

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 Unique Investment Story*



GEORGIA  
HEALTHCARE  
GROUP

Investor Presentation  
*May 2015*

# 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 and Quality Leader

- ✓ **Largest market share:** 22.0% market share in healthcare services by number of beds, with over 38.0% share in West Georgia;<sup>(2)</sup> Unique “geographic cluster” footprint for hospital services; 35.9% market share in health insurance<sup>(3)</sup>
- ✓ **Widest population coverage:** Network of 39 high quality hospitals and ambulatory clinics<sup>(4)</sup> with modern equipment, providing coverage to over 2/3 of Georgia's 4.5mln population<sup>(5)</sup>
- ✓ **Institutionalizing the industry:** Strong corporate governance, standardized processes, on-going EQS implementation,<sup>(6)</sup> world renowned partners, own personnel training centre

3

## “Patient Capture” Business Model

- ✓ “Patient capture” model
  - **Cost advantage** through vertical integration
  - **Referral system & cluster model:**
    - Strong presence across patient treatment pathways from local doctors (GPs) to specialised hospitals / centres
  - **Synergies with insurance:**
    - Insurance activities bolster hospital patient referrals



GEORGIA  
HEALTHCARE  
GROUP

## Significant Growth Opportunities

2

- ✓ **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 5.9% between 2004-13
- ✓ **Favourable healthcare environment:** Supportive government policy aimed at increasing accessibility and quality of healthcare services in Georgia
- ✓ **Further expansion:** Opportunities to increase penetration in Tbilisi (largest market), where GHG is scaling up its presence through acquisition and development of hospitals and ambulatory clinics
- ✓ **Non-organic growth opportunity:** Potential for further consolidation in a highly fragmented Georgian healthcare sector

## Strong Management with Proven Track Record

4

- ✓ Valuable international healthcare experience
- ✓ In-depth knowledge of the local market
- ✓ Strong business management team and corporate governance, exceptional in Georgia's healthcare sector
- ✓ Successful M&A track record – acquired and integrated over 20 companies in the past decade, including over 25 healthcare facilities between 2011-14<sup>(4)</sup>
- ✓ Strong and supportive shareholder: Currently, GHG is a 100% subsidiary of 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

Sources:

- (1) Georgia Healthcare Group to be established in Georgia and the UK
- (2) Market share by number of beds. Source: National Center for Disease Control, data as of December 2012, updated by company to include changes before 31 March 2015
- (3) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 31 December 2014
- (4) GHG internal reporting
- (5) Geostat.ge, data as of 1 January 2014. Coverage refers to geographic areas served by GHG facilities
- (6) EQS are Evex Quality Standards developed at Evex for internal control and quality management (benchmark mainly based on JCI and EU standards) to analyse and improve clinical outcomes of hospital operations
- (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.



*GHG is the largest, integrated healthcare and health insurance provider in Georgia and is growing*

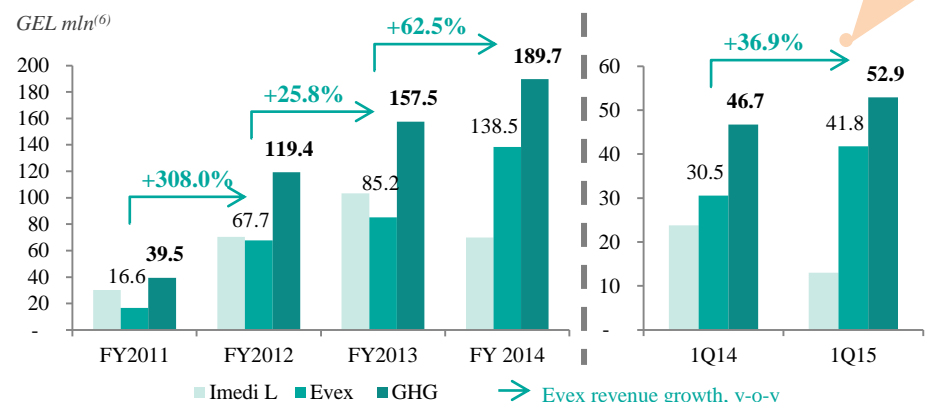
## COMPANY OVERVIEW

- Largest healthcare service provider in Georgia (JSC Evex Medical Corporation)**
  - 22.0% market share<sup>(1)</sup>, more than 4x the size of the nearest competitor
  - Over 2/3 of population covered<sup>(2)</sup>
  - Operating 33 hospitals and 6 ambulatory clinics<sup>(3)</sup>
  - 2,140 beds<sup>(3)</sup>
- Leading health insurance business (JSC Insurance Company Imedi L)**
  - 35.9% market share<sup>(4)</sup>, 66% larger by revenue than the nearest competitor
  - Insuring 248 thousand people<sup>(3)</sup>
- c. 8,177 full time employees, including 2,381 doctors<sup>(5)</sup>
- Currently 100% subsidiary of Bank of Georgia Holdings PLC, only entity from Georgia listed on the premium segment of the main market of London Stock Exchange (LSE:BGEO), part of FTSE 250 index

