

Financial performance overview

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GHG Investor Day

Tbilisi, Georgia / 10 November 2017



✿ **Financial performance overview**

✿ Funding update

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Progress towards long-term KPI's

(GEL'000)	9M16	9M17	Change, y-o-y
GHG			
Revenue	288,512	548,423	+90.1%
Gross profit	100,403	164,963	+64.3%
EBITDA	53,738	77,269	+43.8%
ROAE, normalised*	12.4%	11.5%	-0.9 ppts
EPS	0.18**	0.17	-5.6%
Healthcare services			
Revenue	176,639	195,263	+10.5%
EBITDA	52,782	51,730	-2.0%
EBITDA margin	29.6%	26.3%	-3.3 ppts
Organic growth of healthcare services revenue	13.4%	9.6%	-3.8 ppts
Pharma			
Revenue	76,416	328,948	+330.5%
Gross margin	20.2%	24.2%	+4.0 ppts
Gross margin, retail	22.1%	26.4%	+2.6 ppts
EBITDA	2,342	26,424	+1028.3%
EBITDA margin	3.1%	8.0%	+4.9 ppts
Medical insurance			
Claims retained within the Group	22.6%	35.4%	+12.8 ppts
Loss ratio	83.6%	84.5%	+0.9 ppts
Combined ratio	104.4%	103.0%	-1.4 ppts

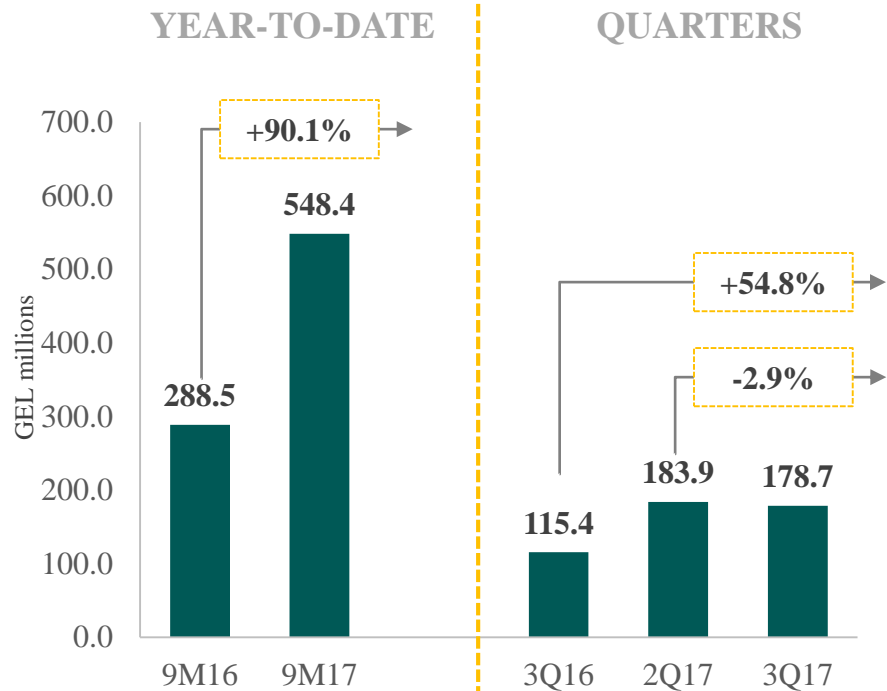
*normalised for non-recurring items and roll-outs

** normalised and adjusted for non-recurring income/expense, deferred tax adjustments and foreign currency translation gain/loss

