GEORGIA HEALTHCARE GROUP

Hospital business overview and strategy

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GHG Investor Day

Tbilisi, Georgia | 10 November 2017

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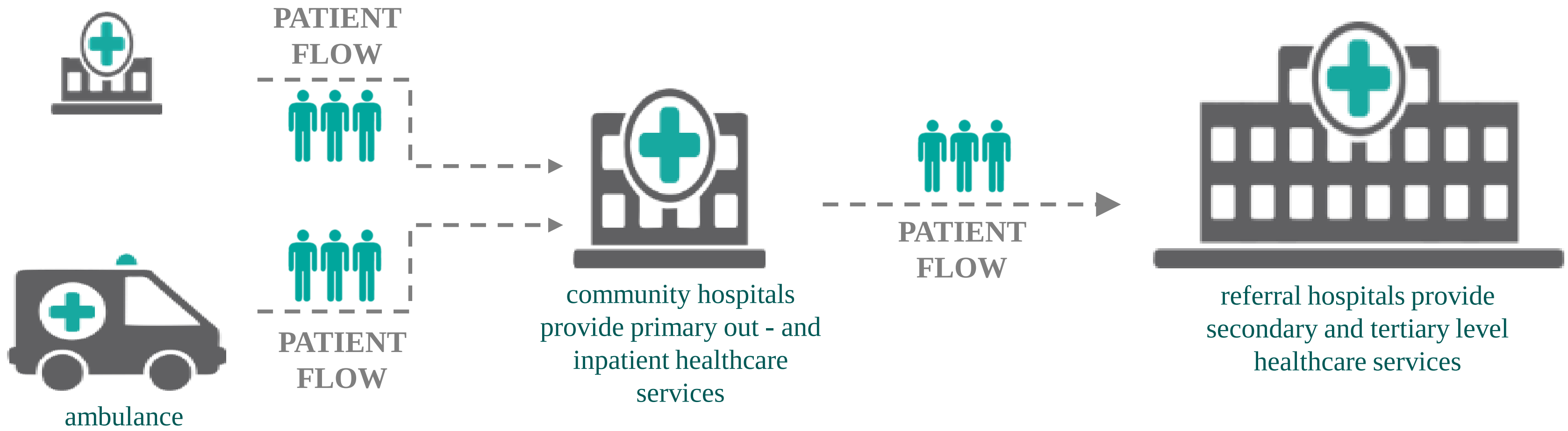
Content

GHG hospital business – at a glance

Structure & role within GHG

Polyclinics / Outpatient departments



71 Ambulances

- 50 ambulances
- Up to 28,000 Journeys per year
- 53% internal referral rate
- 21 pediatric ambulance cars - largest private fleet in Georgia
  - *Up to 50,000 Journies per year*

21 Community hospitals

- Acquired Kareli community hospital
- 495 hospital beds, +33 beds y-o-y
- Average revenue per bed GEL 44,000