## SETTING NEW STANDARDS IN GEORGIA'S HEALTHCARE

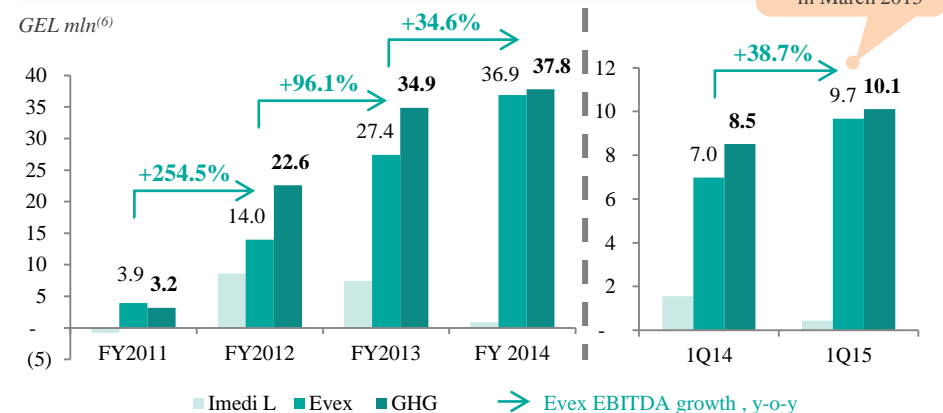
- In-house training centre for doctors and nurses and utilisation of modern equipment
- Ability to attract highly experienced physicians
- Straightforward procedures, efficient claims settlement and flexible premium policy
- Collaborations with Mayo Clinic, Emory School of Medicine, University Research Corporation (URC), John Snow, Inc. (JSI), Rostropovich - Vishnevskaya Foundation (RVF), Development Credit Authority (DCA), USAID
- Upholding ethical standards (GOG, WHO, Helsinki Declaration, US Gov. DHHS/OHRP)
- On-going Evex Quality Standards („EQS“) implementation, which is developed at Evex for internal control and quality management (benchmark mainly based on JCI and EU standards) to analyse and improve clinical outcomes of hospital operations

## REVENUES



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

## EBITDA



- (4) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 31 December 2014
- (5) As of 31 March 2015; number of full time employees including Tbilisi ambulatory clinic (Nutsubidze) opened in Q4 2014
- (6) GEL to USD exchange rate is 2.2275 as of 31 March 2015. Source: nbg.gov.ge

Sources:

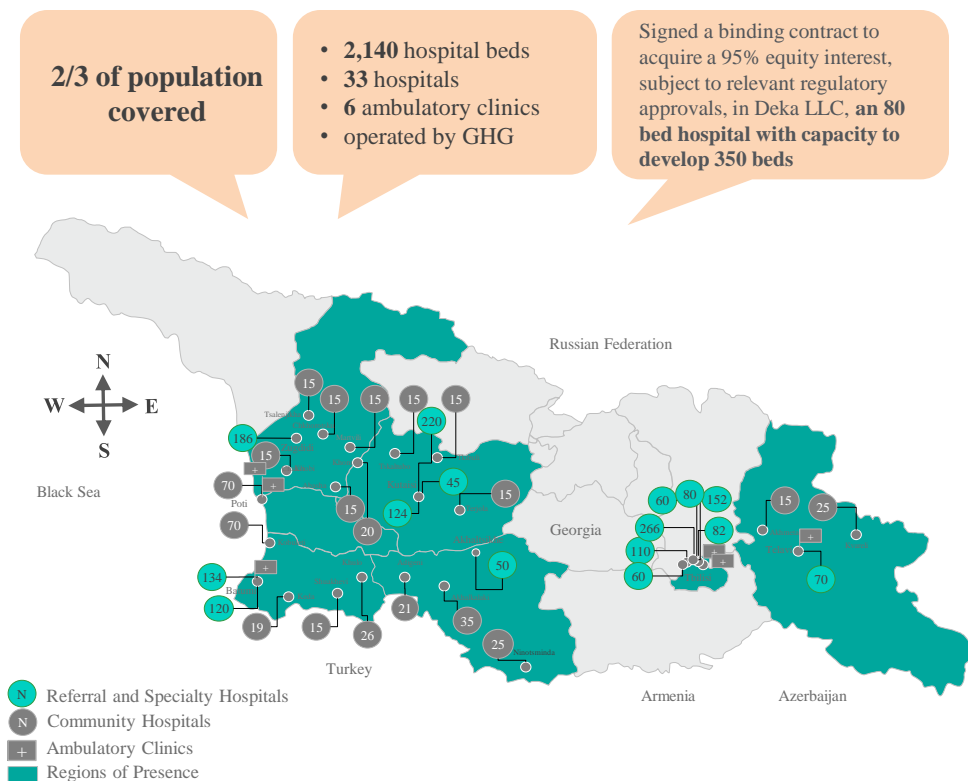
- (1) Market share by number of companies beds. Source: NCDC, data as of December 2012, updated by company to include new facilities acquired before 31 March 2015
- (2) Source: Geostat.ge, data as of 1 January 2014, coverage refers to geographic areas served by GHG
- (3) GHG internal reporting; hospital related data as of 31 March 2015; number of insured as of 31 March 2015



*Broad geographic coverage and diversified healthcare services network covering 2/3 of Georgia's population*