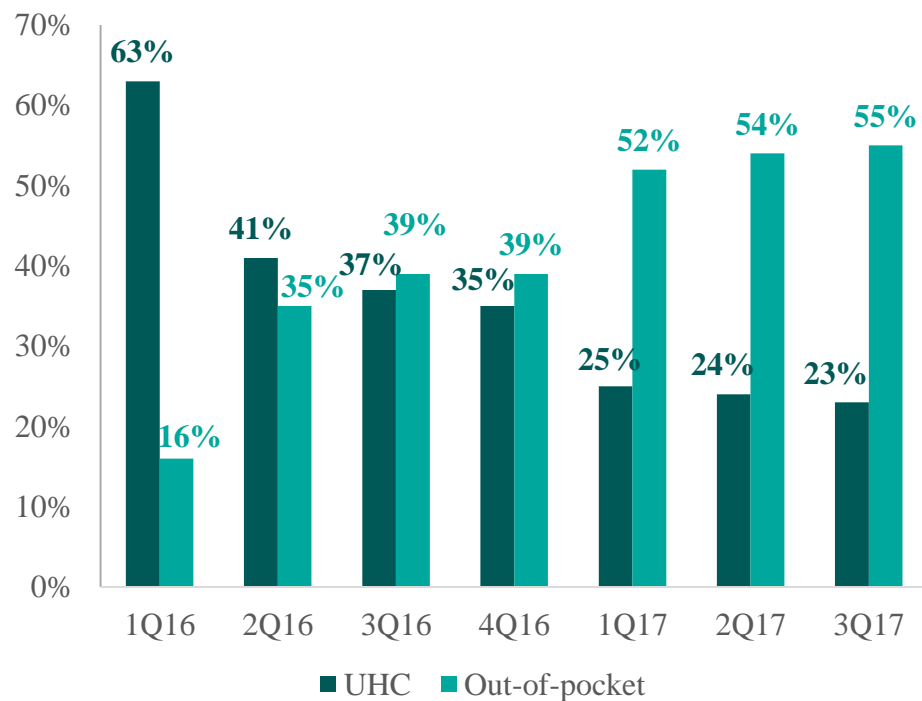


Increasing diversified revenue stream at GHG level

GHG – Net revenue



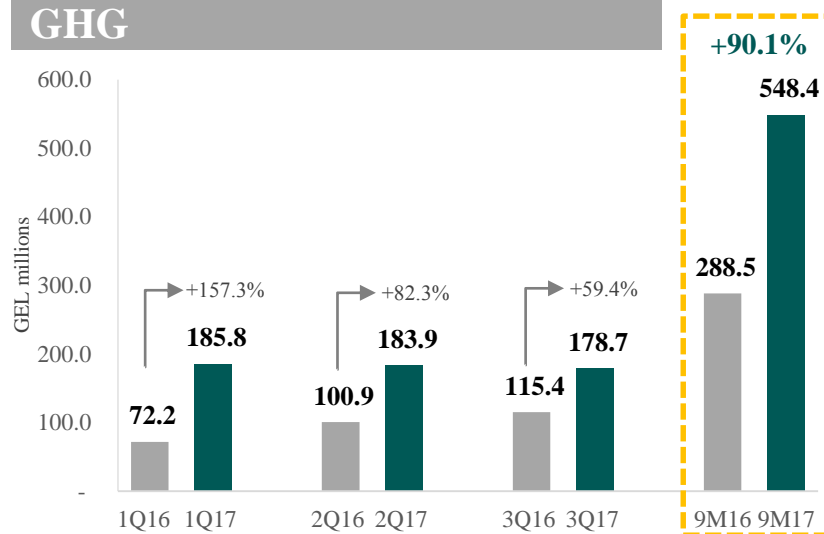
Payment sources dynamics at GHG



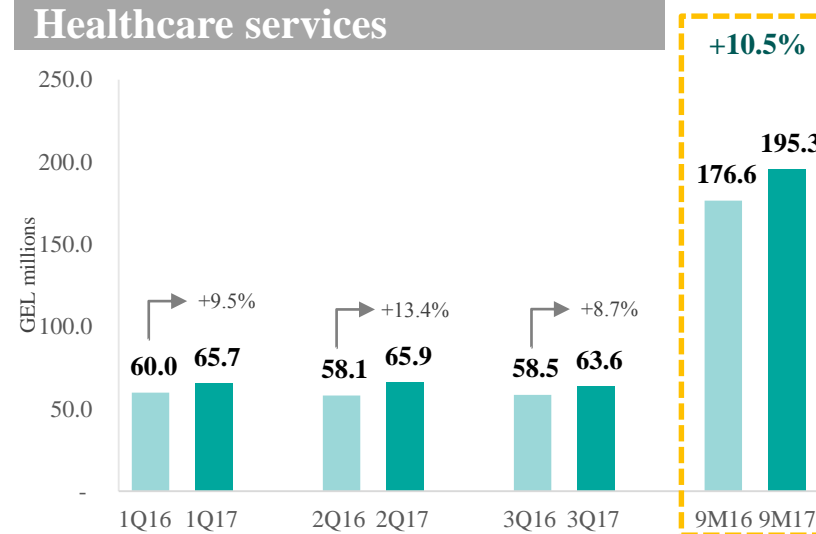


Revenue analysis by quarters

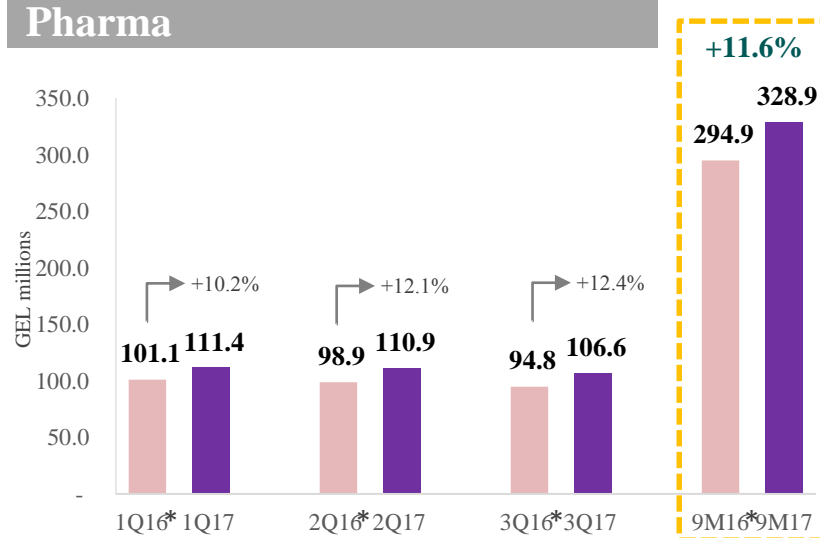
GHG



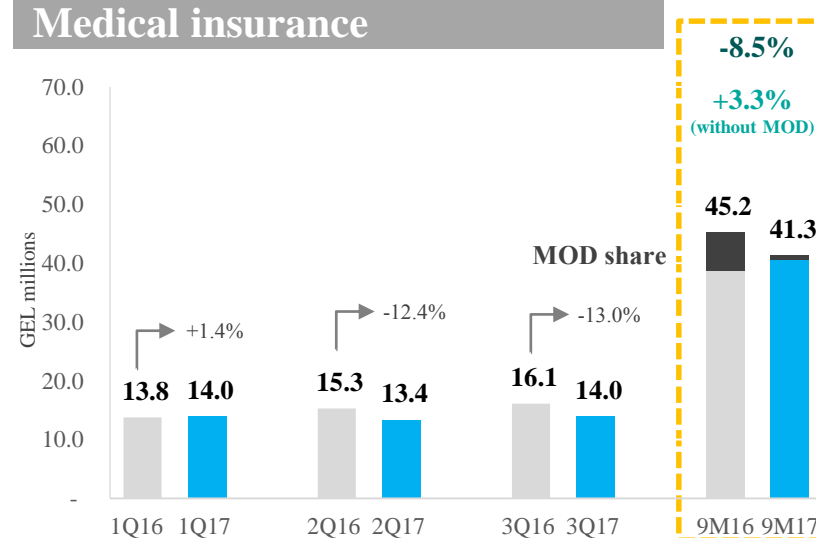
Healthcare services



Pharma



Medical insurance



Source: GHG internal reporting

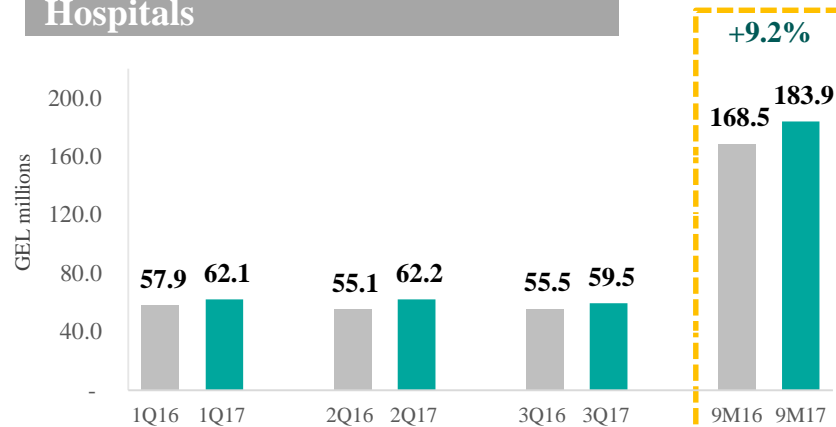
* 2016 pro-forma including Pharmadepot and GPC full year 2016 results



