

A photograph of a modern hospital lobby with a staircase, indoor plants, and a white bench. The image is overlaid with a semi-transparent teal filter.

# Georgia Healthcare Group

## *A Long-term, High-growth Investment Story*

[www.GHG.com.ge](http://www.GHG.com.ge)



GEORGIA  
HEALTHCARE  
GROUP

Investor Presentation  
*Oct-Nov 2015*

Issuer	Georgia Healthcare Group
<b>Selling Shareholder</b>	Bank of Georgia Holdings plc, through its wholly owned intermediate holding company
<b>Ticker / Listing</b>	GHG / Premium listing on the London Stock Exchange (LSE)
<b>Price Range</b>	<ul style="list-style-type: none"> <li>• Price range of 215p to 315p per share</li> <li>• Expected market capitalisation of \$397m to \$535m (£257m to £347m)</li> </ul>
<b>Offering Size</b>	<ul style="list-style-type: none"> <li>• Primary of \$100m</li> <li>• Secondary of up to \$50m</li> </ul>
<b>Over-Allotment Option</b>	Up to 10% (100% secondary)
<b>Use of Proceeds</b>	GHG intend to use the net proceeds of the Global Offering to finance principally current expansion plans, partial repayment of existing debt and partial payment of the purchase price for GHG's acquisition of GNCO LLC (HTMC hospital)
<b>Offer Structure</b>	<ul style="list-style-type: none"> <li>- International private placement to institutional investors outside the US pursuant to Reg. S</li> <li>- 144A private placement to US QIBs</li> <li>- No retail offering</li> </ul>
<b>Lock-ups</b>	- 180 days for the Company, Selling Shareholder, CEO and Chairman
<b>Joint Sponsors and Bookrunners</b>	Citigroup, Jefferies
<b>Co-Manager</b>	Numis, Renaissance Capital and Galt & Taggart
<b>Expected Pricing</b>	Early November

# A Unique Investment Story Supported by Compelling Themes

*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 market share in Georgia with revenue upside:** 22.1% market share by number of beds (2,220), which grew to 26.6% following HTMC acquisition in August 2015 (450 beds) and is expected to grow to c.30.0% as a result of the renovation of recently acquired hospital facilities, scheduled for completion in 2016 and 2017 (additional c.500 beds)<sup>(2)</sup>;
  - Lower revenue market shares: inpatient 17.6% and outpatient under 1% in 1H15<sup>(9,10,11)</sup>
  - Mainly a hospital service provider: hospitals contributed 97% to healthcare service revenues as of 1H15
  - 2 new acquisitions not reflected in 1H15 results: Deka balance sheet was consolidated as of 30 June 2015 and HTMC will be consolidated starting in 3Q15
- ✓ **Largest medical insurer:** c.250,000 persons insured and 38.1% market share<sup>(3)</sup>;
- ✓ **Widest population coverage:** coverage of over 3/4 of Georgia's 4.5mln population with 41 high quality hospitals and ambulatory clinics (including HTMC acquired in Aug 2015)<sup>(4,5)</sup>;
- ✓ **Institutionalising the industry:** Strong corporate governance; standardised processes; improving safety and quality by implementing JCI benchmarked standards; own personnel training centre.

2

## Business Model with Cost and Synergy Advantage



- ✓ **The single largest scale player** on Georgia's healthcare market with **cost advantage** through scale: purchasing, centralisation of administrative functions, training center
  - Next competitor has only 5% market share by beds and less than 3% market share by hospital revenue
- ✓ **Better access to professional management and high calibre talent**
  - One of the largest employers in the country: c. 8,600 full time employees, including 2,748 physicians<sup>(4)</sup>
- ✓ **Referral system & synergies with insurance:**
  - Presence along patient pathway, and referral synergies
  - Insurance activities provide steady revenue stream for our ambulatory clinics and bolster hospital patient referrals

## Long-term High-growth Opportunities

3

- ✓ **Very low base:** healthcare services spending per capita only US\$ 217, outpatient encounters only 2.7 per capita annually<sup>(6)</sup>, GHG revenue per hospital bed only US\$ 40,000<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 5.8% between 2005-14. Only 5.7% 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;
  - Freed-up of financing from pharmaceuticals (pharma spending out of total healthcare spending is c.40% vs 17% in Europe)

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## Strong Management with Proven Track Record

4

- ✓ **Strong business management team – increased market share by beds from under 1% in 2009 to 26.6% currently**, with built-in additional development capacity. Acquired and integrated over 25 and built and launched over 10 hospitals between 2011-15; organic growth: 23.6% CAGR 2012-2014, 23.9% 1H15 y-o-y; 25.3% Evex EBITDA margin in 1H15<sup>(4)</sup>
- ✓ **Robust corporate governance**, exceptional in Georgia's healthcare sector, as currently 100% shareholder is Bank of Georgia Holdings PLC – only entity from Georgia listed on the premium segment of the main market of the London Stock Exchange (LSE:BGEO), part of FTSE 250 index
- ✓ **In-depth knowledge of the local market**

(6) NCDC

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

(8) Ranked #15 (of 189 countries) in World Bank's 2015 "Ease of Doing Business Report", ahead of all its neighbouring countries and several EU countries.

(9) Ministry of Finance, Ministry of Economy

(10) Frost & Sullivan 2015

(11) 17.4% is proforma, Includes HTMC's 450 beds, acquired in Aug'15

Sources:

(1) Georgia Healthcare Group established in Georgia (JSC Georgia Healthcare Group) and in the UK (Georgia Healthcare Group PLC)  
 (2) Market share by number of beds. Source: National Center for Disease Control, data as of December 2014, updated by company to include changes before 30 June 2015, Additional development capacity at Deka and Sunstone of c.500 beds  
 (3) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 30 June 2015  
 (4) GHG internal reporting  
 (5) Geostat.ge, data as of 1 January 2014. Coverage refers to geographic areas served by GHG facilities



Key Segments	Evex			Imedi L
	Referral and Specialty Hospitals	Community Hospitals	Ambulatory Clinics	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	Range of private insurance products purchased by individuals and employers
Market Size	GEL 1.2bln (2015E)		GEL 0.9bln (2015E)	GEL 0.14bln (2015E)
Market Share	17.6% by revenues 22.1% by beds (2,220), which grew to 26.6% following HTMC acquisition in Aug 2015 (450 beds) and is expected to grow to c.30.0% as a result of renovation of recently acquired hospital facilities (additional c.500 beds);		0.5%	38.1%
Selected Operating Data (1H 2015)	16 hospitals* 2,209 beds* <i>*Includes HTMC</i>	19 hospitals 461 beds	6 clinics 220,000+ outpatients treated	250,000 insured
Financials (1H 2015)	<b>Revenue</b> 			
	<b>EBITDA</b> 			
	EBITDA Margin: 25.3%	EBITDA Margin: 24.5%	EBITDA Margin: 31.0%	EBITDA Margin: 4.7%



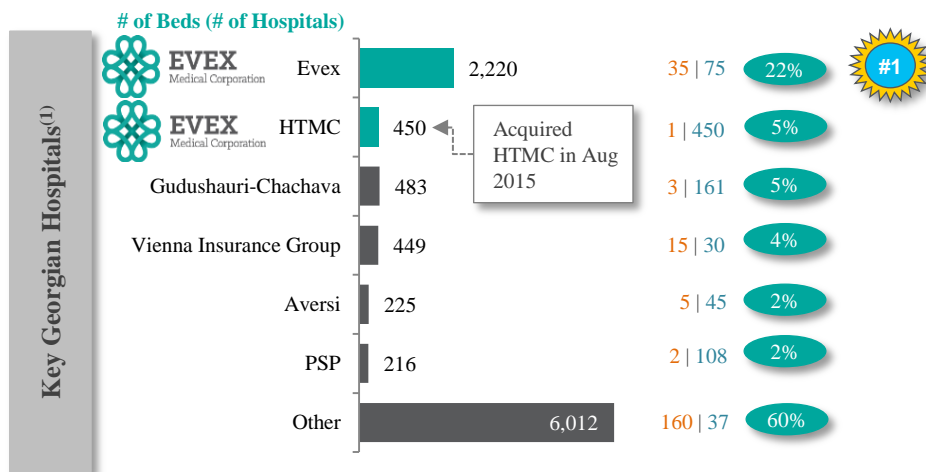


# CLEAR MARKET LEADER (1/2) *in a Fragmented Competitive Landscape*

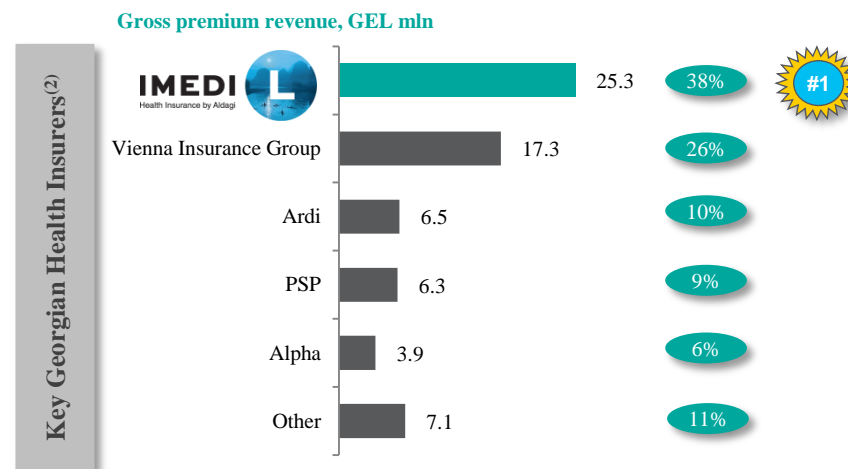
*Leader in Georgia with clear and established #1 market positions in healthcare services and medical insurance*