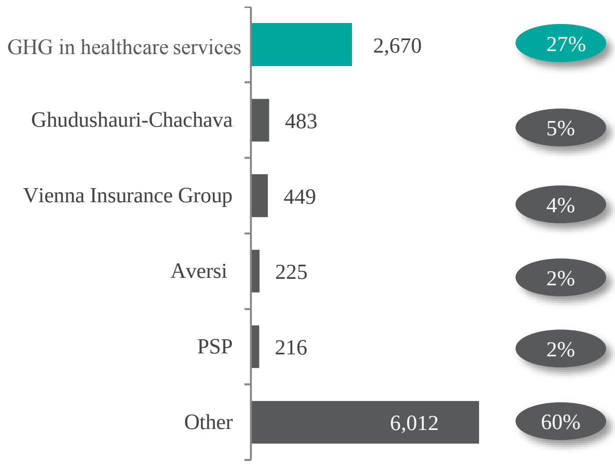
16 Referral hospitals

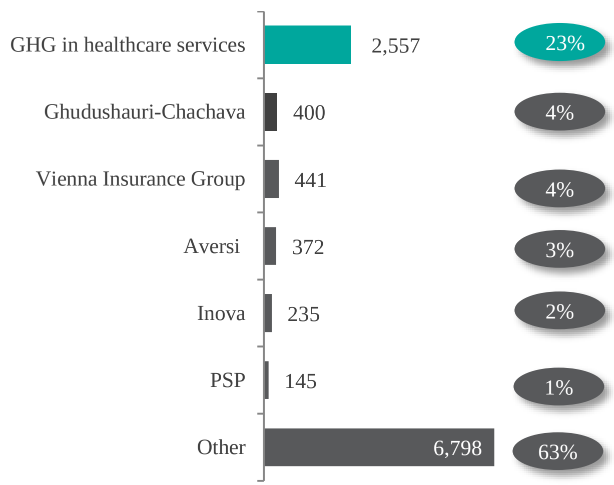
- Launched Tbilisi Referral Hospital (Sunstone)
- Acquired Khashuri referral hospital
- 2,398 hospital beds; +386 beds y-o-y
- Average revenue per bed GEL 93,000
- Bed occupancy rate 62.1%
  - *Bed occupancy rate 64.9% without newly launched Tbilisi referral hospitals beds*

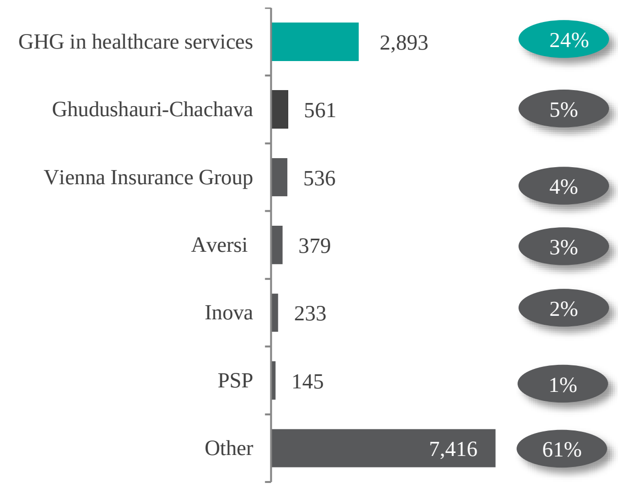
Market competition

- **The number of GHG's beds are increasing in line with its expansion strategy***
- **Increased competition is mainly coming from small and medium sized hospitals**

	Number of hospital beds in 2015		Number of hospital beds in 2016		Number of hospital beds in 9M17
Total number of hospitals	**220**		**244**		**263**
Total number of beds	**10,055**	**+9%**	**10,948**	**+11%**	**12,163**







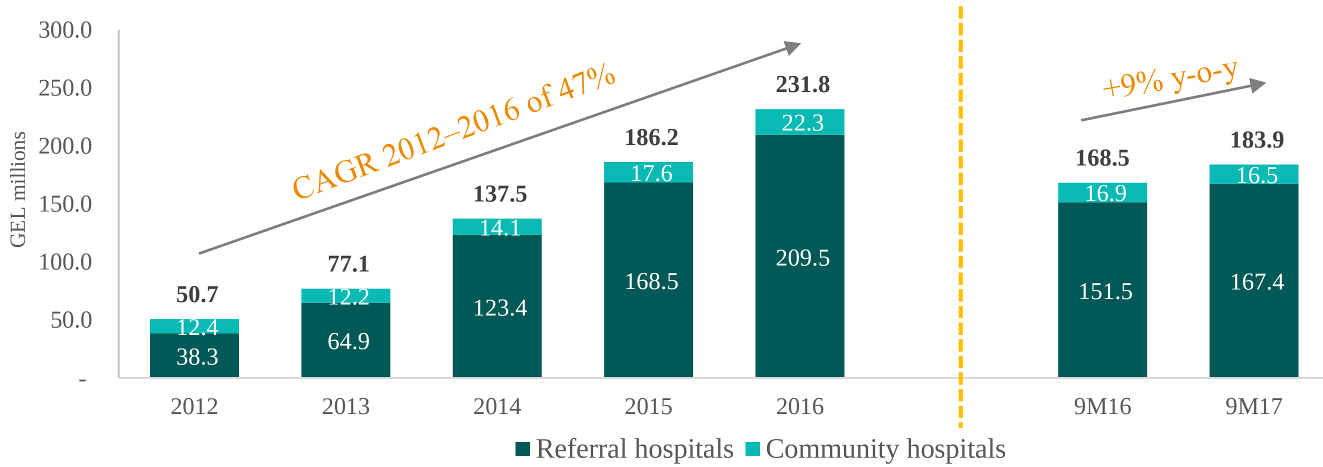
Market share

*** The 8% increase in total number of GHG beds over last two years; 20% of existing GHG beds were renovated over the same period**

Sources: NCDC, updated by GHG to include changes before relevant periods; excluding speciality beds