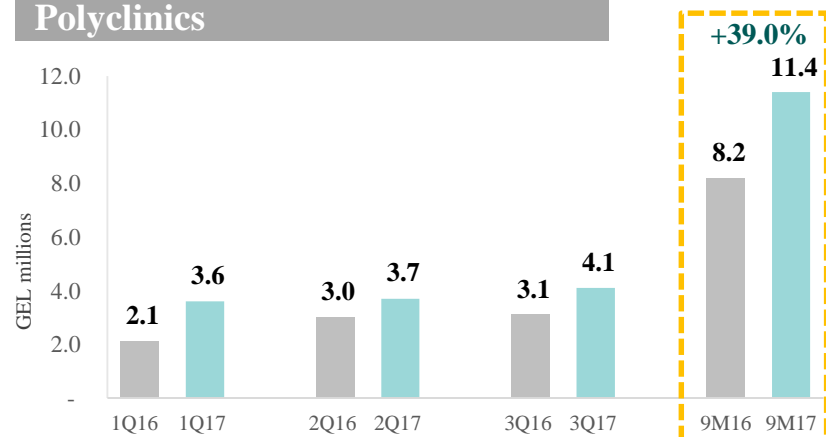
Decreasing share of Government financing in healthcare services business

Revenue by types of healthcare facilities

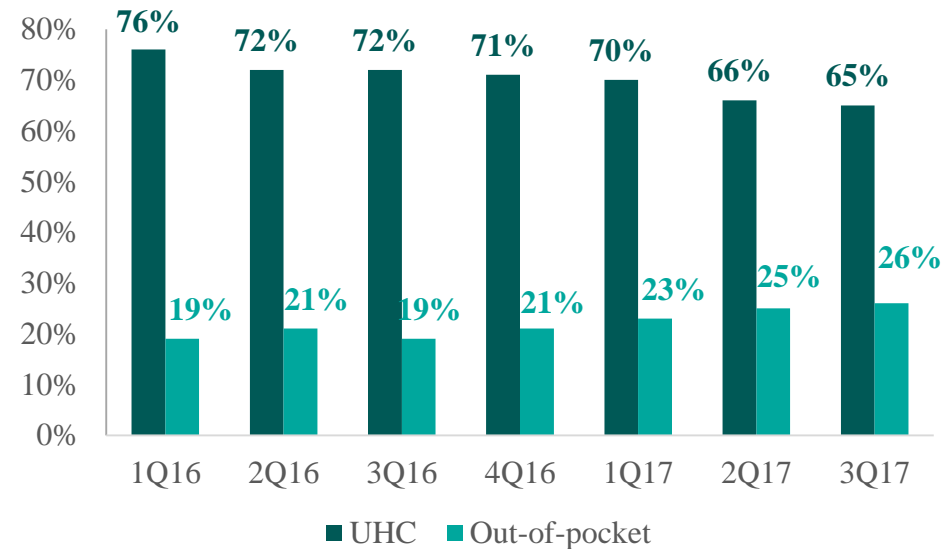
Hospitals



Polyclinics



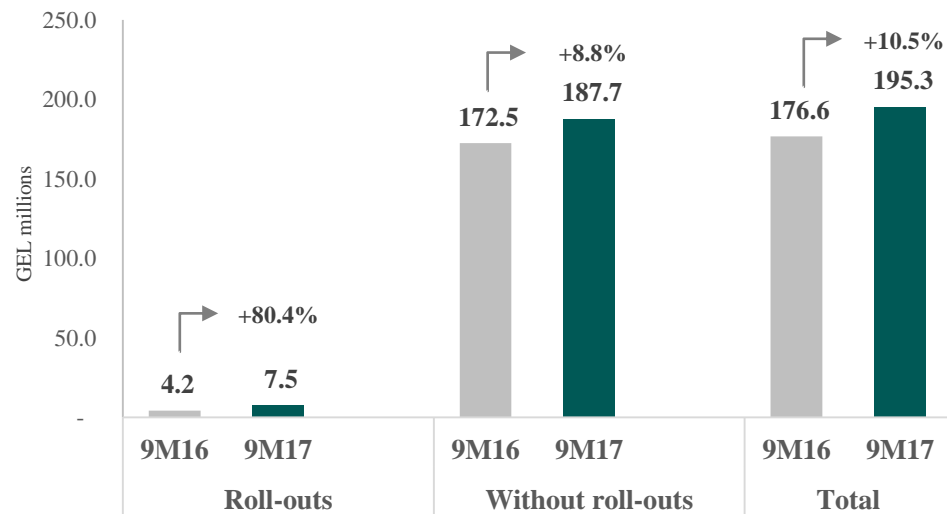
Payment sources dynamics at healthcare services



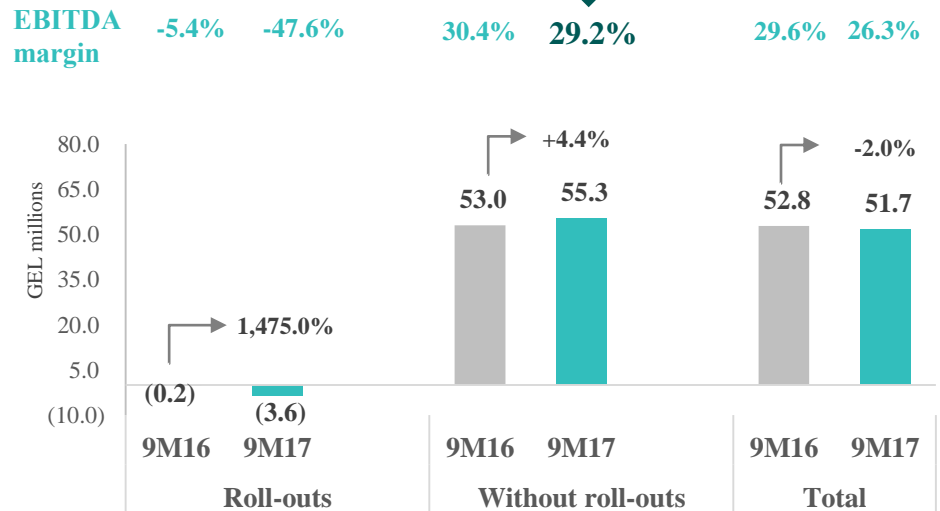


Margin for our healthcare services business is temporarily reduced due to the roll-out phase