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

Network of healthcare facilities

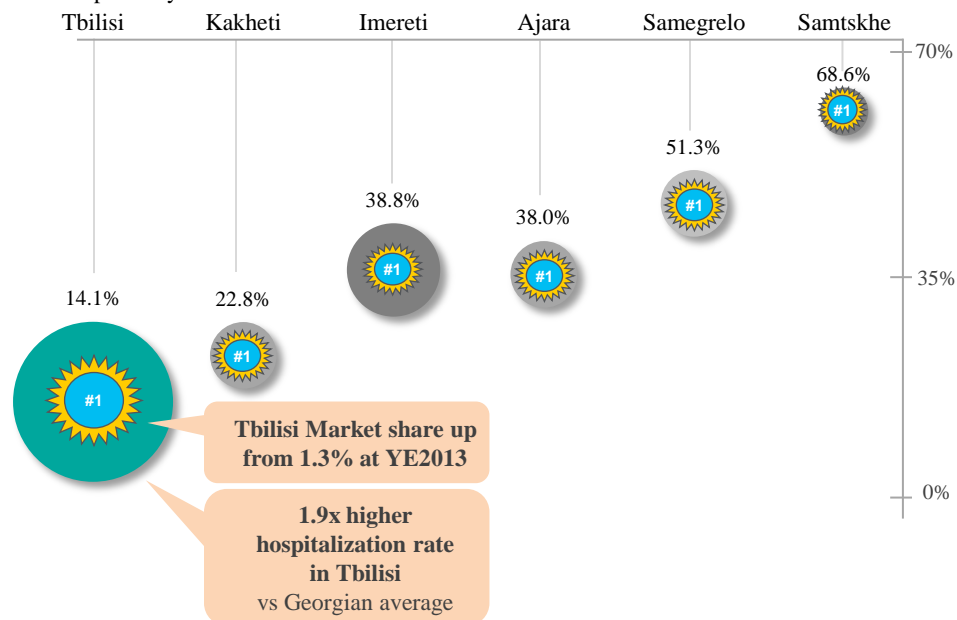


## Geographically Diversified Network

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

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

The Capital city



Sources:

(1) GHG internal reporting – data as of 31 March 2015

(2) Market share by number of beds. Source: NCDC, data as of December 2012, updated by company to include changes before 31 March 2015. Market shares by beds are as of 31 March 2015

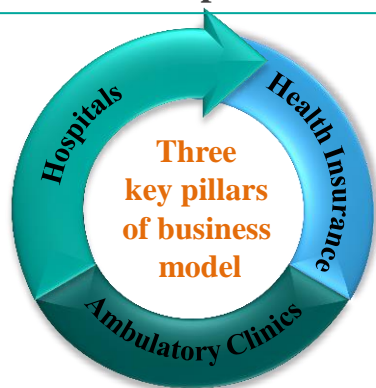
(3) Geostat.ge, data as of 1 January 2014





# CLEAR MARKET LEADER (3/4) with 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



14 referral & specialty hospitals provide secondary and tertiary level healthcare services  
operating 1,679 beds

Referral & Specialty Hospitals

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

Community Hospitals

6 ambulatory clinics provide primary outpatient healthcare services

Ambulatory Clinics

2/3 of Georgia's 4.5mln<sup>(1)</sup> population covered

Patients

1.8 mln GEL Evex revenue driven by health insurance division for 1Q15<sup>(2)</sup>





# CLEAR MARKET LEADER (4/4) *in a Fragmented Competitive Landscape*

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



## Healthcare Services (Hospitals)

# of Beds(# of Hospitals)



EVEX	2,140 (39)	22%	#1
GPIH-IRAO	484 (18)	5%	
Gudushauri-Chachava	483 (2)	5%	
HMTC	450 (1)	5%	
Aversi	225 (5)	2%	

Key Georgian Hospitals<sup>(1)</sup>

## Health Insurance

Gross premium revenue, GEL mln



IMEDI	71.1	36%	#1
GPIH	42.7	22%	
Irao	25.0	13%	
IC	16.9	9%	
Aversi	11.8	6%	
Other	30.6	15%	

Key Georgian Health Insurers<sup>(2)</sup>

Market share

Sources:

(1) Market share by number of beds. Source: NCDC, data as of December 2012, updated by company to include changes before 31 March 2015

(2) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 31 December 2014



- Area: 69,700 km<sup>2</sup>
- Population (2012): 4.5 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: 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



(1) According to Geostat.

(2) IMF World Economic database (October 2014). (3) EIU as at February 2015.