## Healthcare Services (Hospitals)<sup>(1)</sup>



## Medical Insurance<sup>(2)</sup>



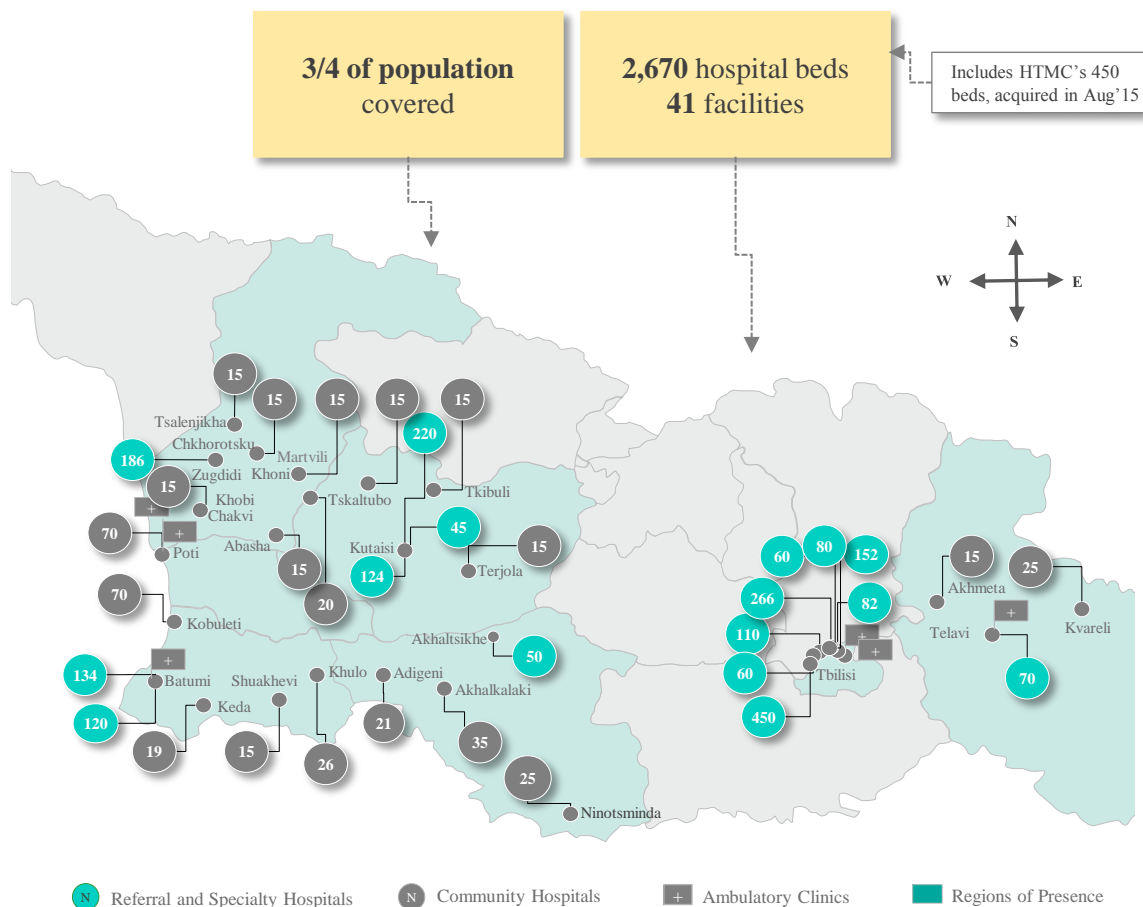
- Market share
- X Number of hospitals
- X Average number of beds at hospital



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

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

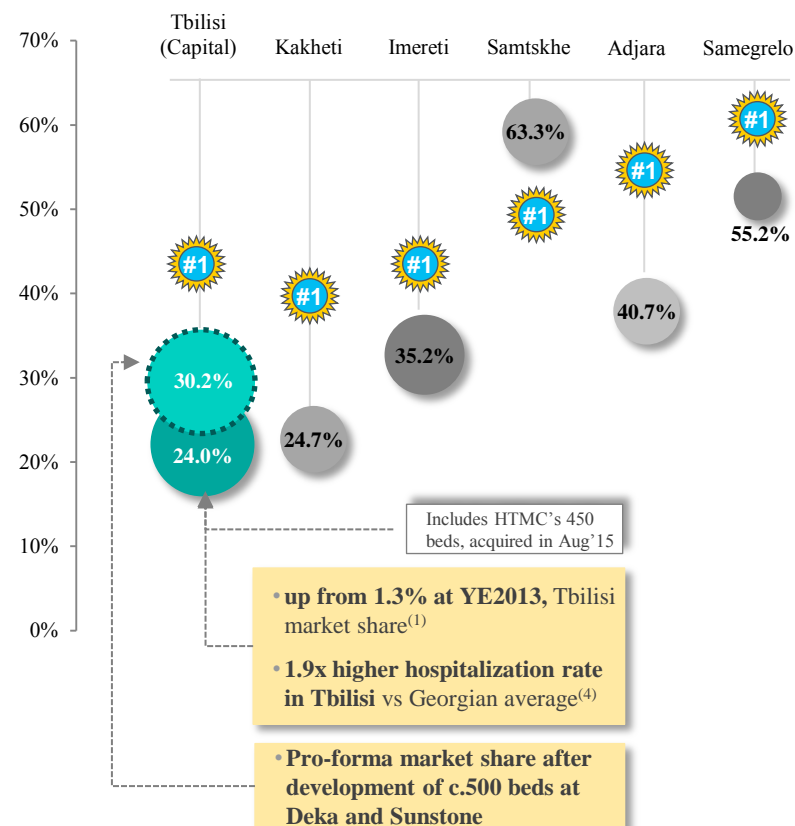
Network of healthcare facilities



### Geographically Diversified Network

Regional market shares<sup>(2)</sup>

Bubble size denotes relative size based on % of population<sup>(3)</sup>



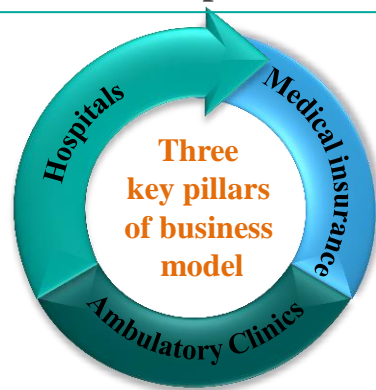
Sources:

- (1) GHG internal reporting – data as of the date of this report; HTMC was acquired in August 2015, and is not included in the total number of beds
- (2) Market share by number of beds. Source: NCDC, data as of 2014. Market shares by beds are as of H1 2015
- (3) Geostat.ge, data as of 1 January 2014
- (4) NCDC healthcare statistical yearbook 2013



# 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 insurance business plays a feeder role in originating and directing patients



GHG operates a highly integrated patient capture business model



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16 referral & specialty hospitals provide secondary and tertiary level healthcare services  
operating 2,209 beds, of which 450 at HTMC

Referral & Specialty Hospitals

19 community hospitals provide primary out- and inpatient healthcare services  
operating 461 beds

Community Hospitals

6 ambulatory clinics provide primary and secondary outpatient healthcare services

Ambulatory Clinics

3/4 of Georgia's 4.5mln population covered<sup>(1)</sup>

Patients

4.0 mln GEL Evex revenue driven by medical insurance division for 1H15<sup>(2)</sup>



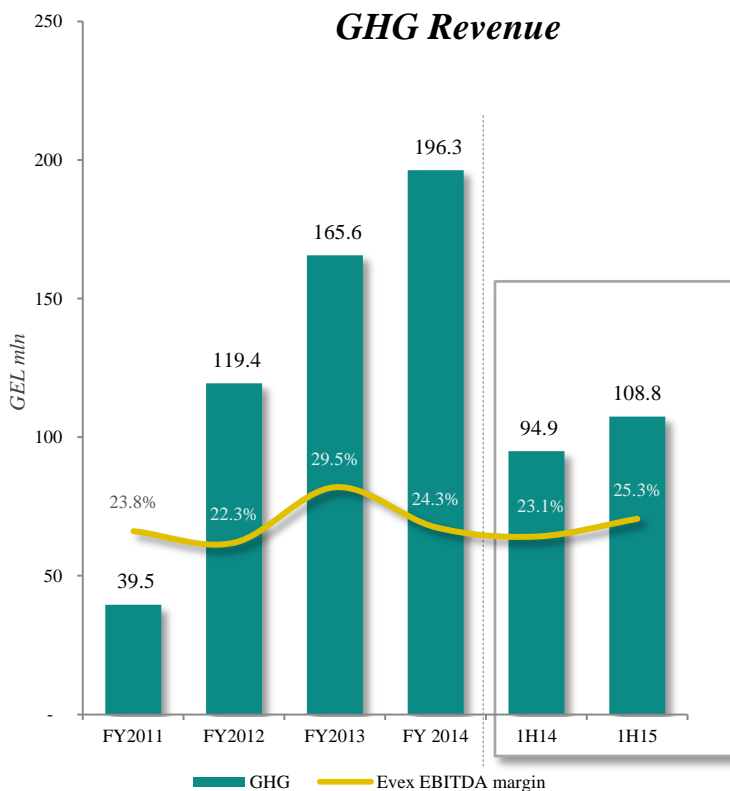
A vertically integrated care pathway

Sources:  
(1) Geostat.ge, data as of 1 January 2014  
(2) GHG internal reporting. Note: revenues do not add up due to intercompany eliminations



# UNIQUE “PATIENT CAPTURE” BUSINESS MODEL with Cost and Synergy Advantage

*Improving margins with the increasing scale of business*

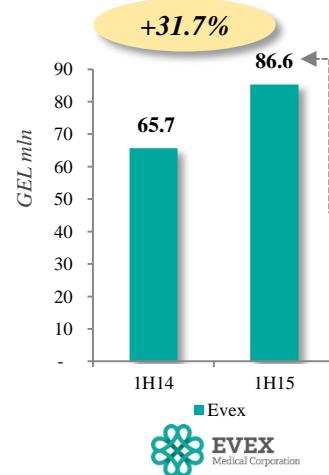


### EVEX Revenue

*Note: Evex and Imedi L revenues do not add up to GHG revenues due to intercompany eliminations*

#### Evex organic revenue growth

- 23.6% CAGR 2012-14
- 23.9% 1H15 y-o-y



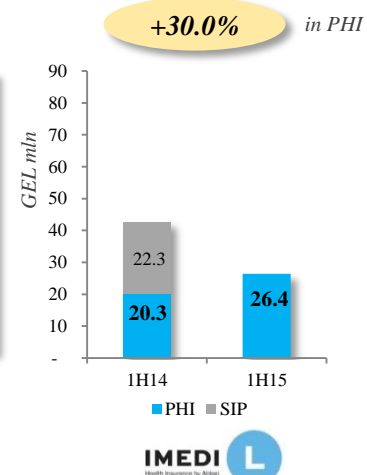
**1H15 does not include:**

**Deka** – was consolidated as of 30 June 2015 with no effect on the income statement of GHG in 1H15

**HTMC** – HTMC will be consolidated in 3Q15 (HTMC revenue was GEL 38.4mln in 2014, and GEL 21.7mln in 1H15)

### Imedi L Revenue

**Loyal private medical insurance customers as demonstrated by c.30% growth in PHI revenues**







# LONG-TERM, HIGH-GROWTH PROSPECTS

## Accelerated Revenue Market Share Growth

*Despite 1/3 market share by beds, there is significant room to catch up to 1/3 market share by revenues*