Revenue structure and dynamic

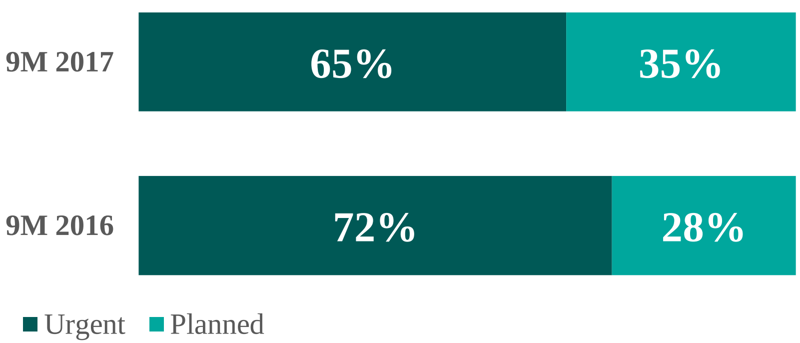
Diversification of revenue stream: increasing revenue from planned treatments, thereby increasing the share of out-of-pocket revenues



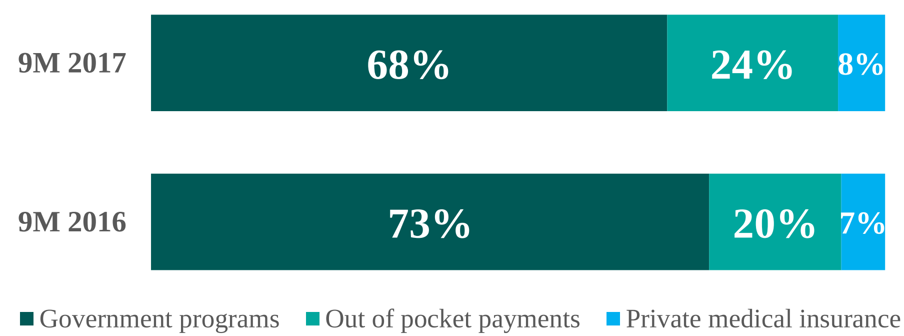
Growth dynamic has temporarily slowed down due to three main reasons:

- Roll-out phase of newly launched healthcare facilities
- Increased competition
- Government's new initiatives effective from May 2017

Revenue breakdown by type of services



Revenue breakdown by revenue streams



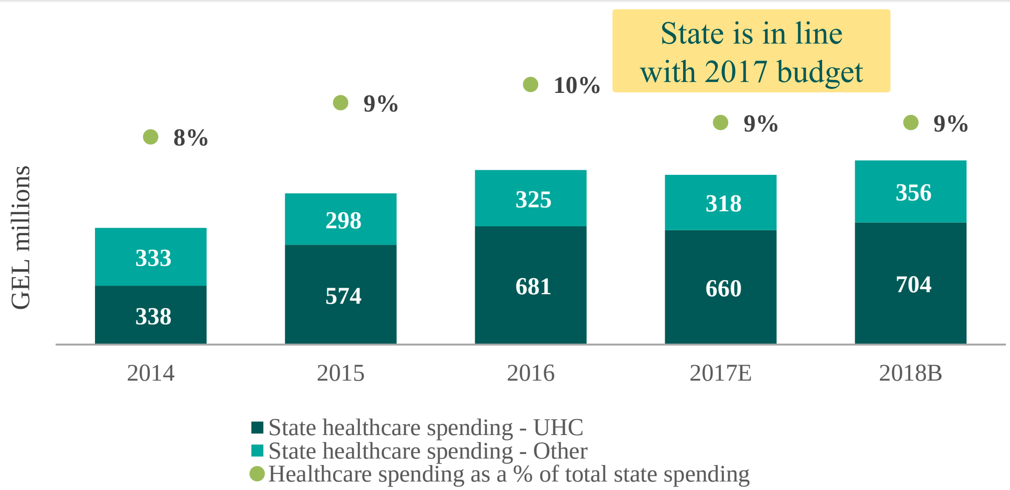
Source: GHG internal reporting

Due to the recent changes small competitors started to struggle

Changes in UHC

- **#1: State started to introduce KPI's for service providers, though slower than it was initially anticipated (service by service)**
  - In 2017 KPI's were set for maternity - starting from 2Q17 the maternity houses with less then 500 deliveries per year are not eligible to participate in UHC
- **#2:** Effective from May 2017, the Government introduced revised tariffs for intensive care
- **#3:** Effective from May 2017, the Government adopted a new regulation in UHC which implies eligibility criteria for citizens based on income level and introduced deductible amounts for planned and certain urgent services