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

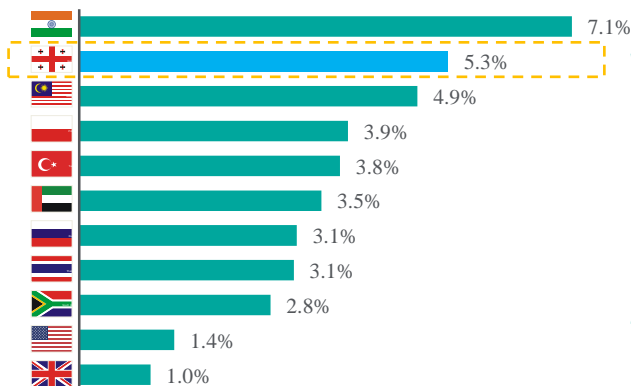


# SIGNIFICANT GROWTH PROSPECTS

## 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

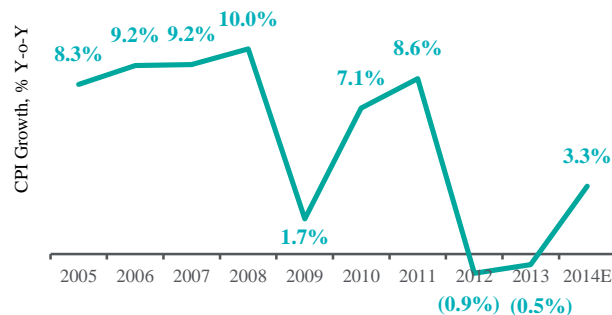
### Prudent Fiscal Policy

"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%



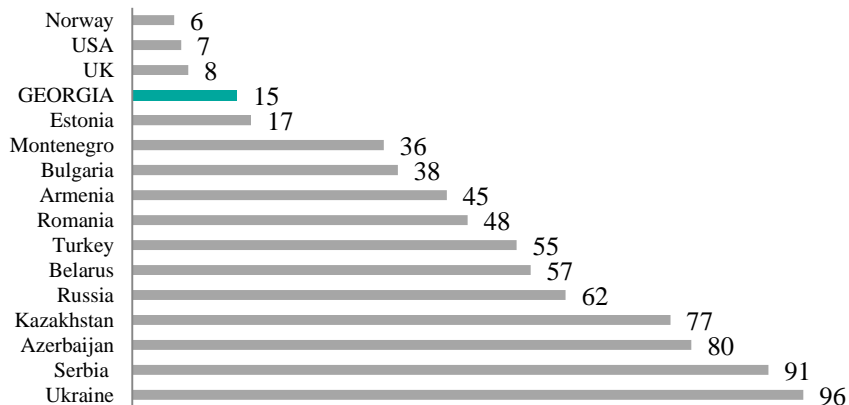




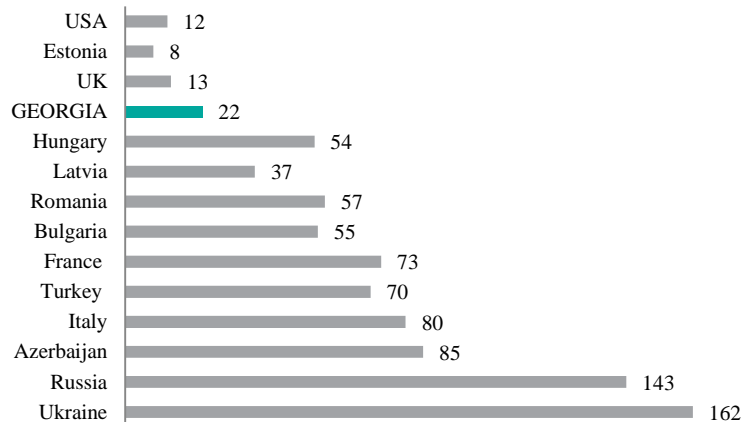
# SIGNIFICANT GROWTH PROSPECTS

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

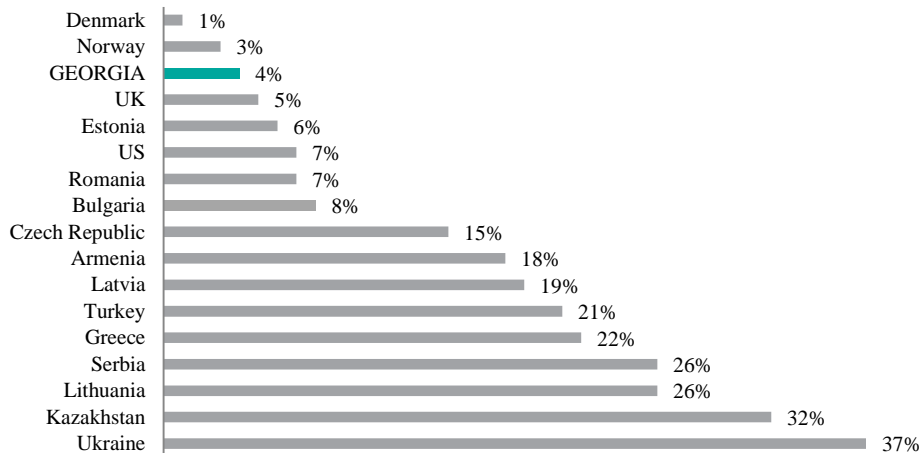
### Ease of Doing Business | 2015 (WB-IFC Doing Business Report)