### Growth In Hospital Revenue - GHG Owns It

#### Hospitals

2015E market size: **GEL 1.2bln**

**14.0%** *Market share by revenue* → **33.0%**  
*In 1H15\** *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

2015E market size: **GEL 0.9bln**

**0.5%** *Market share by revenue* → **17.0%**  
*In 1H15\** *Long-term target*

#### Growth opportunities:

- Low outpatient encounters
- Fragmented supply
- New prescription policy

### Redistribution Of Funds Expected From Pharmaceuticals To Healthcare Services

#### Pharmaceuticals

2015E market size: **GEL 1.3bln**

**0%** *Market share by revenue* → **0%**  
*In 1H15* *Long-term target*

#### Optimisation opportunity:

total healthcare spending on pharma  
of **38% in Georgia vs 16-17% in Europe**

## Rooms For Growth

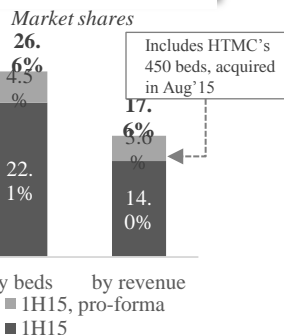
GHG's nation-wide bed capacity in place to accommodate future revenue market share growth (HTMC & Deka P&L to be consolidated starting 3Q15; Deka and Sunstone to be renovated in 2016-17)

10x price gap with developed EM benchmarks

Imedi L outpatient encounters increased to 3.9 in 2015\*\* up from 2.2 in 2012

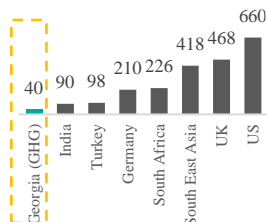
New prescription practice expected to drive outpatient traffic

#### Revenue market share gap



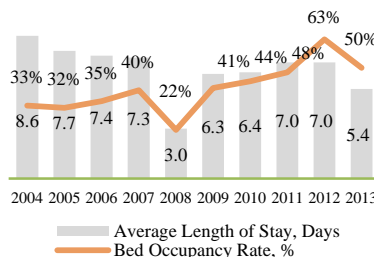
#### Low revenue per bed

Average revenue per bed, US\$ thousand



#### Low bed utilisation

Utilisation & ALOS



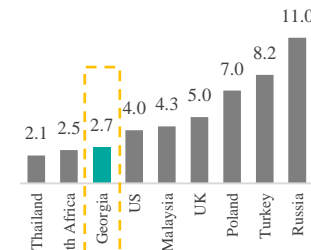
#### Price gap

Prices, US\$ thousands

	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

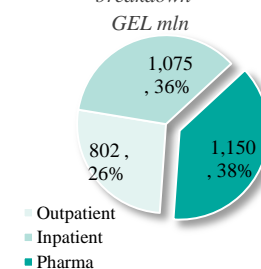
#### Low outpatient encounters

Outpatient encounter per capita, annual



#### High pharma spending redistribution

Total Healthcare Spending breakdown GEL mln



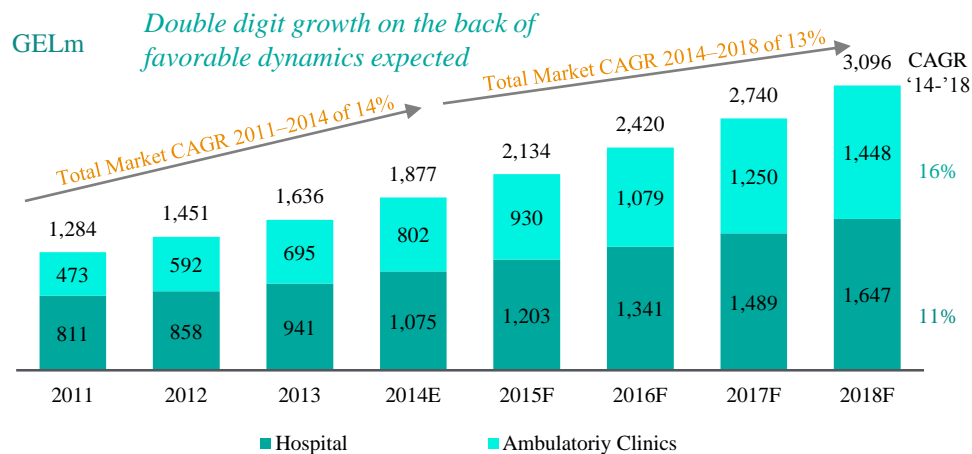
\* pro-forma 1H15 result, based on Frost & Sullivan annual 2015 forecast  
\*\* annualized YTD May-2015 result



# LONG-TERM, HIGH-GROWTH PROSPECTS

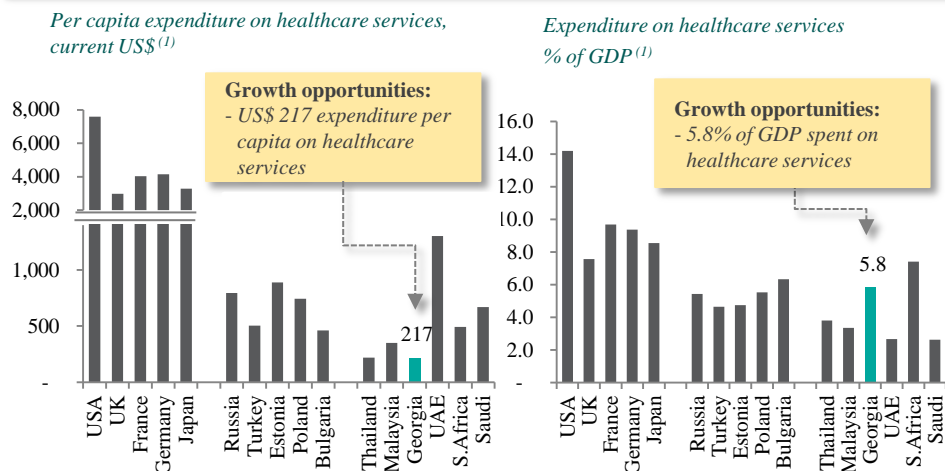
## Rapidly Growing Healthcare Services Market

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



Source: Frost & Sullivan analysis.

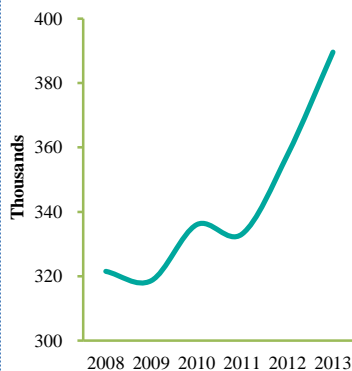
### Low Expenditure on Healthcare Services



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

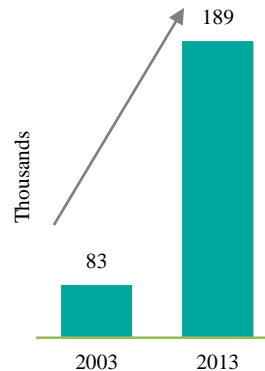
### Demand Analysis

Number of Hospital Admissions



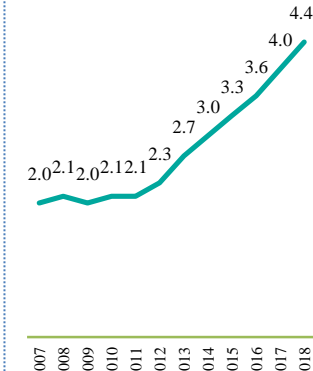
Source: NCDC.

Number of Surgical Operations



Source: NCDC.

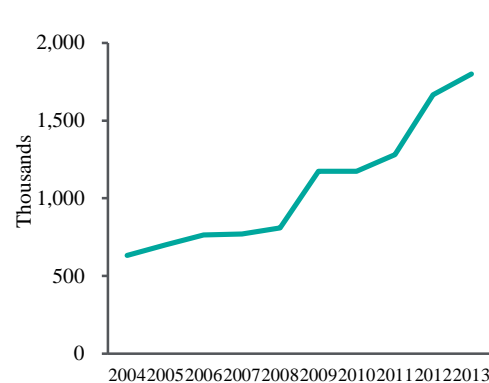
Outpatient Encounters per Capita



Source: NCDC, Frost & Sullivan analysis.

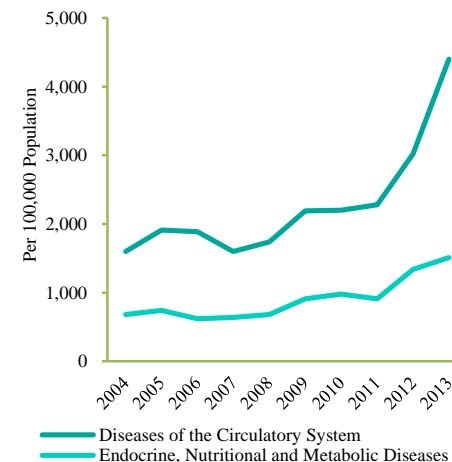
### Increasing Overall Disease Incidence...

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



Source: Geostat.

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



Source: NCDC.

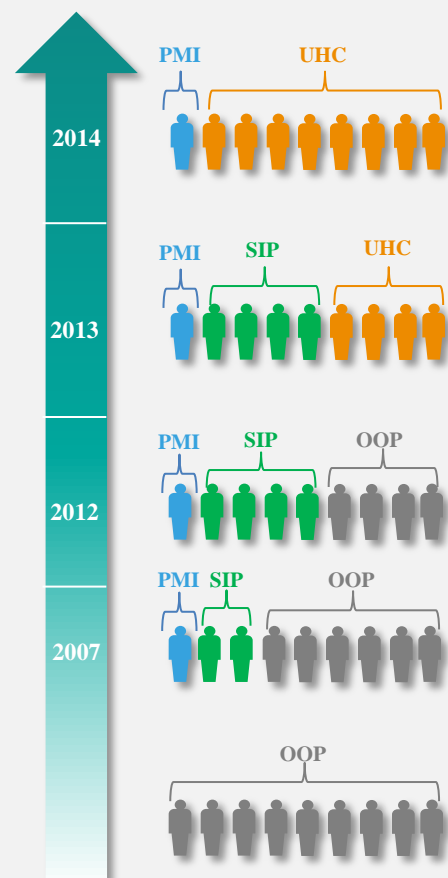


# LONG-TERM HIGH-GROWTH PROSPECTS

## *Favorable Government Healthcare Policy (1/4)*

**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:



### 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

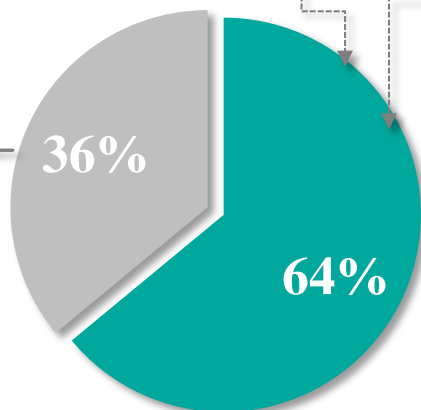
## *Favorable Government Healthcare Policy (2/4)*