State financing



Source: Ministry of Finance of Georgia

Summary of regulatory changes

1 Summary of changes in UHC reimbursement scheme

Criteria	Summary of main change	Population
Targeted Population, children under 18, students, pensioners, veterans and socially vulnerable groups	• Coverage remained the same	c.2,906,000
Insured People	• Not covered by UHC	c.428,000
Income Tax Payers with Salary < GEL40,000 annually	• the main change is for planned and for certain urgent services, for which state defined a deductible amount of GEL 500 and GEL1,000 per case and/or minimum 30% copay whichever is greater	c.400,000
GEL 40,000 annually > Salary	• excluded from UHC coverage	c.32,000

2 Reducing prices on ICU beds

- Prices decreased on average 8%

Effect on 2017 revenue GEL 4 mln
Running annualised effect GEL 6 mln

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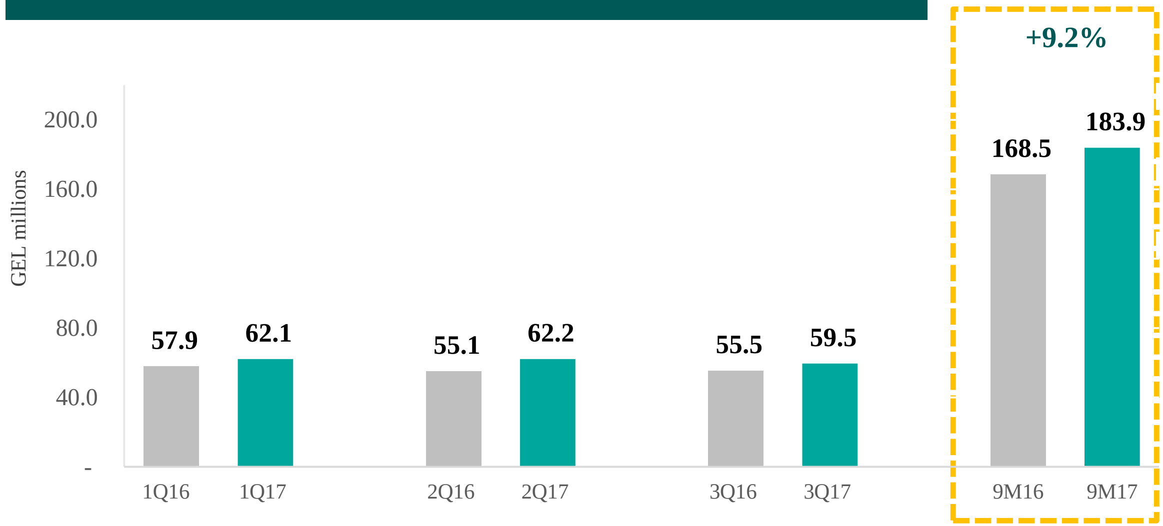
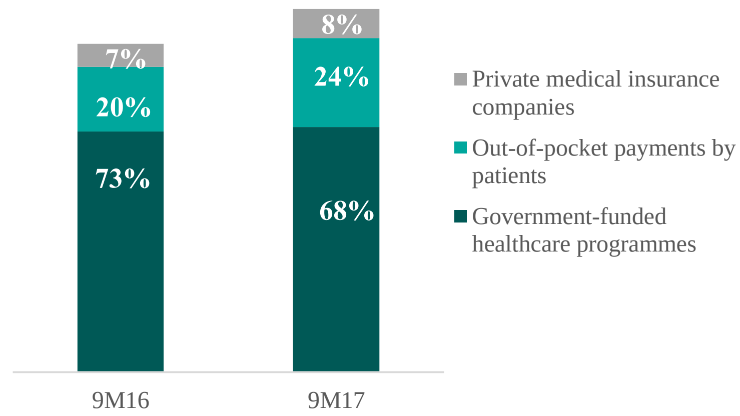
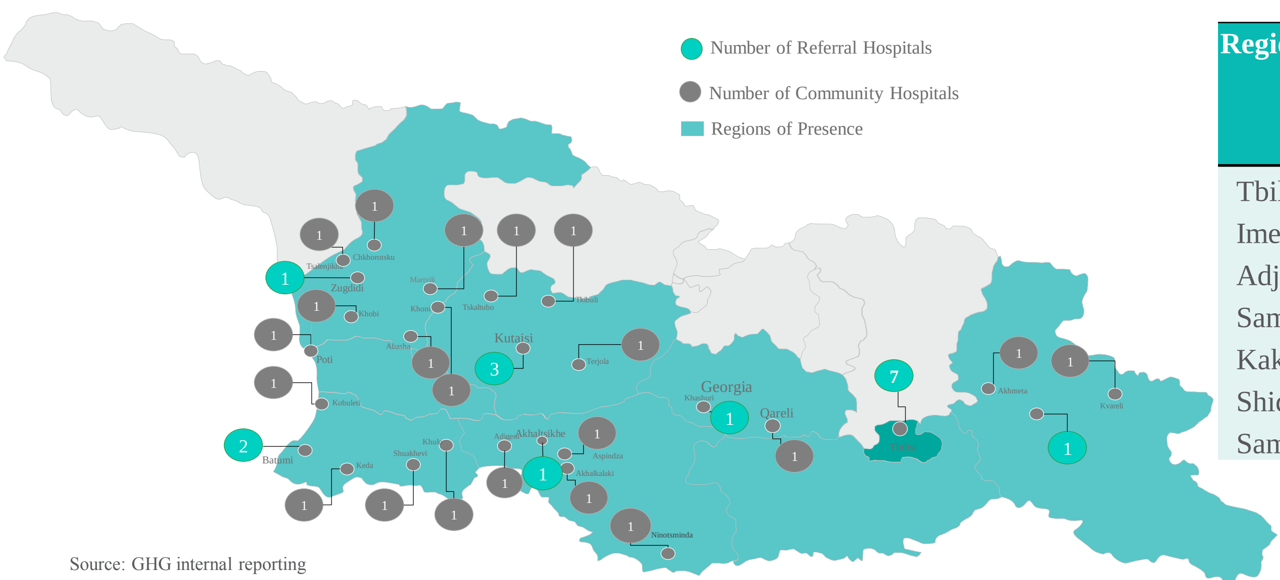
Revenue performance