Net Healthcare services revenue



Healthcare services EBITDA

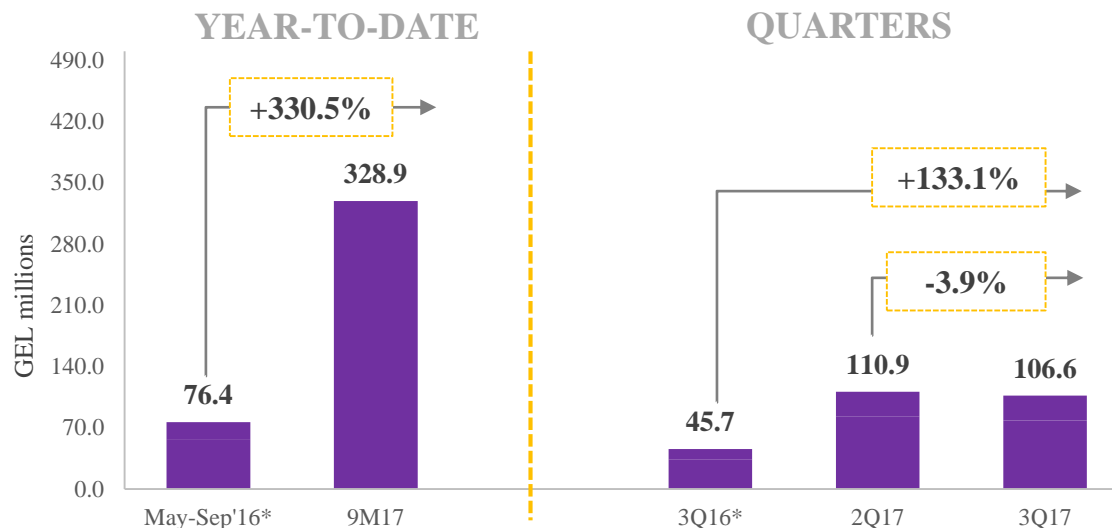




Delivering revenue growth in pharma business

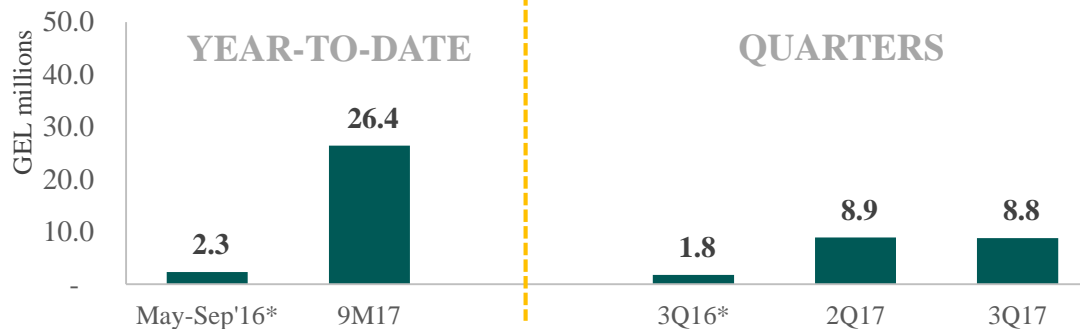
Revenue

Gross Margin % 20.2% 24.2% 21.5% 23.5% 24.7%



EBITDA

EBITDA Margin % 3.1% 8.0% 3.9% 8.0% 8.3%



Source: GHG internal reporting

*Includes only GPC's results



Outperformance of synergies in pharma business

	Initial guidance		Performance	
	GPC	Pharmadepot	GPC	Pharmadepot
Eliminating unnecessary costs <i>Combining the back-office operations</i> <ul style="list-style-type: none">• Combining distribution and warehousing• Eliminating other unnecessary operating costs	GEL 1.9 mln	GEL 3.9 mln	GEL 3.3 mln <i>annualized</i> <i>Exceeded</i>	GEL 2.0 mln <i>annualized</i> <i>In progress</i>
Cost synergies <i>cost saving from consolidated purchasing of pharma and healthcare services</i>	GEL 3.0 mln	GEL 7.9 mln	GEL 3.4 mln <i>annualized</i> <i>Exceeded</i>	GEL 7.6 mln <i>annualized</i> <i>In progress</i>
GEL 6.7 million annualised synergies extracted from GPC				
GEL 9.6 million annualised synergies already extracted from Pharmadepot				



New initiatives implemented by medical insurance business started to have the positive effect in 3Q17