### 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



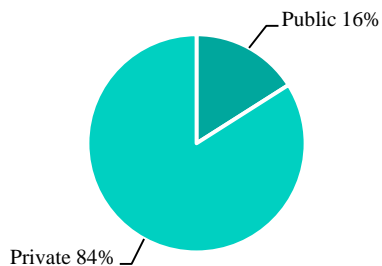
# LONG-TERM HIGH-GROWTH PROSPECTS

## *Favorable Government Healthcare Policy (3/4)*

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

### 84% Of Hospital Capacity Is Private

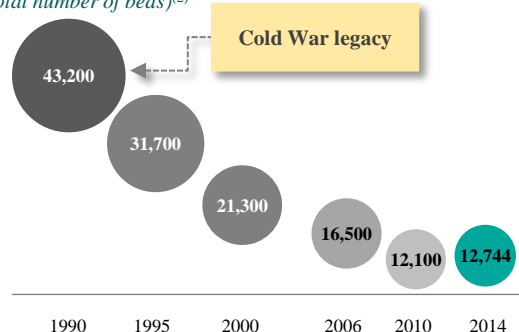
Total Number of Beds (2014): 10,055<sup>(1)</sup>



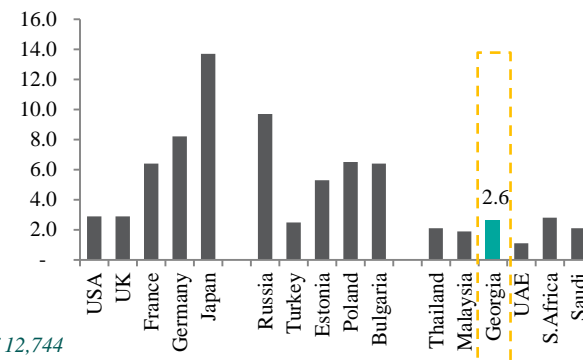
### Capacity-wise Georgia Stands Alongside US, UK And Turkey

Optimising bed capacity over the years

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



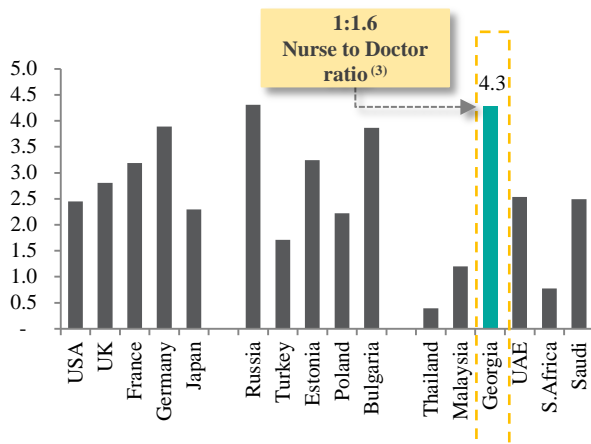
Beds per 1,000 people<sup>(3)</sup>



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

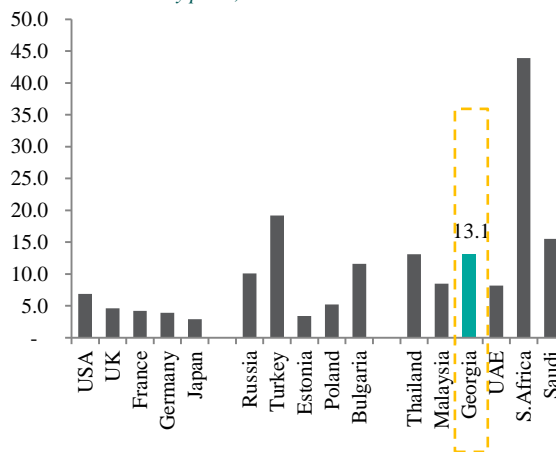
### However, Physician Overcapacity Yet To Be Addressed

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

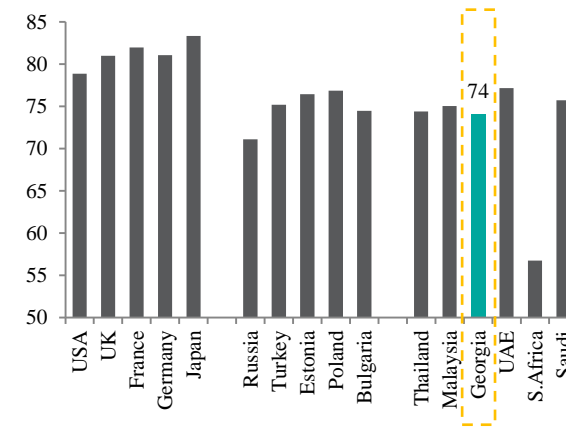


### With Significant Room For Optimisation In Terms Of Service Quality, As Indicated By: Under 5 Mortality Rate... ... And Life Expectancy At Birth

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



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



Source:

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

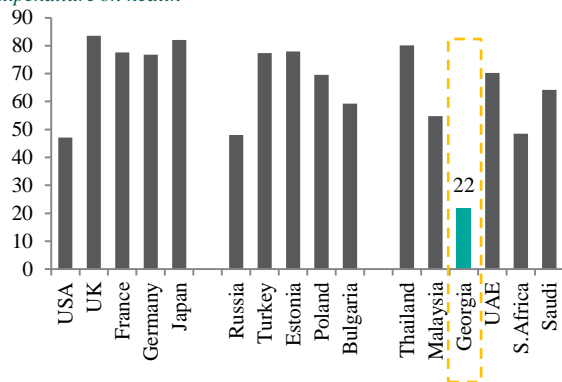


# 3 LONG-TERM HIGH-GROWTH PROSPECTS

## Favorable Government Healthcare Policy (4/4)

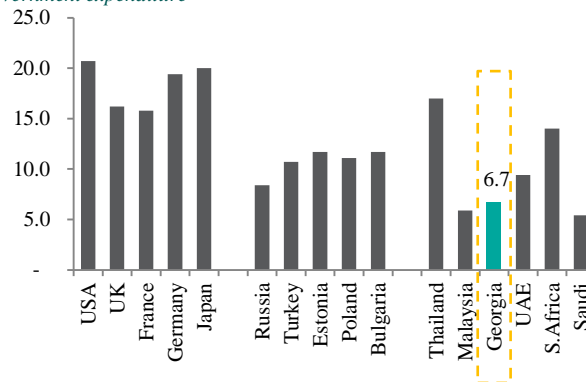
### Government Finances Only C.20% Of Total Healthcare Costs

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

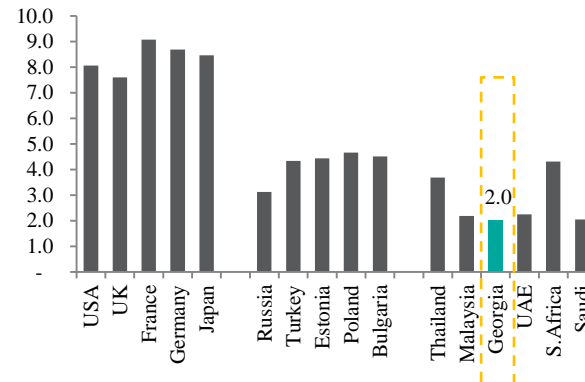


### Government Spending On Healthcare Is Only 6.7% Of State Budget And 2% Of GDP

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



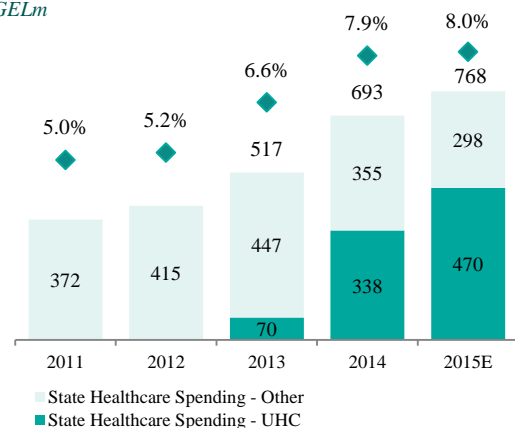
Government expenditure on health as % of GDP <sup>(1)</sup>



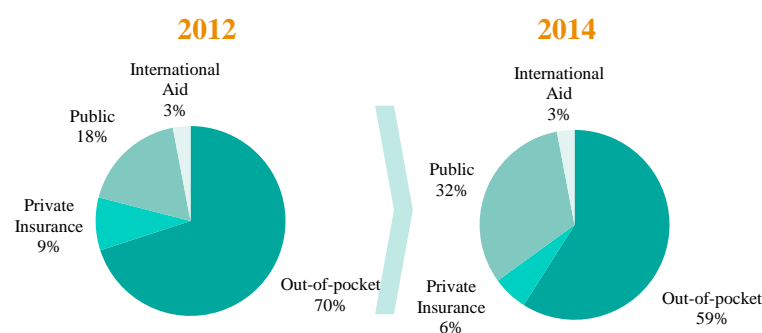
### And Catching Up Gradually – State Financing Of Healthcare Increasing For The Last Several Years

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

GELm



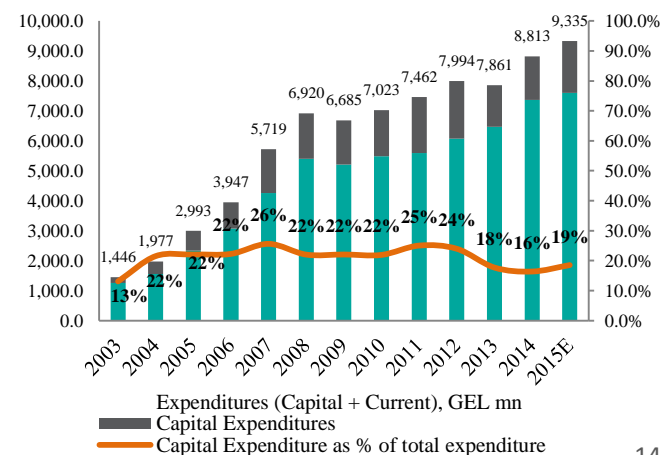
### High Private Spending And Growing Public Sector Participation On The Back Of UHC Implementation <sup>(3)</sup>



### With C.20% Of Government Tax Revenues Spent On Capex

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

GELm



Sources:

(1) World Health Organisation and World Bank, 2013 data

(2) Ministry of Finance of Georgia

(3) Global health expenditure database – World Health Organisation, Frost & Sullivan analysis



# LONG-TERM HIGH-GROWTH PROSPECTS

## *Georgia / Rapidly Developing Reform Driven Economy*

- Area: 69,700 km<sup>2</sup>
- Population (2014): 4.5 million people
- Life expectancy: 74 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: 2014 GEL 29.2bn (US\$16.5bn)
- Real GDP average 10yr growth: 5.8%
- GDP per capita 2014E (PPP) per IMF: US\$7,653
- Inflation rate (e-o-p) 2014: 2.0%
- External public debt to GDP 2014: 26.8%

Sovereign ratings:

<b>S&amp;P</b>	BB-/B/Stable, affirmed in November 2014
<b>Moody's</b>	Ba3/NP/Positive, affirmed in August 2014
<b>Fitch</b>	BB-/B/Stable, affirmed in April 2015



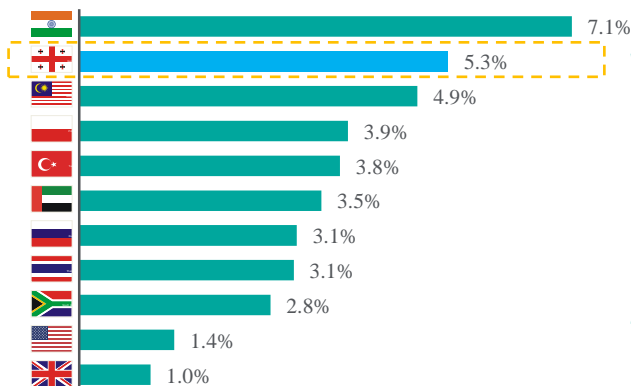


# LONG-TERM HIGH-GROWTH PROSPECTS

## Georgia / Strong Economic Performance

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

Real GDP CAGR 2005-14



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



Georgia is the top improver on the World Bank's Ease of Doing Business report since 2005, rising from 113<sup>th</sup> in 2005 to 15<sup>th</sup> in 2014

- 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

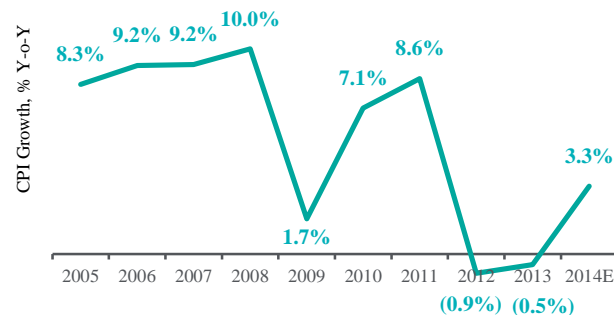
### Prudent Fiscal Policy

"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 3%

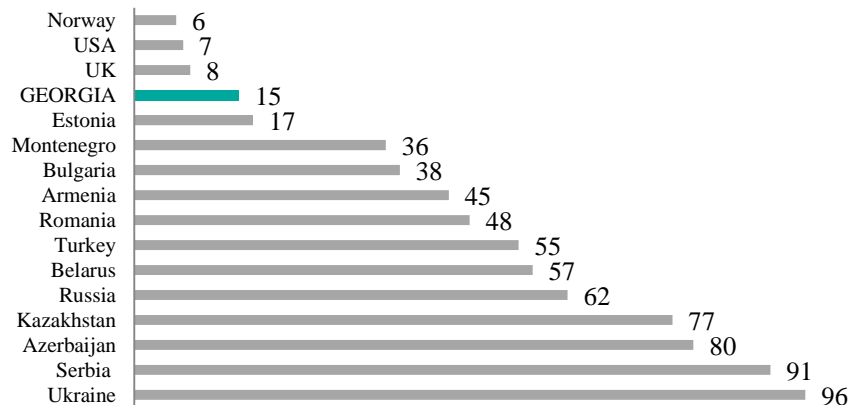




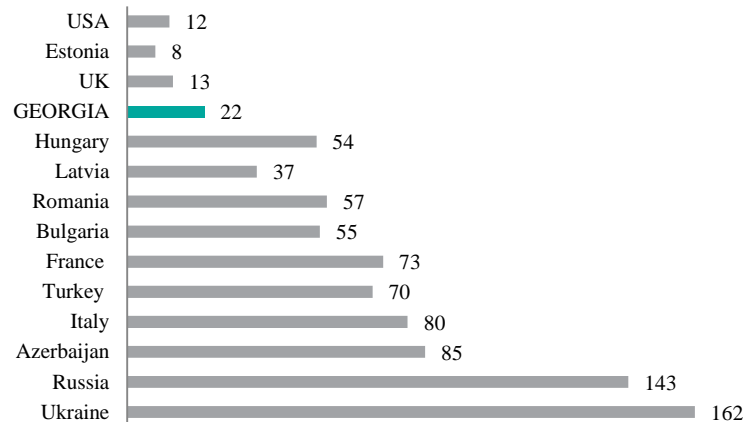
# LONG-TERM HIGH-GROWTH PROSPECTS

*Georgia | Top Improver on World Bank's Ease of Doing Business Report*

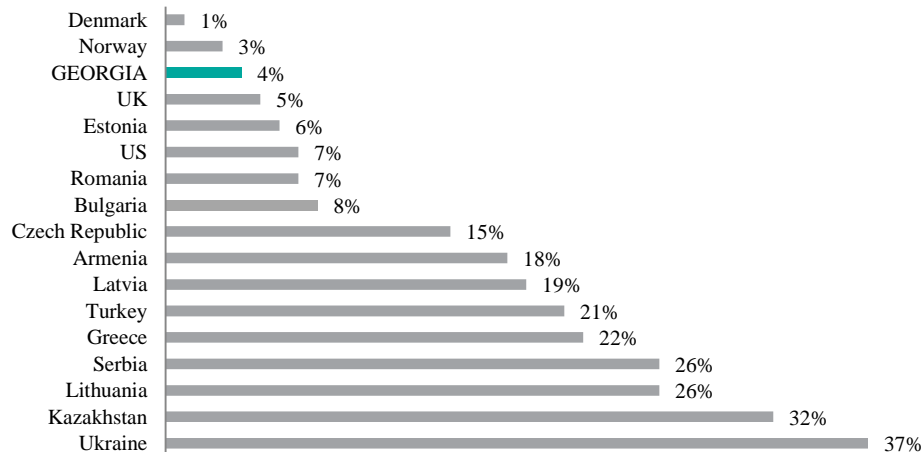
## Ease of Doing Business | 2015 (WB-IFC Doing Business Report)



## Economic Freedom Index | 2015 (Heritage Foundation)



## Global Corruption Barometer | TI 2013



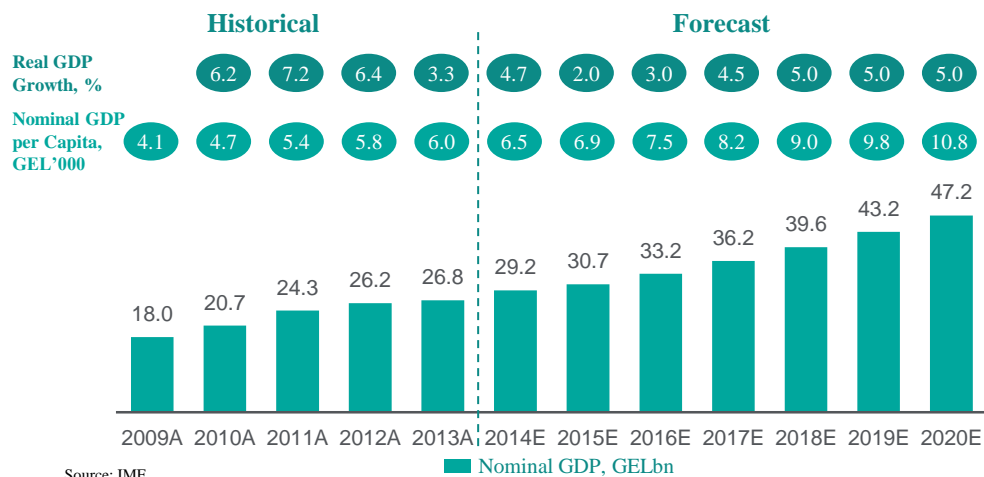
**GEORGIA - No 1  
Reformer 2005-2012**  
(WB Doing Business Report)



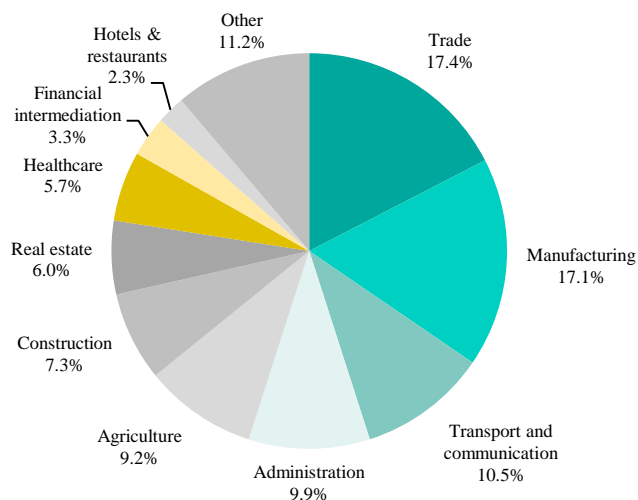
# LONG-TERM HIGH-GROWTH PROSPECTS

## Georgia | Positive Economic Outlook

### GDP Growth Expected to Continue



### GDP composition, FY 2014



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

### Clear Strategy to Achieve Long Term Growth

#### Liberal Reforms and Prudent Policy

- Liberty Act, which became effective in January 2014 seeks to ensure a credible fiscal and monetary framework:
- Government expenditure/GDP capped at 30%
- Budget deficit/GDP capped at 3%
- Government debt/GDP capped at 60%

#### Regional Logistics and Tourism Hub

- Proceeds from foreign tourism stood at US\$1.8bn in 2014 up 3.9% y-o-y, 5.5m visitors in 2014 (up 2% y-o-y), 3.1m visitors in 7M15 up 4.9% 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

- Strong FDI inflows diversified across different sectors (US\$ 1.27bn in 2014)
- Net remittances of US\$1.26bn in 2014 (down 4.5%)
- FDI averaged 10% of GDP in 2005-2014

#### 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; 66 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

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

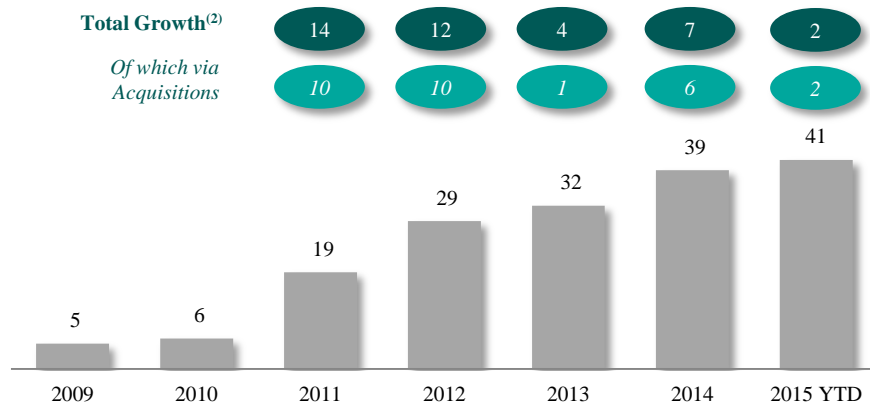




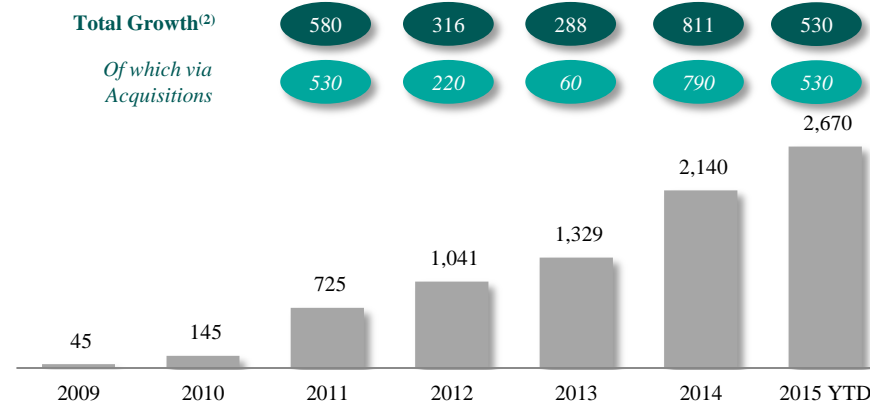
# Highly Experienced Management with Proven Track Record