Revenue



Healthcare services business - 9M17 revenue by payment sources





Region	9M17 Revenue *(GEL, million)*	Share of GHG beds by regions (%)	Share of GHG beds in the market by regions (%)
Tbilisi	91.5	42%	18%
Imereti	43.3	19%	35%
Adjara	22.2	16%	39%
Samegrelo	14.9	10%	50%
Kakheti	4.8	4%	22%
Shida Kartli	1.8	3%	23%
Samtskhe	5.4	6%	70%

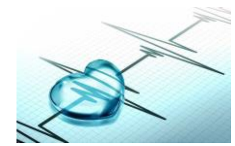
Source: GHG internal reporting

Progress in 2017 towards strategy

1 Expanding footprint mainly in capital

2 Grow urgent treatments

3 Grow elective surgery and increase participation in vertical programmes



4 Filling service gaps

1 Expanding footprint mainly in capital

Expanding footprint mainly in capital

9M16 17% → 2018 26%

Tbilisi Referral Hospital

To be launched by the end of November 2017

Deka hospital

Will be launched in January 2018

- Building of second stage will be finalised by the end of November 2017
- Recruitment of key staff finished (best in class staff will be the guarantee of fast roll-out of hospital in 2018)

Mega Lab

Expected launch April 2018

- Building of Casco in process
- Structure and key staffing of departments finalised
- Started implementation of JCI SOP-s in DEKA's current Lab

Targeted segments and services

Tbilisi Referral Hospital

- 332 beds hospital in east part of Tbilisi
- All type of general hospital services
- Targeted segment: lower and medium income
- Targeted population: more then 330K east Tbilisi and up to 350K east Georgia population referrals

Deka hospital

- 320 beds hospital of choice in the center of Tbilisi
- Medium and high income patient
- Onco Surgeries, Gynecology, Cardio Surgery, Neurosurgery, Angiosurgery, Ophthalmology, General Surgery, Orthopedics, ICU, Full diagnostics

Mega Lab

- 4,000 sq meter Mega Lab Factory
- Clinical microbiology, immunology, bacteriology, pathology, molecular genetics
- B2B service to our hospitals
- B2B service to other hospitals
- Separate Lab brand for retail customers