Revenue

Loss ratio

83.6%

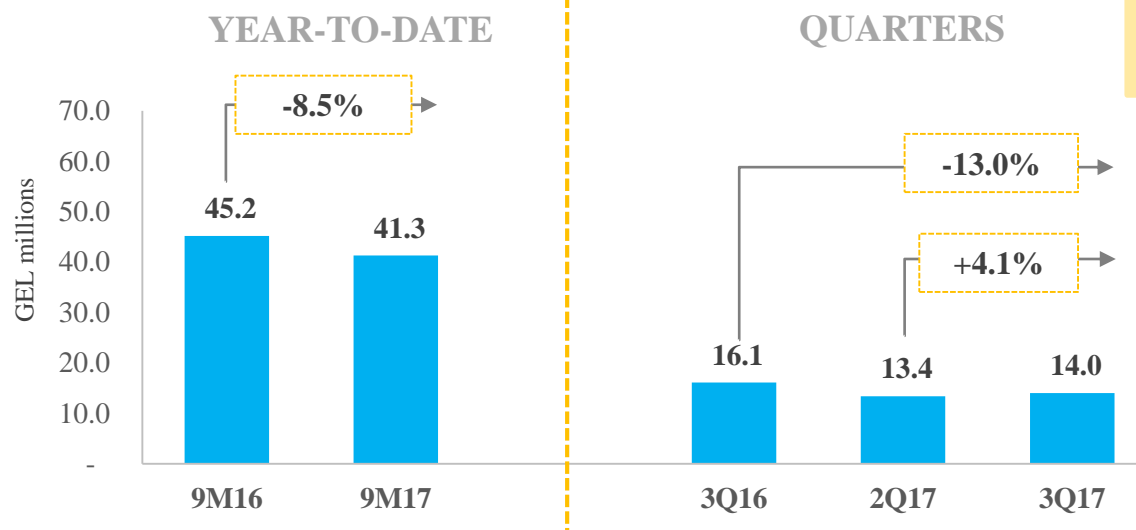
84.5%

79.9%

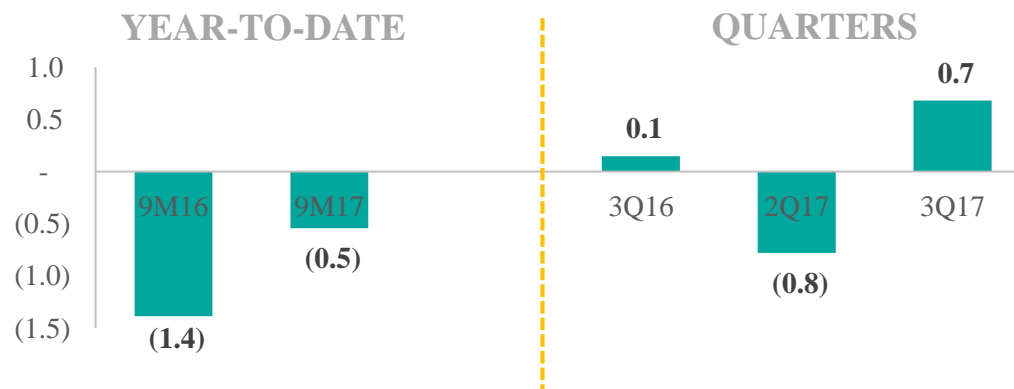
89.0%

80.0%

Apart from seasonality new initiatives started to have the positive impact in 3Q



EBITDA





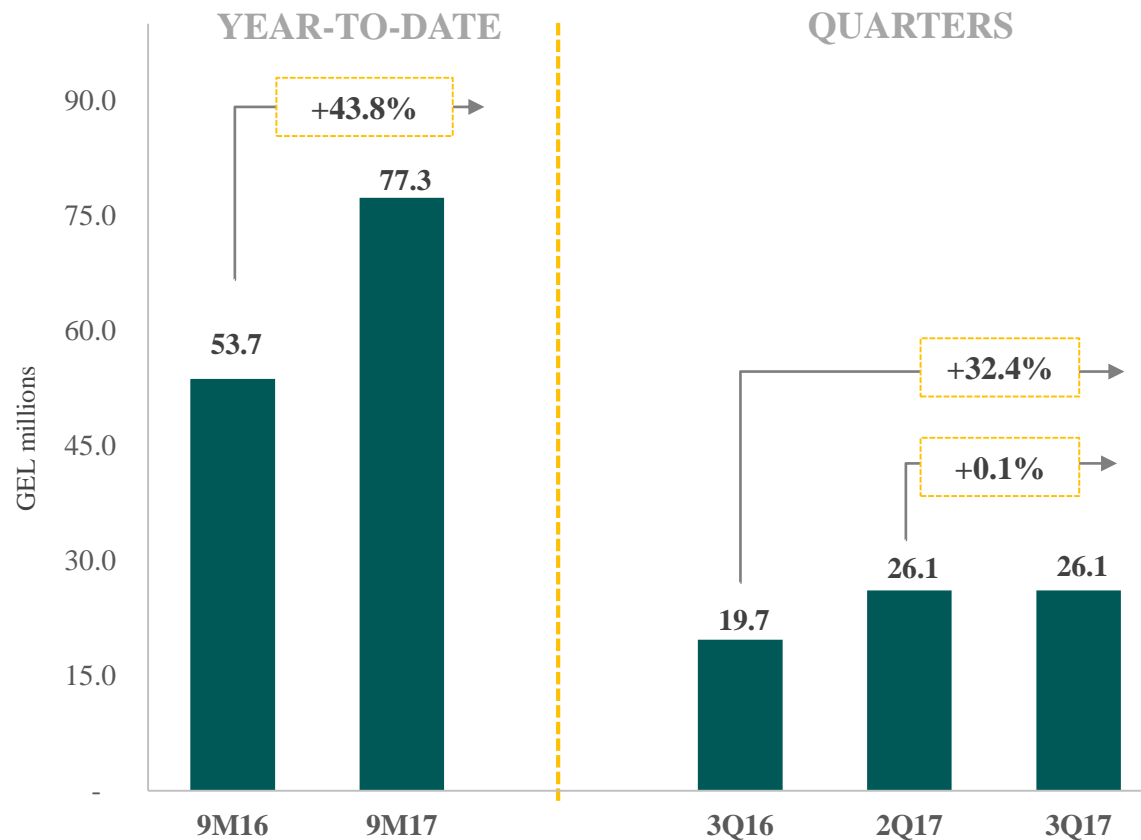
GHG - Delivering EBITDA growth while outpacing its medium term targeted EBITDA margin in pharma

Healthcare services EBITDA margin is temporarily reduced as it was anticipated due to the roll-outs