Led by a highly experienced management team, GHG has successfully acquired and integrated more than 25 companies in the hospital and insurance sectors over the past decade

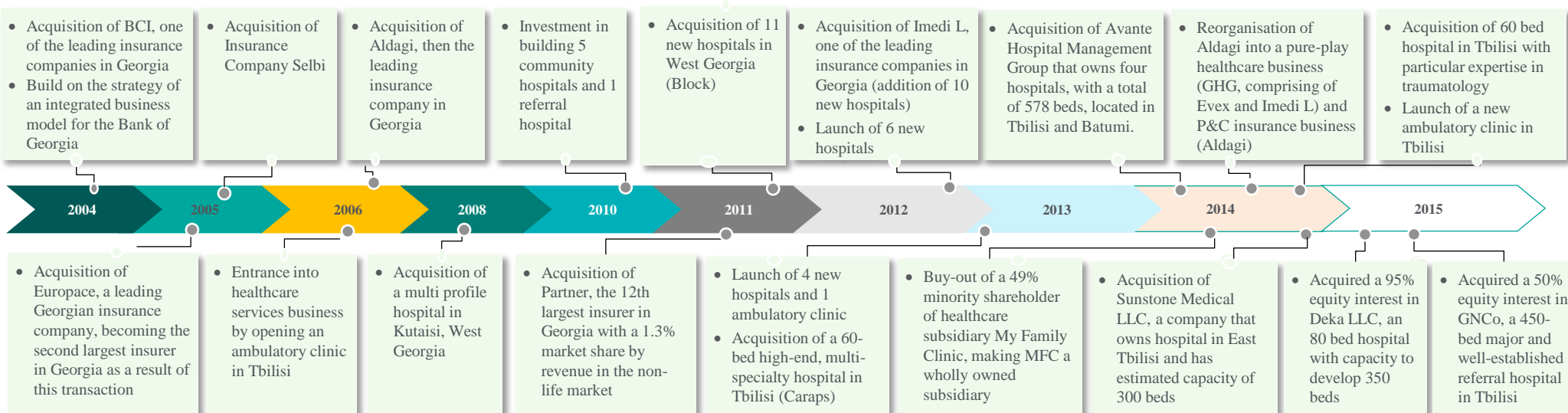
## Growth in # of Clinics<sup>(1)</sup>



## Growth in # of Beds<sup>(1)</sup>



## Overview of Key Historical Milestones<sup>(1)</sup>



Sources:

(1) GHG internal reporting

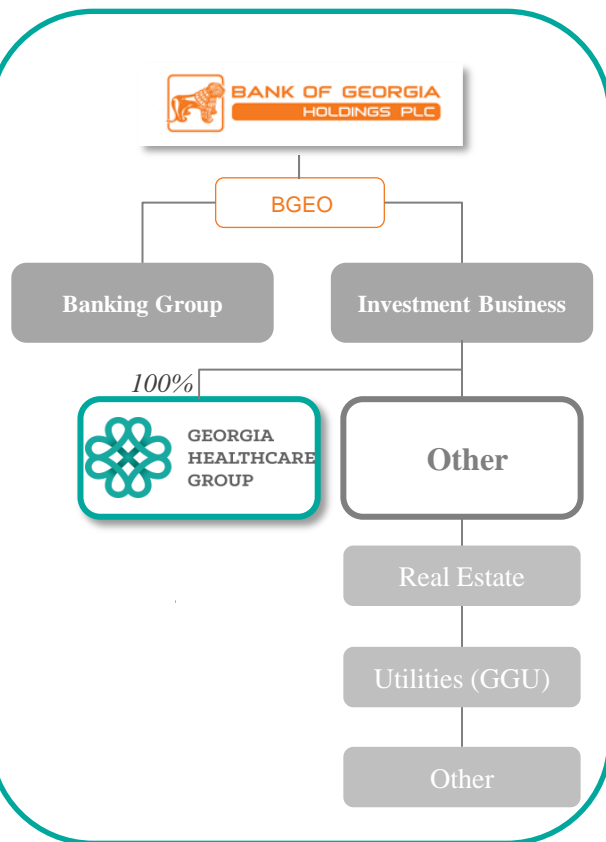
(2) Figures do not add to total number of beds (2,670) and total number of clinics (41) shown on other slides, as some of the clinics were consolidated or divested



# Premium LSE Listed Parent Group, with c.95% Institutional Shareholder Base and Strong Track Record for Growth

*100% Subsidiary of Bank of Georgia Group, the leading bank in Georgia by total assets, total loans and client deposits*

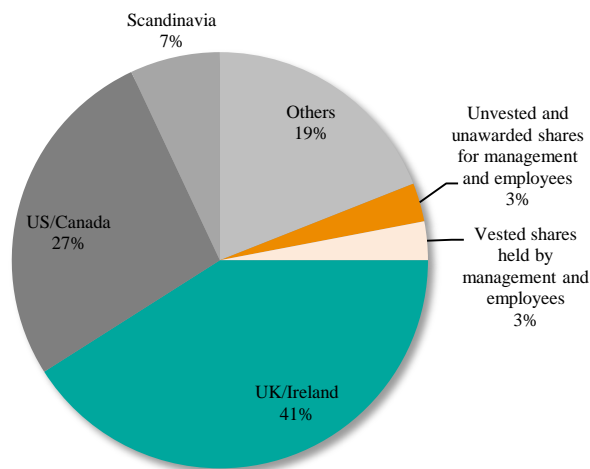
## Bank of Georgia Group Structure



## Diversified 95% Institutional Shareholder Base

Included in FTSE 250 and FTSE All-share Index Funds

*As of 31 Mar 2015, BGH's shareholder structure was as follows:*



## GHG Governance Is Lift & Drop Of BGH 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 carry out 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 three-year period, which is dependent on both Group performance and the executive achieving his KPIs.



# 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 BGH 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 BGH 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 BGH 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 BGH 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 CEO of North Africa Holdings Group. 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 BGH 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

Non-BGH members

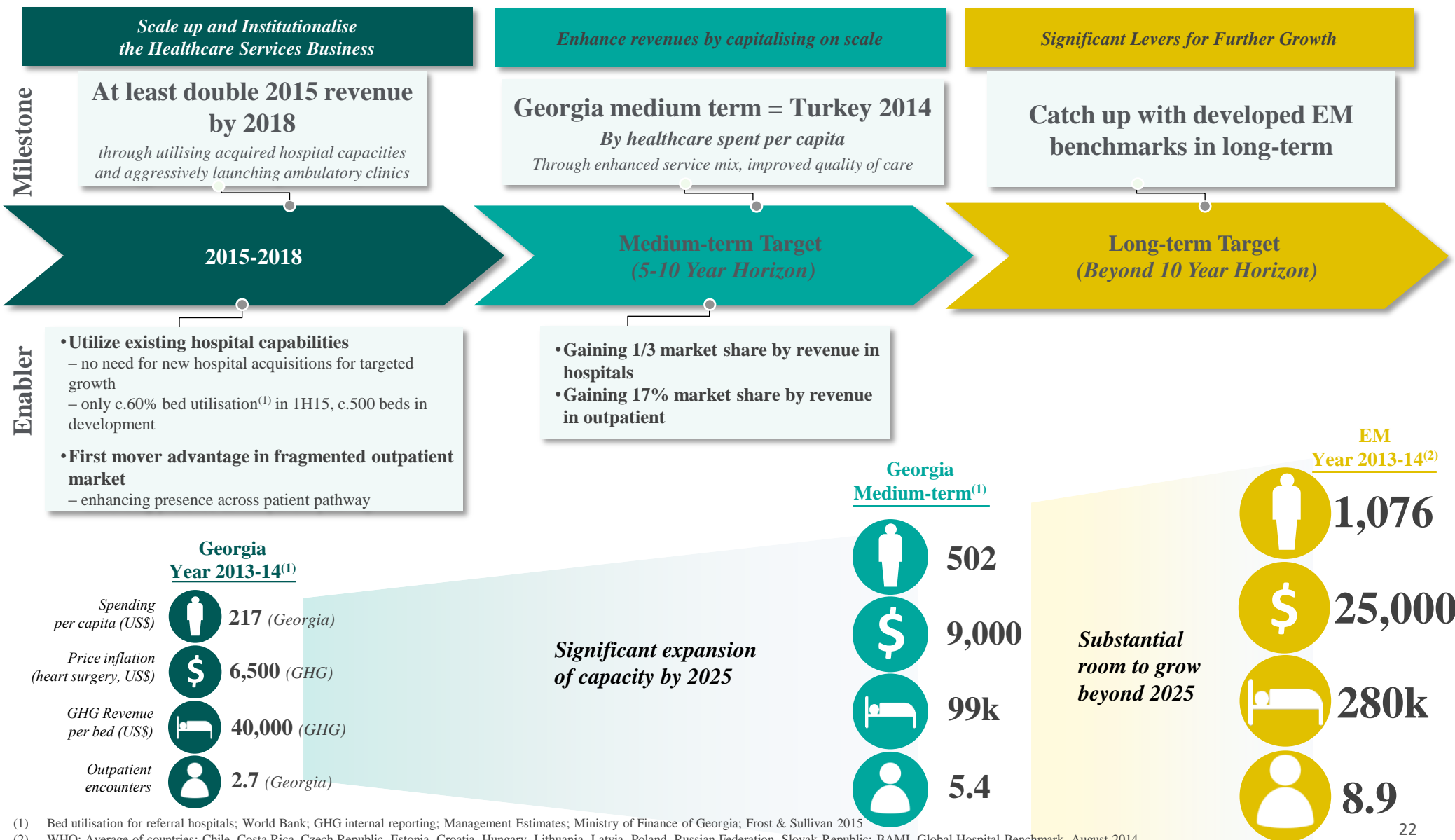
### Management

- **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
- **Nutsa Koguashvili** | CEO, Imedi L; 12 years of experience in insurance, formerly deputy CEO (retail & marketing) at JSC Insurance Company Aldagi
- **Irakli Gogia** | Deputy CEO, Operations; formerly Deputy CEO at JSC Insurance Company Aldagi, CFO at Liberty Consumer, 4 years of experience at Ernst & Young and Deloitte & Touche
- **Dr Ivane Bokeria** | Deputy CEO, Clinical; Also the vice president of Georgian Pediatric Neurology and Neurosurgery Association. Formerly chairman and a member of Parliamentary Committee of Health Care for two parliamentary convocations
- **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