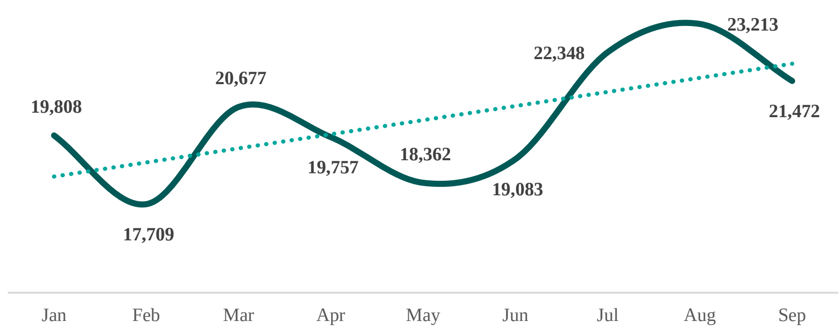
② Stable growth in urgent services

Grow urgent treatments

9M16 32% → 2018 39%

Dominant positions in delivering urgent services

Number of urgent cases at GHG in 2017 (ER, ICU, NICU)

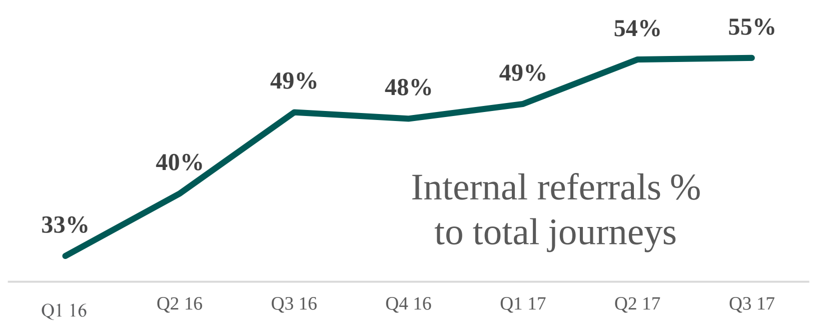


Capturing the flow of urgent patients will increase due to:

- Developing services in regions
- Expanding footprint in Capital
- Managing largest emergency fleet

Managing Largest Emergency Fleet

- 50 Emergency cars are managed by Evex
- Internal referrals rate increase is in line with expanded presence and footprint in Tbilisi



Dominant position in emergency care regions

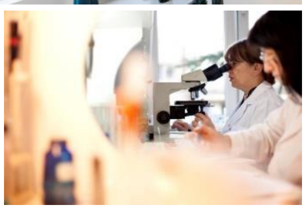
- Well developed urgent services
- Expanding footprint up to 24% market share by beds in The Capital in Y2017, current only 18%
- Still room for growth in east Georgia up to 1/3 market share

Source: GHG internal reporting

③ More focus on elective care and Government vertical programmes

	9M16	2018
Grow elective surgery	15% →	c.25%-30%
Increase participation in vertical programmes	17% →	c.25%-30%

GHG market share in elective care 15% → *2017* **16%**



1. Opening first phase of Tbilisi Referral Hospital in April, with 220 renovated beds
2. Implementing GHG share plan for key doctors
3. Established new retail sales structure in Imereti & Tbilisi,
4. Launched 33 new services in 15 different hospitals

GHG market share in vertical programmes 17% → *2017* **21%**

In 2017 we have actively engaged in the following State programmes:

- Oncology Screening
- Childrens Mental Health
- Dialysis/Nephrology

4 Filling service gaps

Filling service gaps	9M16	2018
	51	+120

In 2017 we have implemented 33 new services in 15 different hospitals

Total investment	**GEL 9 million**
Annual run rate revenue	**GEL 13.5 million**

The main services are:	Hospital	CITY
Bone marrow transplant	HTMC	TBILISI
Childrens oncology	Iashvili Paediatric Hospital	TBILISI
Onco surgery	Oncology Center	KUTAISI
Neurovascular surgery, Angiovascular surgery	KNMC	KUTAISI

The first time in Georgia – at HTMC hospital. Already 13 transplantations have been executed with 100% success rate

Launched onco-hematological department at Iashvili Paediatric Hospital with 30 renovated and 14 new beds