### Economic Freedom Index | 2015 (Heritage Foundation)



### Global Corruption Barometer | TI 2013



**GEORGIA - No 1  
Reformer 2005-2012**

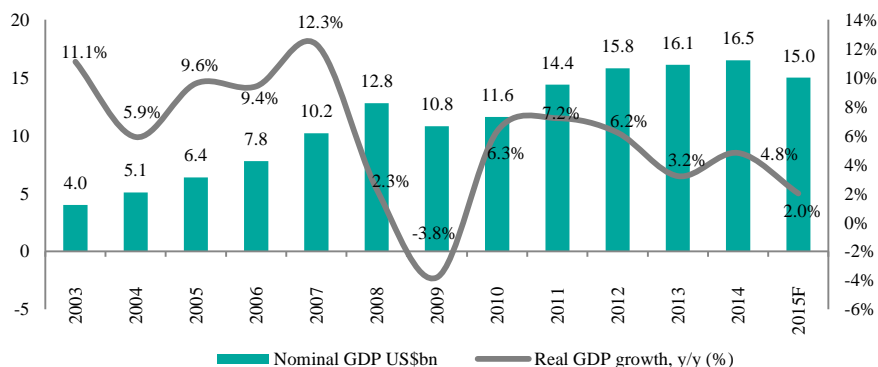
*(WB-IFC Doing Business Report)*



# SIGNIFICANT GROWTH PROSPECTS

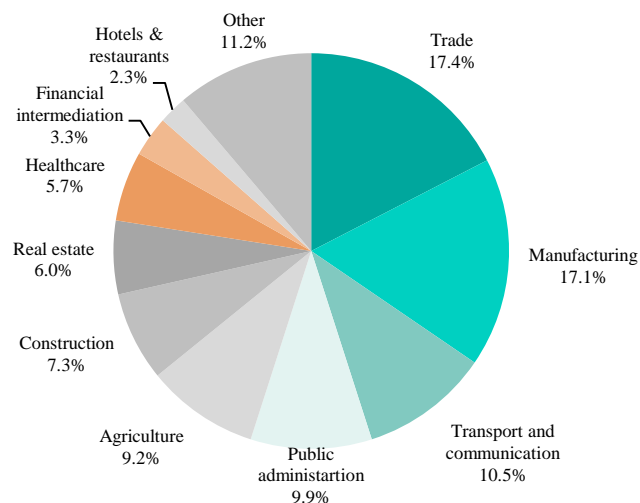
## Georgia | Positive Economic Outlook

### Gross domestic product



Sources: Geostat, IMF

### 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\$1.7bn in 2013 up 22% y-o-y, 5.4m visitors in 2013, (up 22%); 5.5m visitors in 2014 (up 2%) and tourism receipts reached US\$ 1.8bn (up 3.9% 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 18% of hydropower capacity utilized; 40 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



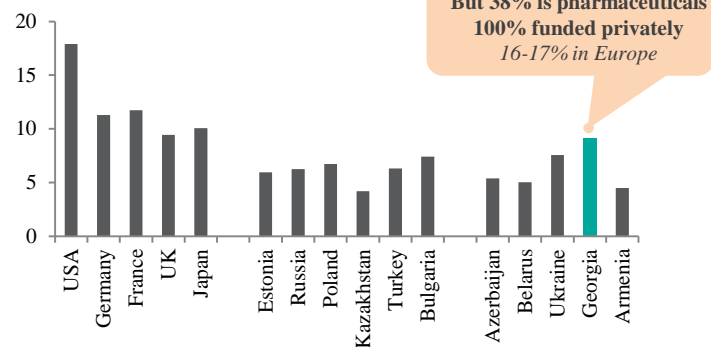
# SIGNIFICANT GROWTH PROSPECTS

## Growth Oriented Reforms

**Healthcare sector supported by strong GDP growth and high relative expenditure on healthcare**

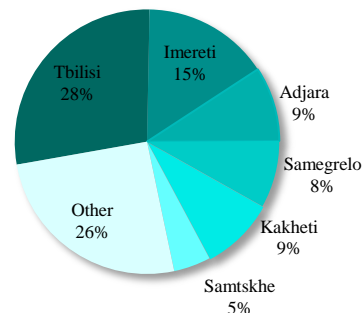
### High relative expenditure on healthcare<sup>(1)</sup>

Health expenditure % of GDP

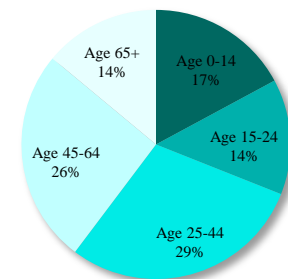


### With demand driven by an ageing population in increasing need of healthcare<sup>(2)</sup>

Population split by regions

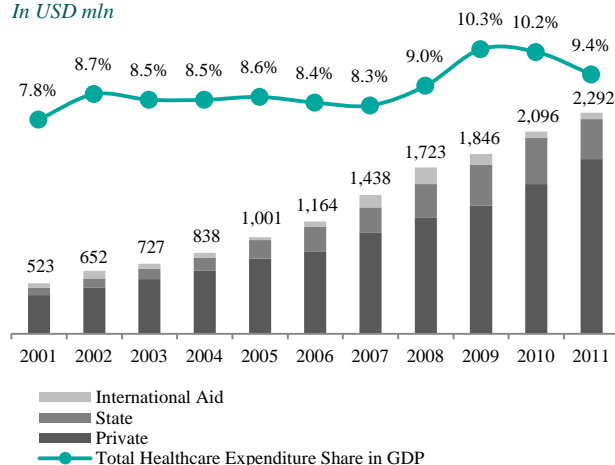


Population split by age group

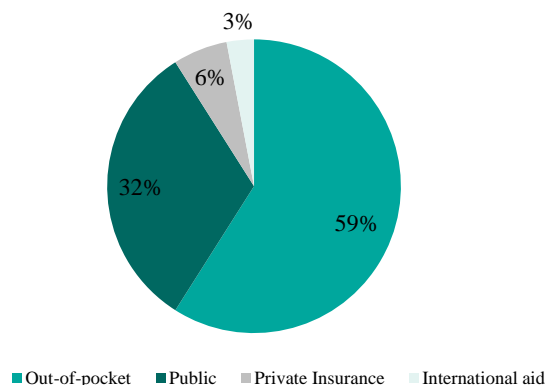


### Healthcare spending grew at 15.9% CAGR between 2001 - 2011<sup>(3)</sup>

In USD mln

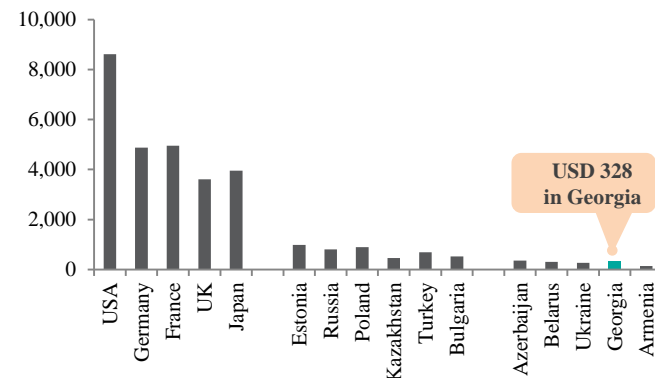


### High private spending share of 59%<sup>(3)</sup>



### ...Low per capita expenditure on health<sup>(4)</sup>

current prices, USD



Sources:

(1) World Bank | 2012; MOH, HSPA 2013

(2) Geostat.ge, data as of 1 January 2014

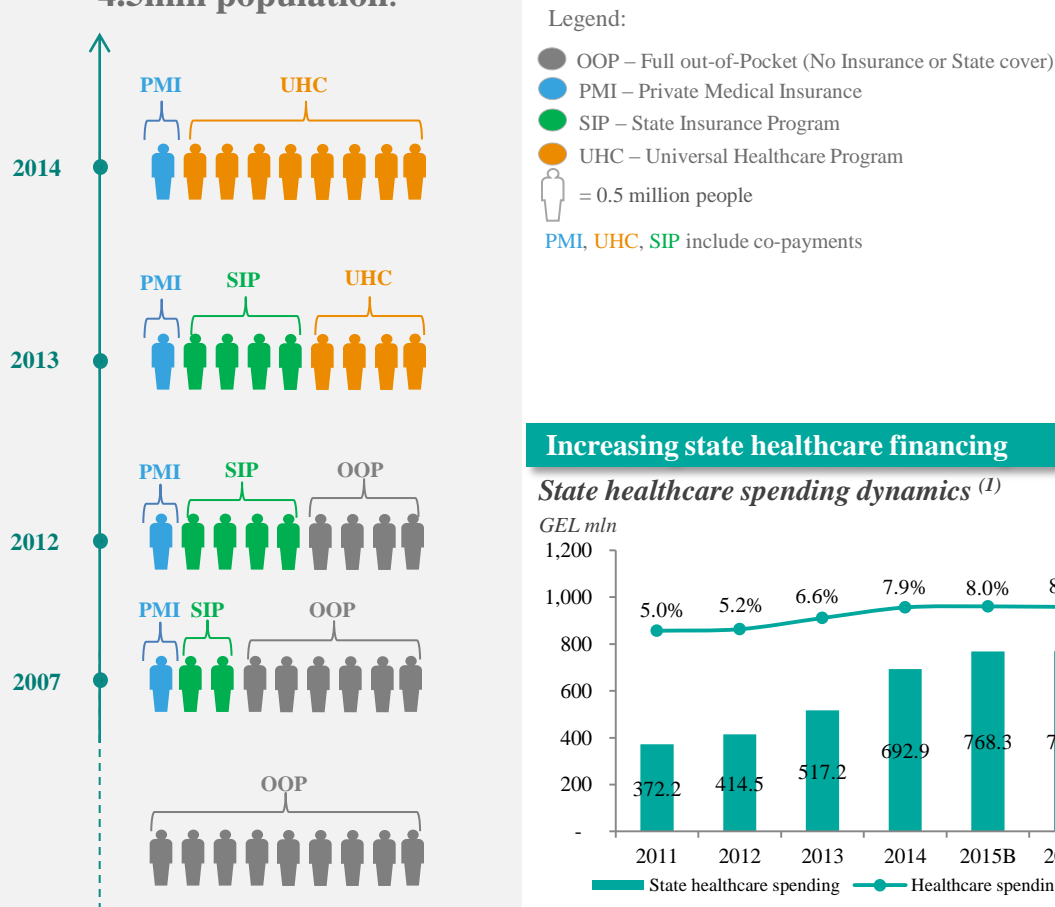
(3) Frost & Sullivan report 2015;

(4) World Bank | 2012



**Expanding health 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 4.5mln population:

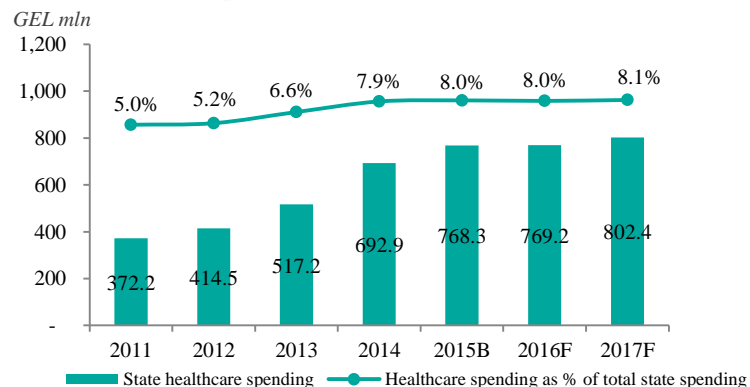


### How UHC works

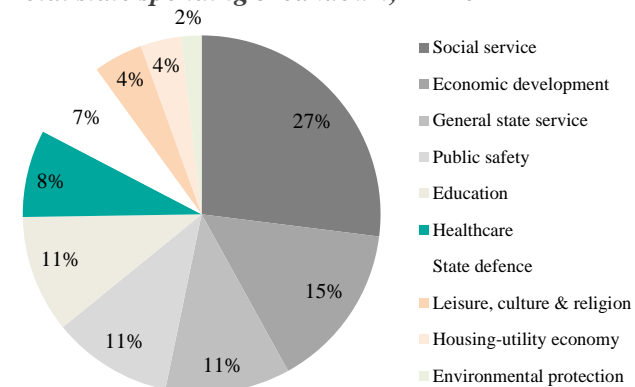
- **Coverage:** Under UHC 4mln people receive basic coverage of healthcare needs from state, with significant co-payments (c.30%)
- **Pricing:** Prices for healthcare services are not regulated. Government sets reimbursement limit and difference between price and reimbursed amount is paid by patient
- **Patient has free choice of provider**
- Any private or public licensed hospital in Georgia is eligible to participate