# Long-term, High-growth Story





## GHG's 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.500 beds in total)
- HTMC revenue in 2014 was GEL 38.4mln, in 1H15 was GEL 21.7mln
- 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*

- c.30 ambulatory clinics expected to be launched within 2-3 years, in highly fragmented and under-penetrated outpatient segment
- catching up on outpatient revenues. Outpatient represent c.40% of national spending on healthcare services and only under 5% share of GHG revenues with target of achieving 15% of 2018 revenues<sup>(2,5)</sup>; additional increase expected from increase in utilisation as Georgia has the lowest in the region average number of outpatient encounters per capita (Georgia: 2.7, CIS: 8.9, EU: 7.7)<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>

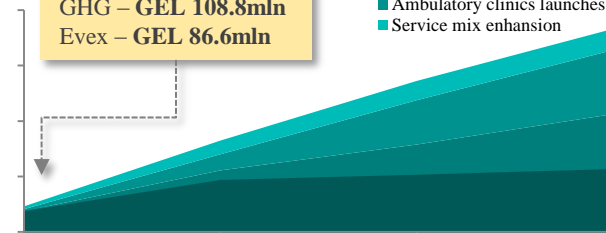
#### Solid growth track record

- 23.6% Evex organic growth, CAGR 2012-14
- 23.9% Evex organic growth, 1H15 y-o-y
- Solid margin performance - 25.3% Evex EBITDA margin, 1H15

#### 1H15 Revenues:

GHG – GEL 108.8mln  
Evex – GEL 86.6mln

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



#### Sources:

(1) Market share by number of beds. Source: National Center for Disease Control, data as of December 2014, updated by company to include changes before 30 June 2015

(2) NHA

(3) Frost & Sullivan 2015

(4) NCDC healthcare statistical yearbook 2013

(5) GHG internal reporting



# FOCUSED GROWTH STRATEGY

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

### *Recent M&As*

*c.30% potential capacity: 22.1% market share as of 30 June 2015, additional 4.5% market share from HTMC that was acquired in August 2015 and further development capacity of up to c.500 beds that GHG aims to develop in 2016-17, bringing overall market share to c.30%*

### Recent acquisitions

Dec 2013

#### ❁ Caraps (60 Beds)

- ✓ Specialising in plastic surgery
- ✓ New customer base in high-end customer segment.

Feb 2014

#### ❁ Avante (578 Beds)

- ✓ Includes 4 mono-profile hospitals
- ✓ Largest provider for paediatric and maternity care in Georgia

Apr 2014

#### ❁ Block Georgia

- ✓ Buy-out of 49% minority share of subsidiary JSC My Family Clinic (predecessor to Evex)
- ✓ Offers flexibility in executing growth strategy and an opportunity to expand regional footprint

May 2014

#### ❁ Sunstone (350 Bed Capacity – 152 Operational)

- ✓ Long-established general hospital in Tbilisi
- ✓ Attractive location and previously untapped region

Sep 2014

#### ❁ Traumatology (60 Beds)

- ✓ Expertise in traumatology
- ✓ Offers increased market share and bed capacity in Tbilisi

May 2015

#### ❁ Deka (350 Bed Capacity – 80 Operational<sup>(2)</sup>)

- ✓ Prime Tbilisi location
- ✓ Offers increased Tbilisi market share and opportunity to develop an under-utilised hospital

Aug 2015

#### ❁ HTMC (450 Beds)

- ✓ Single largest hospital in Georgia
- ✓ Enables continued expansion into Tbilisi

### Integration of Existing Facilities

#### ❁ Upgrading and modernising facilities

- Market share to reach c.30% by number of beds upon the expansion of Sunstone and Deka to full operating capacity

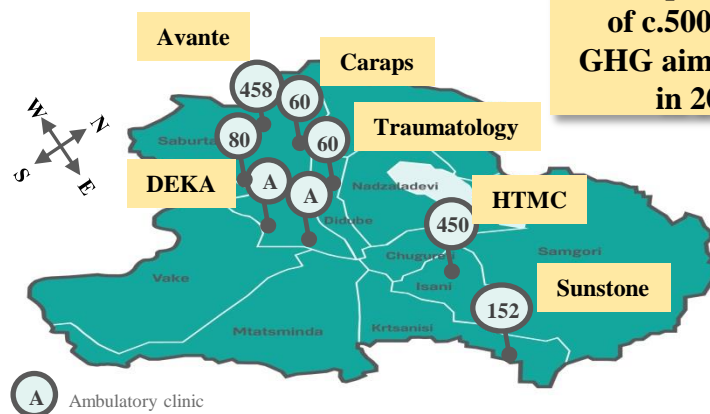
#### ❁ Invest in state-of-the-art medical equipment

#### ❁ Optimise staffing levels for clinical and non-clinical staff

#### ❁ Standardise clinical protocols across the group

#### ❁ Rationalise back-office support functions

### Expanded Coverage in Tbilisi



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

# FOCUSED GROWTH STRATEGY

## *Rapid launch of ambulatory clinics*

### 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 will be developed in all major districts of Tbilisi and in other major cities in Georgia.

as of 30 June 2015:

- GHG operated 1 ambulatory cluster, only 6 clinics
- GEL 2.5mln revenue from ambulatory clinics
- 31.0% EBITDA margin of ambulatory clinics
- 2.9% share in total healthcare revenue

Ambulatory cluster consists of:

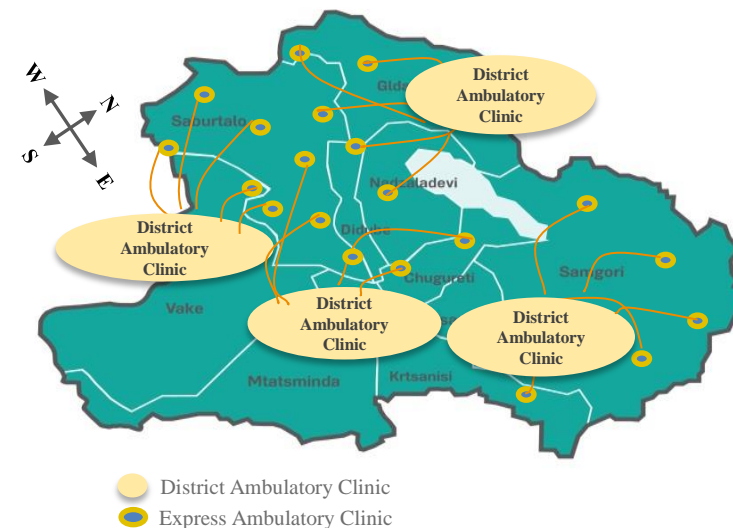
one District Ambulatory Clinic

District Ambulatory Clinic

3-5 Express Ambulatory Clinics

Express Ambulatory Clinics

### Ambulatory clusters in Tbilisi



### 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

### Express Ambulatory Clinic specifications

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

## Competition



Mitskevich polyclinic, Tbilisi, September 2015

## Reception



Joen clinic, Tbilisi, September 2015

## Doctor's office



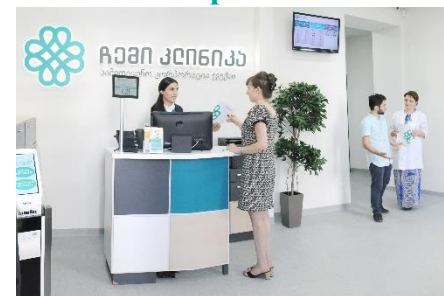
9<sup>th</sup> polyclinic, Tbilisi, September 2015

## 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





## *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 18 in Georgia  
of which 2 owned by GHG)



**Linear accelerator**  
Capex: US\$ 2.2-3.5mln  
(only 7 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 13 in Georgia of which 5  
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 paediatric oncology services
- Very limited rehabilitation services
- No suitable IVF center
- No bone marrow transplant
- No molecular laboratory
- No suitable genetic laboratory

# FOCUSED GROWTH STRATEGY

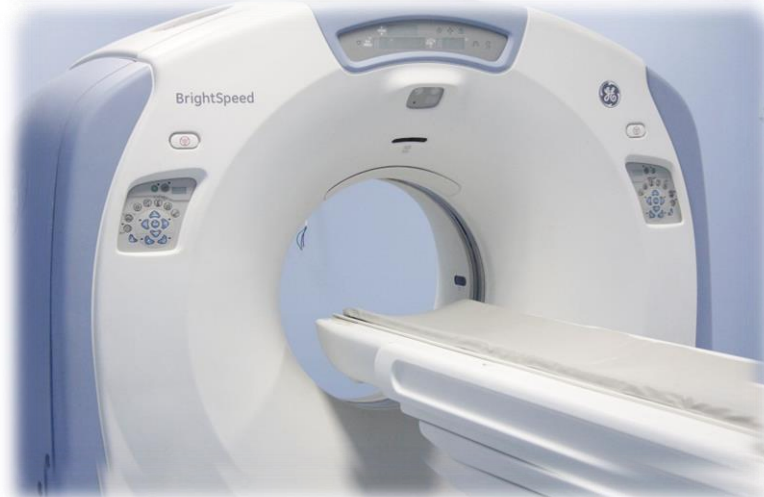
*Investing in medical equipment, utilising existing service gaps*

## *Medical equipment at GHG healthcare facilities*

### Before



### After





- 1. Georgia's Infrastructure reform**
- 2. GHG 1H15 financial results**
- 3. Georgia's disease profile**
- 4. Georgia's population profile**
- 5. Georgian macro**