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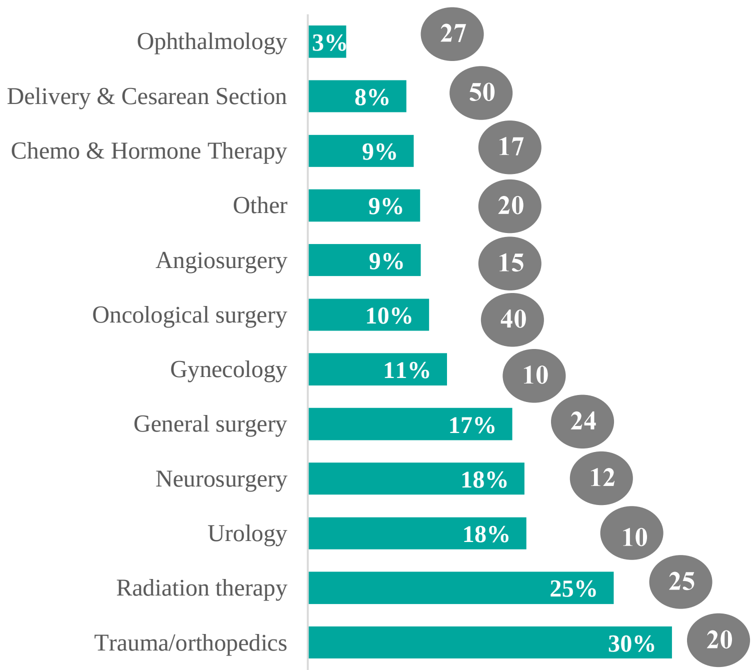
Strategy going forward

Key focus areas in medium term

1. Enhancing footprint in Tbilisi
2. Strengthening existing services in elective care
3. Filling service gaps
4. Opportunity to develop fee business

Room to grow in elective care and vertical programmes

Elective care: 2017 spending - GEL 300 million



- 9M 2017 elective care expenditure in mln GEL

- GHG share in elective care expenditure

1. **New project:** Investing in key doctors – bringing local star doctors to our healthcare facilities

2. Opening of 60 bed Oncology centre in Kutaisi in 3Q17

3. Opening 320 beds Deka hospital

4. Full launch of Tbilisi Referral Hospital (additional 112 beds)

Vertical programmes: 2017 spending - GEL 65 million

State programmes in which we are going to engage further

- Dialysis
- Mental health
- Infectious diseases

We continue to invest and develop new services to further fill the existing service gaps in Georgia

14 new services will be launched in 4Q17

Total investment	**GEL 11.8 million**
Annual run rate revenue	**GEL 21 million**

The main services are:	Hospital	Region
Childrens neuro surgery	Iashvili Paediatric Hospital	TBILISI
Ophthalmology	DEKA Hospital	TBILISI
Bariatric surgery	DEKA Hospital	TBILISI
Beyond 2017		
Mental health	Referral Hospital	TBILISI
Home care	All	TBILISI

At initial stage of development at Tbilisi Referral Hospital

Not developed in Georgia at all. We are starting working on the project from 2018

Opportunity to develop fee business

Opportunity:

- Due to scale and structure GHG can integrate successfully at marginal cost
- Easy to develop services with support of our clinical team

Benefits:

- Synergies are expected to be on both, cost and revenue side
- Manage referrals and capture additional patient flow
- No capital commitment is required
- To take additional revenue and make direct fee income
- Capture additional revenue on pharma side

Opportunity develop medical tourism in longer term

3.4% of Global Tourism Spending Goes to healthcare

of Tourist Growth reached 29.4% in 8 months 2017

Visitors by length of stay	Y2015	Y2016	8 M 2017	Growth 2016	Growth 8M17
Tourists	2,282	2,714	2,402	18.9%	29.4%
Same day	2,218	2,315	1,539	4.4%	1.8%
Transit	1,401	1,321	1,118	-5.7%	26.0%
Total:	**5,901**	**6,350**	**5,059**	**7.6%**	**18.9%**

Cost Arbitrage is there…

Service price comparison (USD)

Type of Service	USA	Thailand	Turkey	India	Georgia
Cardio surgery	92,000	33,000	18,000	9,800	6,000
Hip Replacement	31,000	16,500	8,500	9,400	2,500
Knee Replacement	28,000	13,200	8,000	7,200	2,200
IVF (Excluding Medications)	12,500	4,000	4,000	3,300	2,900
Liver Transplant	300,000	90,000	100,000	55,000	55,000

Poor Quality of Healthcare in Top visitor's Countries

Country	2016	% to Total	Growth %	Opportunity for GHG
Azerbaijan	1,523	24.0%	9.3%	**Infrastructure exists, but no human capital available**
Armenia	1,496	23.6%	1.9%	**No Infrastructure no human capital and services available**
Turkey	1,254	19.7%	-9.9%	
Russia	1,037	16.3%	12.0%	**South Russia - No infrastructure and no services available**
Ukraine	172	2.7%	21.8%	
Iran	147	2.3%	485.3%	**No infrastructure, quality of care is very poor**
Other	721	11.4%	29.0%	
Total:	**6,350**	**100.0%**	**7.6%**	