### Increasing state healthcare financing

#### State healthcare spending dynamics <sup>(1)</sup>



#### Total state spending breakdown, FY 2014 <sup>(1)</sup>







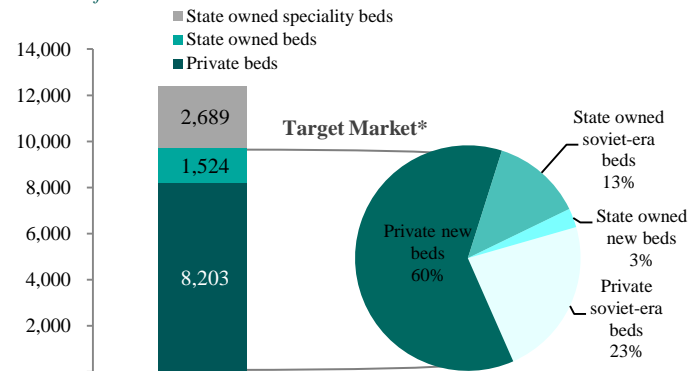
# SIGNIFICANT GROWTH PROSPECTS

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

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

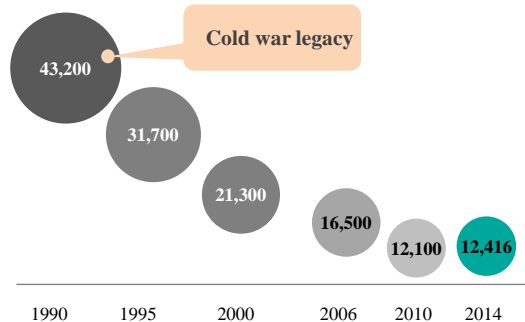
#### Bed capacity close to levels in the United States and Europe ...<sup>(1)</sup>

Number of beds



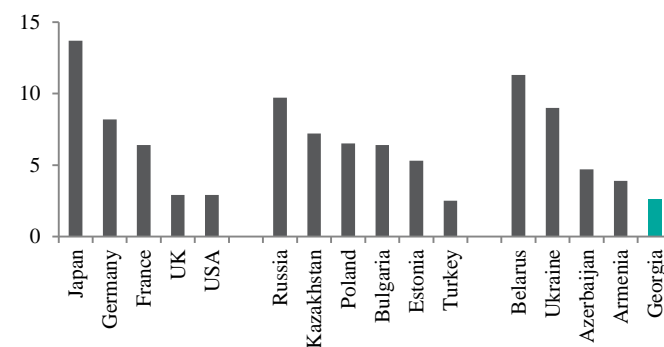
Note: (\*) Target market bed capacity = Total market bed capacity of 12,416 beds - 2,689 speciality beds at penitentiary, TB and psychiatric clinics

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



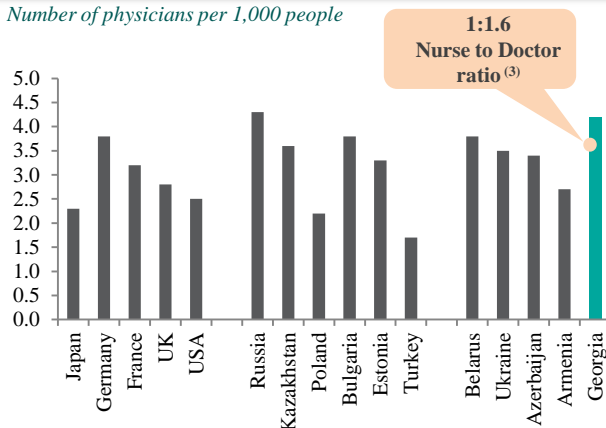
#### Capacity-wise Georgia stands alongside US, UK and Turkey<sup>(2)</sup>

Beds per 1,000 people



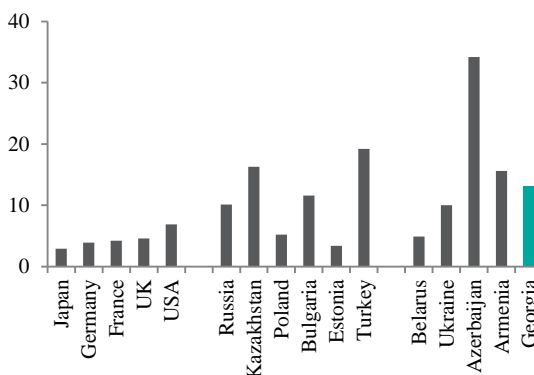
#### However, physician overcapacity yet to be addressed<sup>(2)</sup>

Number of physicians per 1,000 people

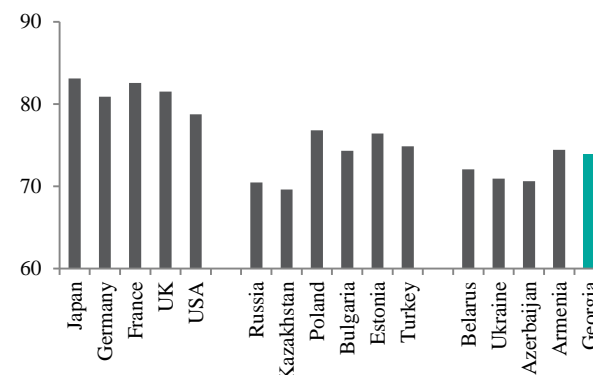


#### With significant room for optimization in terms of service quality, as indicated by: under 5 mortality rate...<sup>(2)</sup> ... and life expectancy at birth<sup>(2)</sup>

