NMF	NMF	-
Number of bills issued	2,84million	-	1,92million	4,76million	-
Revenue from wholesale as a percentage of total revenue from pharma	26%	-	25%	26%	-
Revenue from retail as a percentage of total revenue from pharma	74%	-	75%	74%	-
Revenue from para-pharmacy as a percentage of retail revenue from pharma	35%	-	33%	34%	-
Number of pharmacies	112	-	110	112	-
<b>Medical insurance</b>					
Loss ratio	79.9%	74.3%	85.0%	83.6%	77.1%
Expense ratio, <i>of which</i>	20.5%	17.6%	21.8%	20.8%	17.8%
<i>Commission ratio</i>	6.9%	5.5%	6.4%	6.6%	5.3%
Combined ratio	100.4%	91.9%	106.8%	104.4%	94.9%
Renewal rate	78.1%	74.8%	75.7%	77.4%	76.5%

Sources: GHG Internal Reporting



# GPC pharmacies – a la CVS business model



*GPC pharmacy exterior*



*GPC pharmacy interior*



*GPC loyalty card*



# Healthcare infrastructure reform

## *GHG healthcare facilities*

Before



After



Note: pictures are from GHG healthcare facilities





# Healthcare infrastructure reform

## *GHG healthcare facilities*





# Tbilisi referral hospital - Sunstone

Before



After





# Referral and diagnostics hospital - DEKA

Before



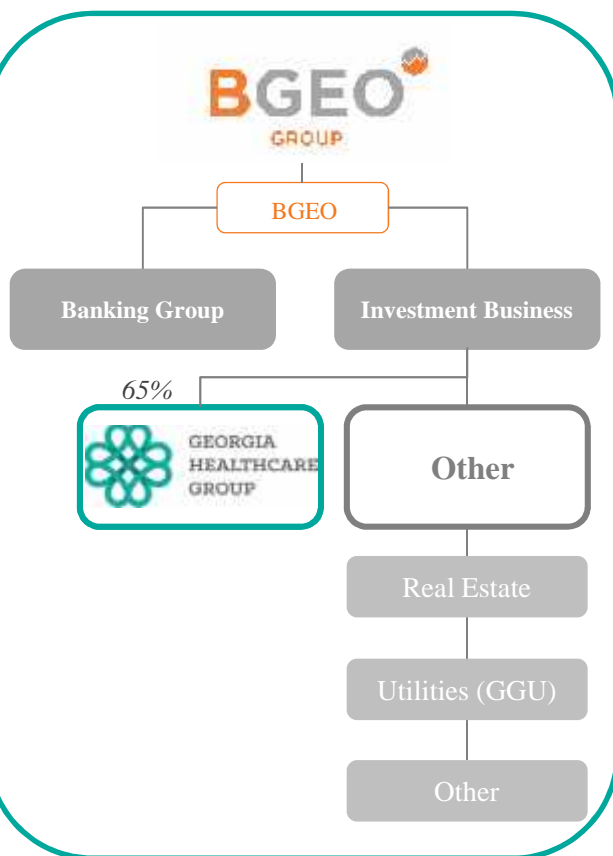
After



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

65% Subsidiary of BGEO Group, holding company of Bank of Georgia - the leading bank in Georgia by total assets, total loans and client deposits

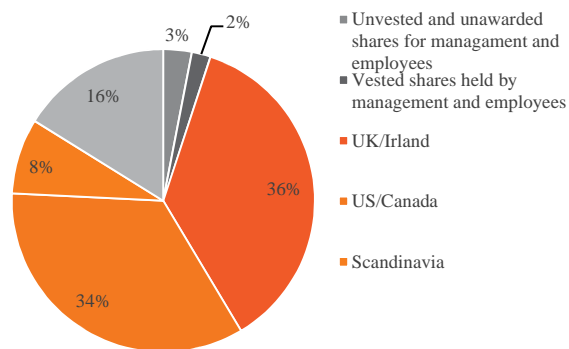
## BGEO Group Structure



## Diversified 95% Institutional Shareholder Base

Included in FTSE 250 and FTSE All-share Index Funds

As of 30 Sep 2016, 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.



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*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.*

*There are various factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, legal, business and social environment. The forward-looking statements in this presentation speak only as of the date of this presentation. The GHG Group undertakes no obligation to revise or update any forward-looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.*