29.6%	26.3%	30.0%	27.5%	26.0%
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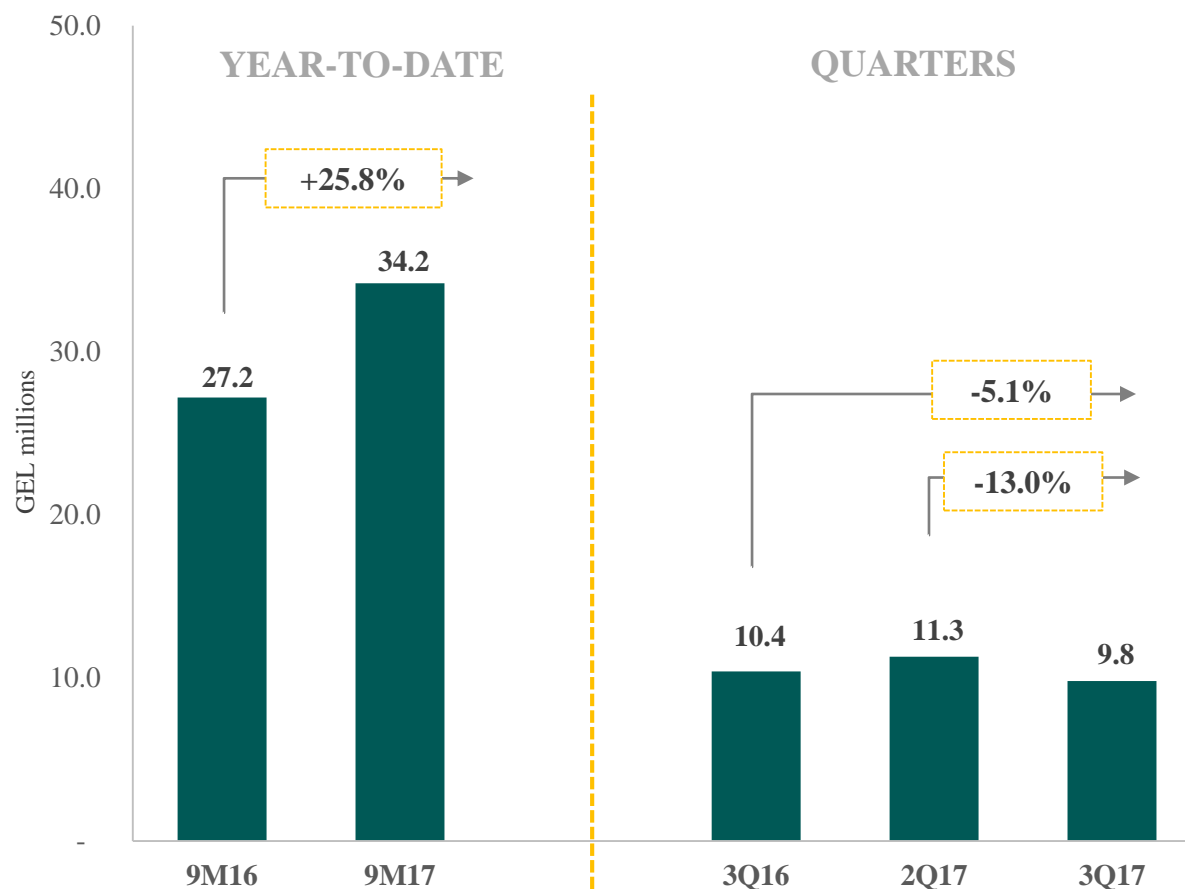
Pharma business outpacing its medium-term EBITDA margin target in 2017

3.1%	8.0%	3.9%	8.0%	8.3%
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GHG y-o-y profit before tax growth is mainly attributable to consolidating pharma business



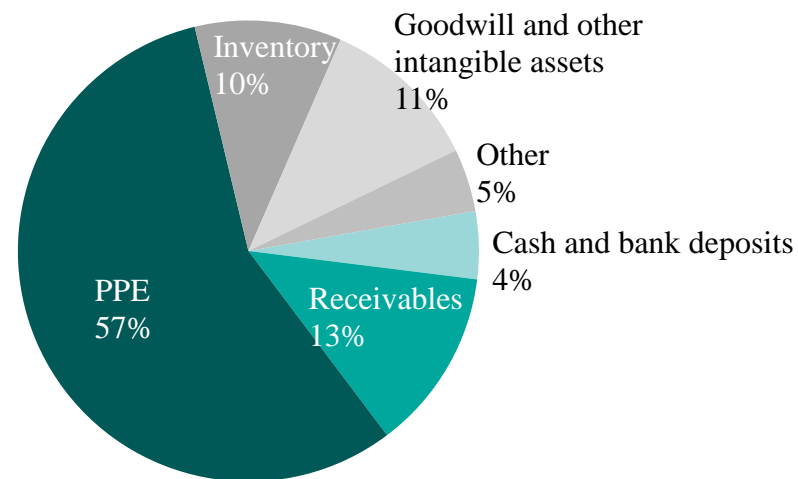
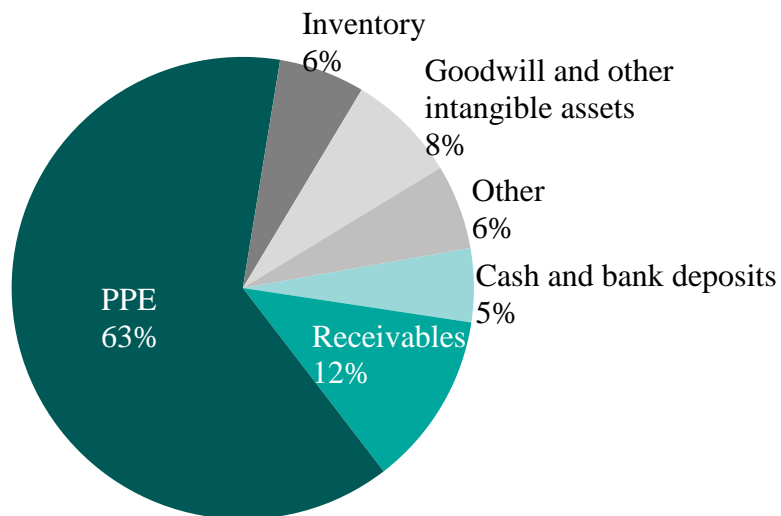