Summary of strategy going forward

Key focus areas in medium and long term

1. **Enhancing footprint in Tbilisi -** *launch Deka hospital by the end of 2017, adding c.320 beds in total*
2. **Strengthening existing services in elective care**
   Investing in key doctors
3. **Filling service gaps**
   Launching new services
4. **Opportunity to develop fee business**
5. **Capturing synergies from polyclinics**
   Capturing hospitalisations
6. **GHG Can Benefit from medical tourism in longer term**
   Potential that should be developed in longer term

Targets

Market shares

	by revenue (addressable) | by beds
Now	21% | 24%
2018	c.25%+ | 28%
Long-term	30%+

Medium to long term P&L target

Gradually improving to
c.30% EBITDA margin

QUESTIONS?

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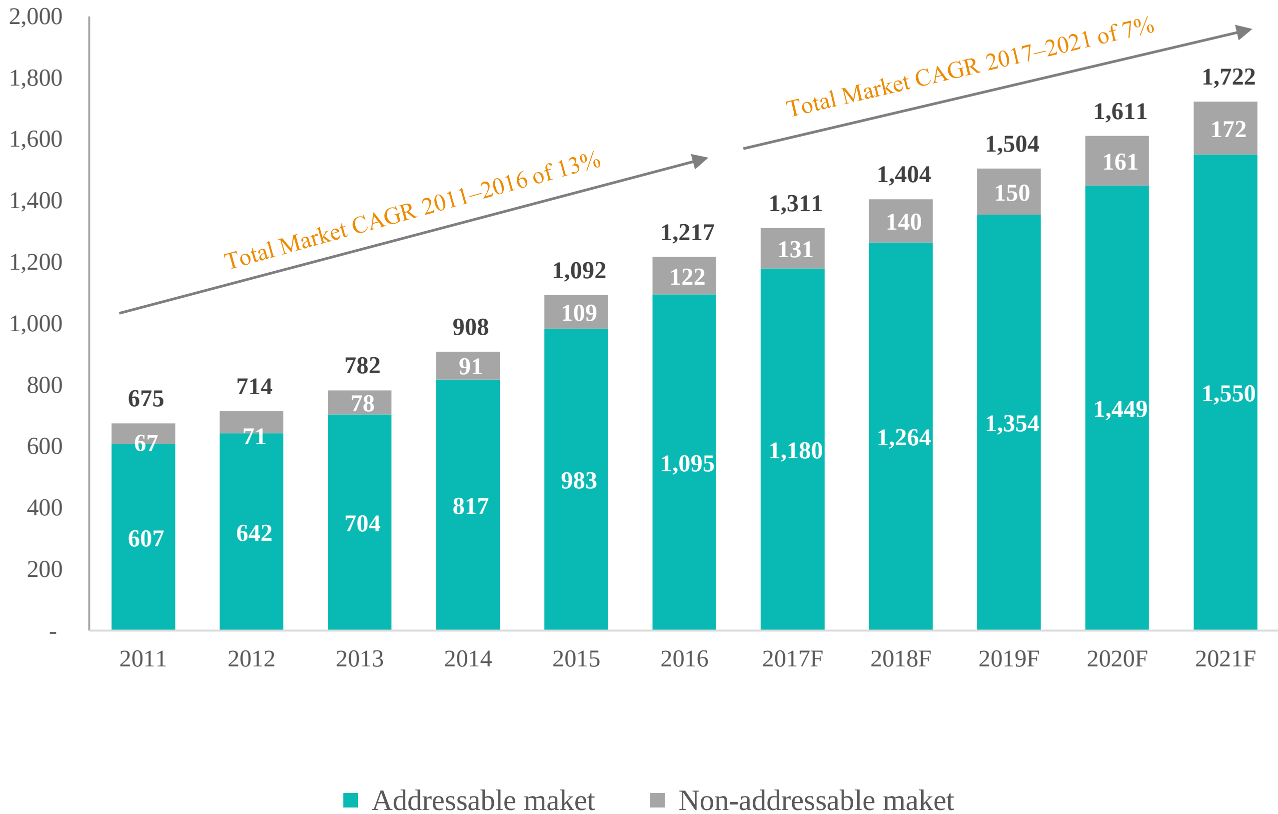
Annex 1

Total hospitals market in Georgia



Source: Total hospitals market Frost & Sullivan analysis 2017 ; adjusted by the company to excluding revenue from specialty beds (“addressable market”)

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