## *GHG healthcare facilities*

### Before



### After





## *GHG healthcare facilities*





## Income Statement

	<u>Healthcare services</u>			<u>Medical insurance</u>			<u>Eliminations</u>		<u>Total</u>		
<i>(GEL thousands, unless otherwise noted)</i>	1H15	1H14	Change y-o-y	1H15	1H14	Change y-o-y	1H15	1H14	1H15	1H14	Change y-o-y
<b>Revenue</b>	<b>86,577</b>	<b>65,728</b>	<b>31.7%</b>	<b>26,365</b>	<b>42,539</b>	<b>-38.0%</b>	<b>4,187</b>	<b>13,402</b>	<b>108,755</b>	<b>94,865</b>	<b>14.6%</b>
<b>Costs of services</b>	<b>48,462</b>	<b>38,610</b>	<b>25.5%</b>	<b>21,872</b>	<b>37,637</b>	<b>-41.9%</b>	<b>4,024</b>	<b>13,291</b>	<b>66,310</b>	<b>62,956</b>	<b>5.3%</b>
Cost of salaries and other employee benefits	31,022	25,047	23.9%	-	-	-	1,453	5,714	29,569	19,333	52.9%
Cost materials and supplies	12,724	7,804	63.0%	-	-	-	576	1,780	12,148	6,023	101.7%
Cost of providers	982	2,362	-58.4%	-	-	-	49	539	933	1,823	-48.8%
Cost of utilities and other	3,734	3,397	9.9%	-	-	-	175	775	3,559	2,622	35.7%
Net insurance claims incurred	-	-	-	21,872	37,637	-41.9%	1,771	4,483	20,101	33,154	-39.4%
<b>Gross profit</b>	<b>38,115</b>	<b>27,118</b>	<b>40.6%</b>	<b>4,493</b>	<b>4,902</b>	<b>-8.3%</b>	<b>163</b>	<b>111</b>	<b>42,445</b>	<b>31,909</b>	<b>33.0%</b>
Salaries and other employee benefits	10,837	7,320	48.0%	1,928	2,692	-28.4%	163	111	12,602	9,901	27.3%
General and administrative expenses	3,687	2,961	24.5%	1,263	1,251	1.0%	-	-	4,950	4,212	17.5%
Impairment of healthcare services, insurance premiums and other receivables	1,737	833	108.5%	109	262	-58.4%	-	-	1,846	1,095	68.6%
Other operating income (expense)	491	(602)	-	50	86	-41.9%	-	-	541	(516)	-
<b>EBITDA</b>	<b>22,345</b>	<b>15,402</b>	<b>45.1%</b>	<b>1,243</b>	<b>783</b>	<b>58.9%</b>	<b>-</b>	<b>-</b>	<b>23,588</b>	<b>16,185</b>	<b>45.7%</b>
<b>EBITDA margin</b>	<b>25.3%</b>	<b>23.1%</b>		<b>4.7%</b>	<b>1.8%</b>						
Depreciation and amortization	(4,600)	(3,397)	35.4%	(289)	(310)	-6.9%	-	-	(4,889)	(3,707)	31.9%
Net interest income (expense)	(10,084)	(6,157)	63.8%	(34)	295	-	-	-	(10,118)	(5,862)	72.6%
Net gains/(losses) from foreign currencies	4,880	(2,017)	-	569	234	142.8%	-	-	5,449	(1,783)	-
Net non-recurring income/(expense)	(767)	1,333	-	-	-	-	-	-	(767)	1,333	-
<b>Profit before income tax expense</b>	<b>11,774</b>	<b>5,164</b>	<b>128.0%</b>	<b>1,489</b>	<b>1,002</b>	<b>48.7%</b>	<b>-</b>	<b>-</b>	<b>13,263</b>	<b>6,166</b>	<b>115.1%</b>
Income tax expense	708	(465)	-	(655)	(230)	185.1%	-	-	53	(695)	-
<b>Profit for the period</b>	<b>12,482</b>	<b>4,699</b>	<b>165.6%</b>	<b>834</b>	<b>772</b>	<b>8.1%</b>	<b>-</b>	<b>-</b>	<b>13,316</b>	<b>5,471</b>	<b>143.4%</b>
<b>Attributable to:</b>											
- shareholders of the Group	11,020	3,706	197.3%	834	772	8.1%	-	-	11,854	4,478	164.7%
- non-controlling interests	1,462	993	47.2%	-	-	-	-	-	1,462	993	-



## Revenue from healthcare services by payment sources

<i>(GEL thousands, unless otherwise noted)</i>	<u>1H15</u>	<u>1H14</u>	<u>Change y-o-y</u>
Referral and specialty hospitals	75,398	54,343	38.7%
Community hospitals	8,660	6,177	40.2%
Ambulatory clinics	2,519	2,345	7.4%
Ambulance and rural primary care	-	2,862	-100.0%
<b>Total</b>	<b>86,577</b>	<b>65,728</b>	<b>31.7%</b>

## Revenue from medical insurance by payment sources

<i>(GEL thousands, unless otherwise noted)</i>	<u>1H15</u>	<u>1H14</u>	<u>Change y-o-y</u>
State funded medical insurance products	-	22,252	-100.0%
Private medical insurance products	26,365	20,287	30.0%
<b>Total</b>	<b>26,365</b>	<b>42,539</b>	<b>-38.0%</b>

## Revenue from healthcare services by business lines

<i>(GEL thousands, unless otherwise noted)</i>	<u>1H15</u>	<u>1H14</u>	<u>Change y-o-y</u>
Government-funded healthcare programs	63,945	27,371	133.6%
Out-of-pocket payments by patients	17,095	16,819	1.6%
Private insurance companies, of which:	5,536	21,538	-74.3%
Imedi L health insurance	4,024	13,291	-69.7%
<b>Total</b>	<b>86,577</b>	<b>65,728</b>	<b>31.7%</b>

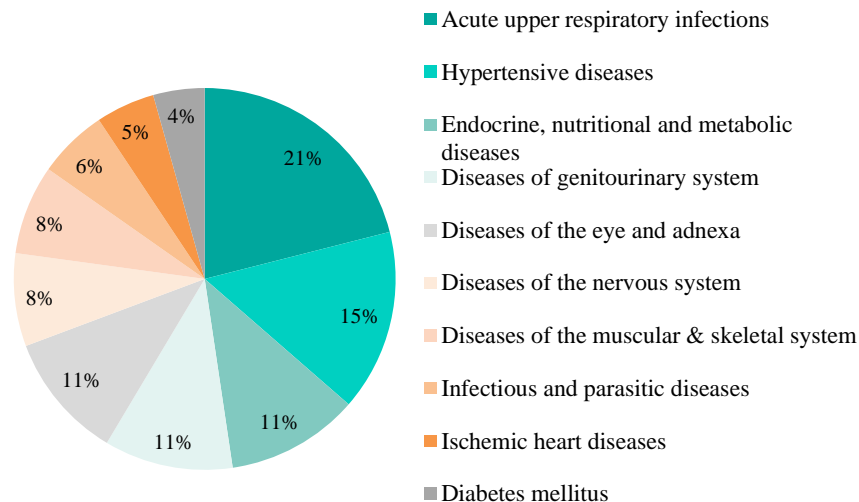
## Selected Balance Sheet items

<i>(GEL thousands, unless otherwise noted)</i>	<u>1H15</u>	<u>1H14</u>	<u>Change y-o-y</u>
<b>Total assets, of which:</b>	<b>504,092</b>	<b>343,905</b>	<b>46.6%</b>
Premises and equipment, net	320,218	226,731	41.2%
<b>Total liabilities, of which:</b>	<b>290,367</b>	<b>208,947</b>	<b>39.0%</b>
Borrowed funds	195,519	129,038	51.5%
<b>Total shareholders' equity:</b>	<b>213,725</b>	<b>134,958</b>	<b>58.4%</b>



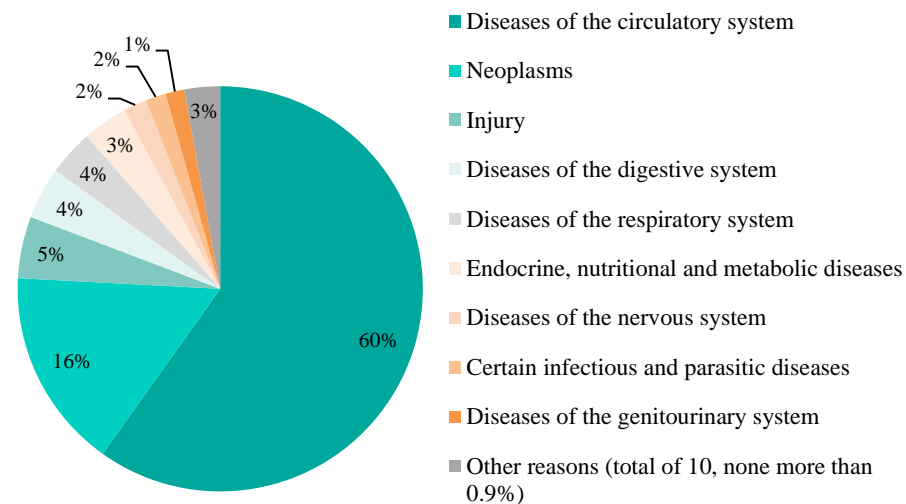
## Top 10 Prevalent Diseases

*rate per 100,000 population, Georgia, 2013*



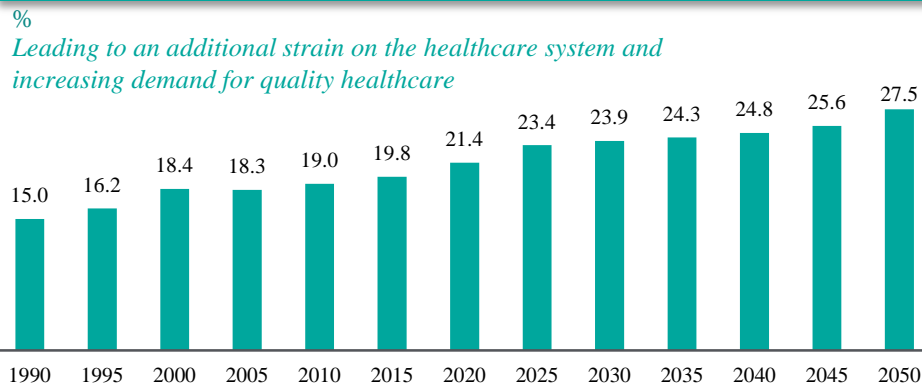
## Ncds Are Estimated To Account For 91% Of All Deaths

*% share in total deaths, all ages, Georgia 2013*



## *Favourable Demographics*

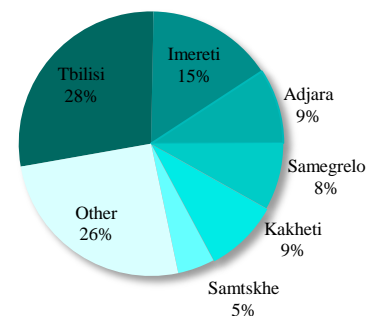
### Growing Proportion Of Population Aged Over 60



Source: World population prospects: The 2012 revision (United Nations, 2013).

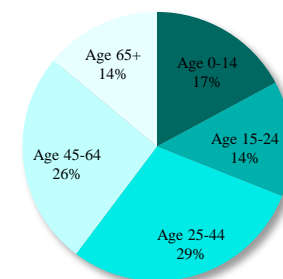
### With Demand Driven By An Ageing Population In Increasing Need Of Healthcare

Population split by regions



Source: Geostat.ge, data as of 1 January 2014

Population split by age group





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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 JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.*

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