GHG balance sheet growth

Assets breakdown

YE16 – GEL 912.6 million

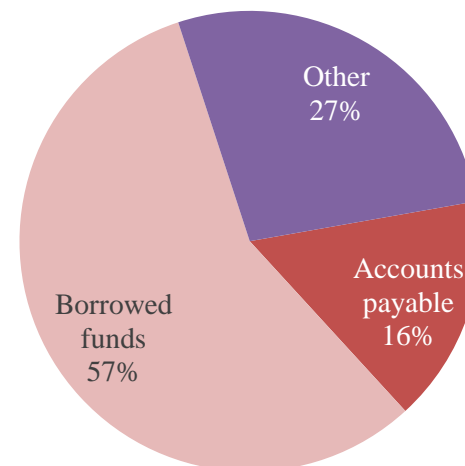
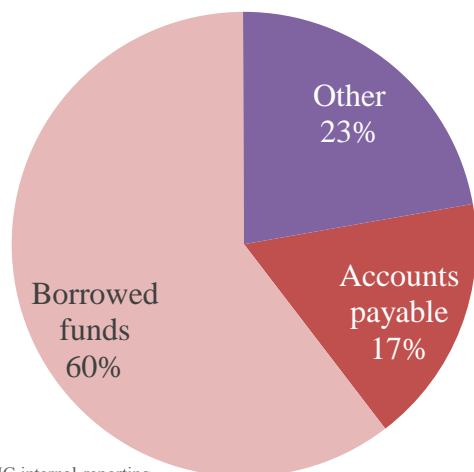
9M17 – GEL 1,123.7 million



Liabilities breakdown

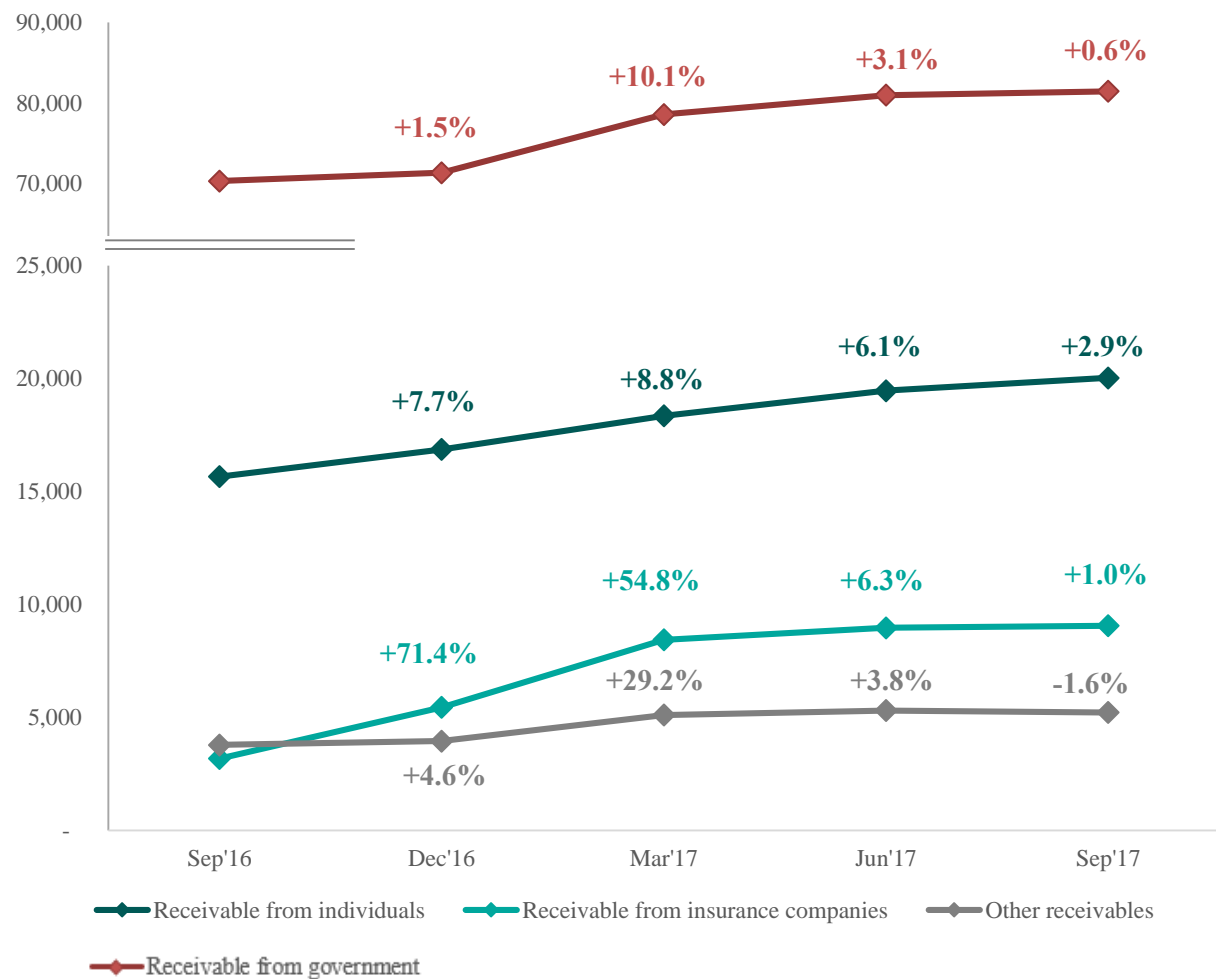
YE16 – GEL 370.5 million

9M17 – GEL 579.8 million





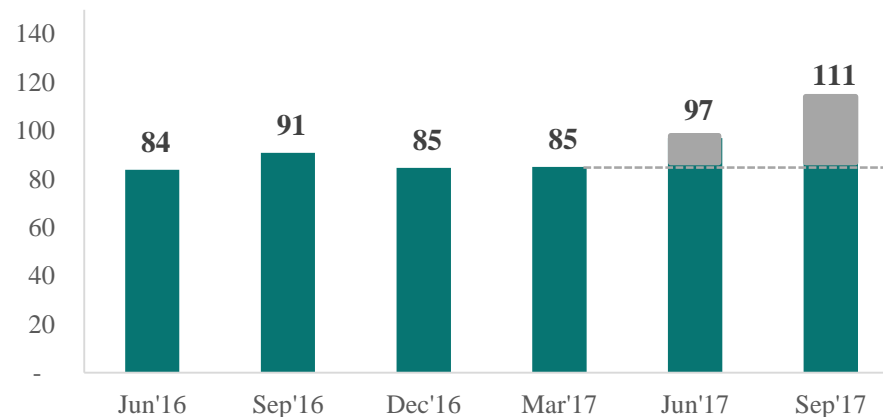
The receivables growth rate has stabilised





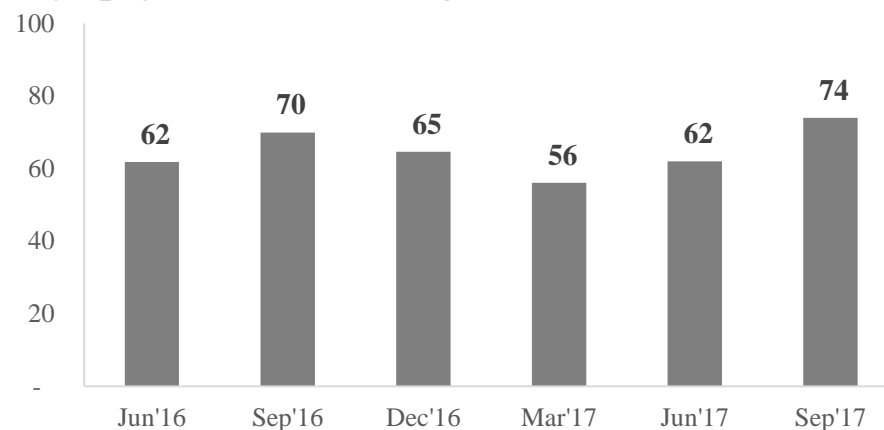
Pharma business working capital ratio analysis

Days inventory outstanding*



Intentionally increased during the integration process

Days payables outstanding*



Source: GHG internal reporting

*Proforma to include Pharmadepot and GPC results in 2016



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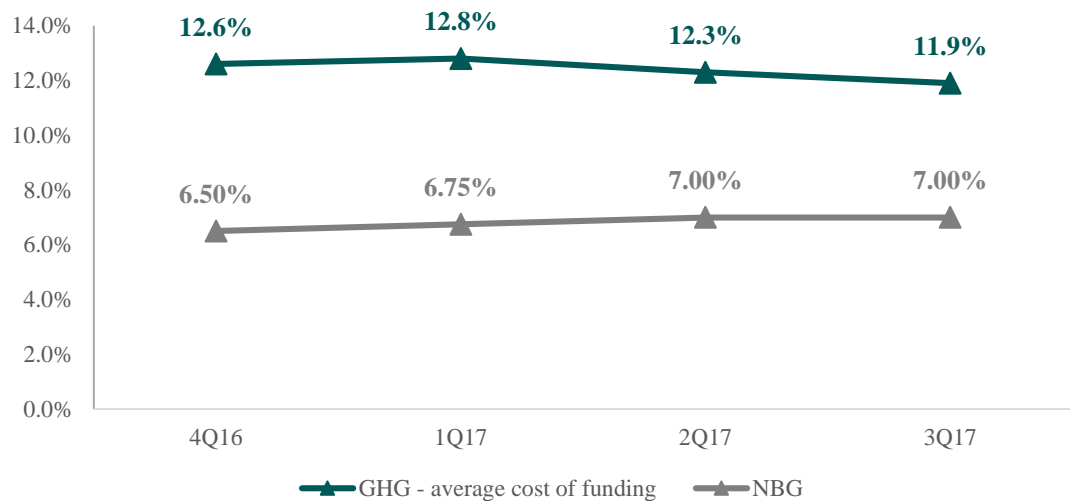
⌘ Q&A

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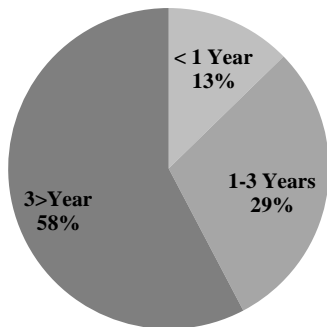
Decreasing average cost of funding

Effective rate dynamics

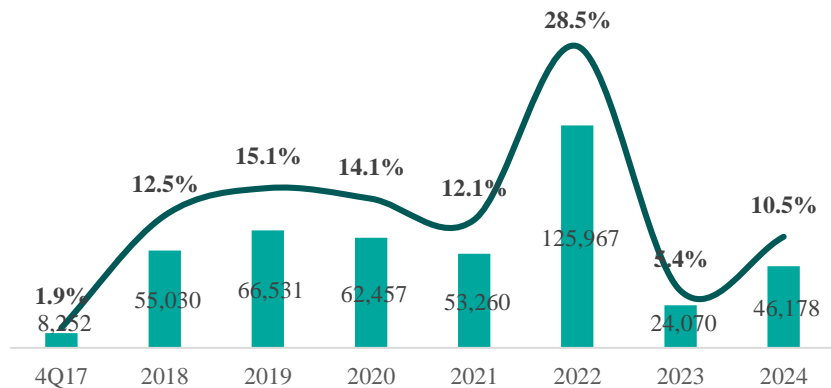


Debt Maturity Profile

Maturity Breakdown of Borrowings
(% Share in Total)



Debt Maturity Profile





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In 2017 the Group executed number of projects while from 2018 we are out of the heavy Capex mode

Tbilisi Referral Hospital (*Sunstone*)

The project was completed in 21 months. The hospital is equipped and operated with completely new equipment

Before renovation



After renovation





Deka hospital

The first phase opened in August 2016, the full launch planned by the end of the year

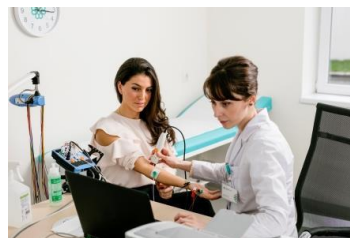
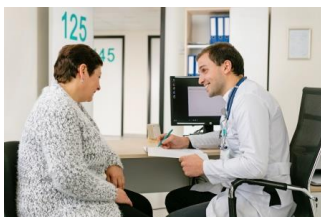
Before renovation



After renovation



Launch of new services



33 new services implemented in 15 of our hospitals



Increasing procurement from manufacturers

From 2016 we have started negotiations with manufacturers for supplying medicines and medical disposable

- Already have contracts with 67 companies, including international brands
- As of now c.30% of total medicines and medical disposables are purchased directly
- Achieved better purchasing prices





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2017 – transition year

- Heavy Capex mode:
 - Development Capex
 - IT projects
- Pharma integration



Priorities going forward

- Cost optimisation
- Delivering targeted EBITDA margins for healthcare services and pharma business
- Further decreasing cost of funding

QUESTIONS?

GHG Investor Day

Tbilisi, Georgia / 10 November 2017

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