Under 5 mortality per 1,000 live births



Total (years)



Source::

(1) GHG internal reporting, Market share by bed capacity. NCDC, data as of December 2012, updated by company to include changes before 31 March 2015; NCDC, 2013 on 2011 and 2012 data

(2) World Bank | 2012, 2013

(3) Geostat.ge | 2013



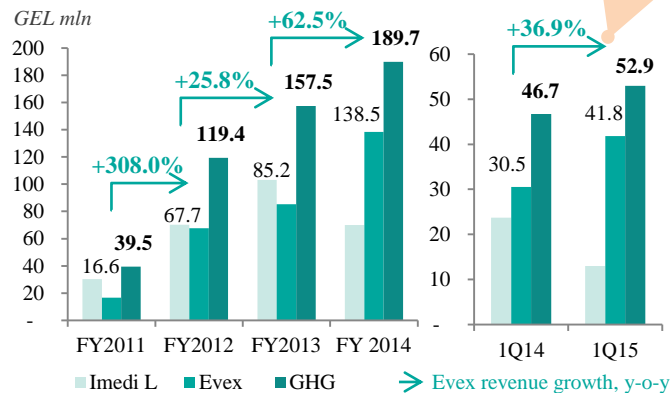
## Improving margins with the increasing scale of business <sup>(1)</sup>

### Revenue growth & profitability

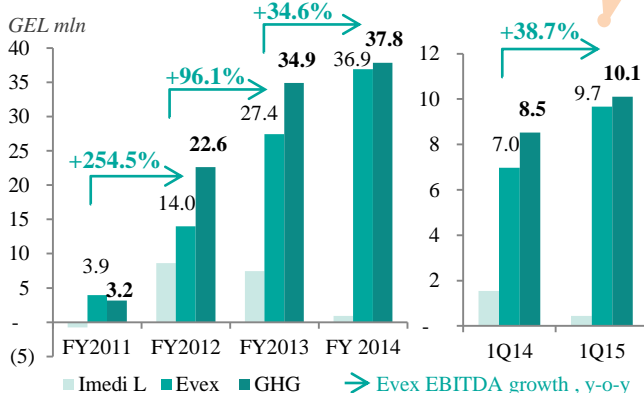
20.2% Evex organic revenue growth y-o-y in 1Q15

25.9% Evex EBITDA margin in March 2015

#### Revenue growth, annual



#### EBITDA growth, annual

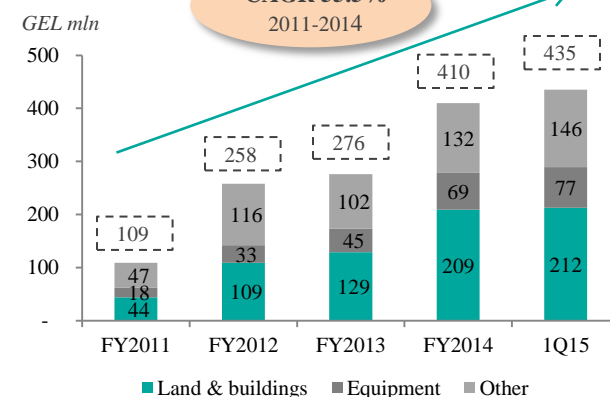


Note: Evex and Imedi L revenues do not add up to GHG revenues due to intercompany eliminations

### Investing in growth

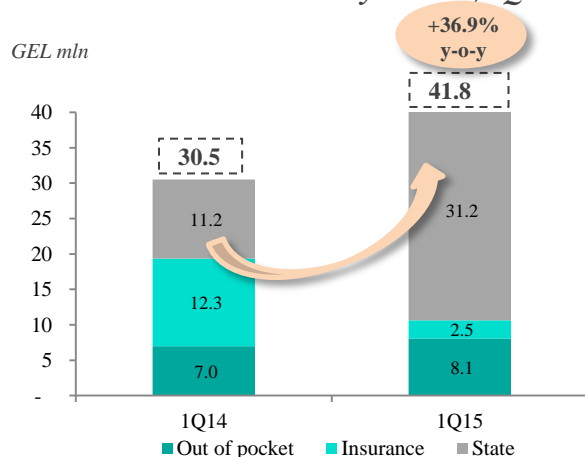
#### Total assets

CAGR 55.5% 2011-2014

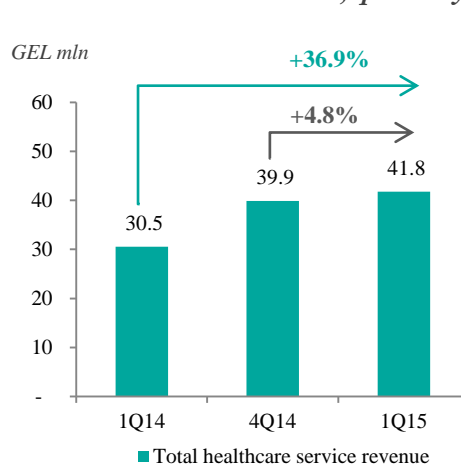


## Capturing growth driven by the recent healthcare reform

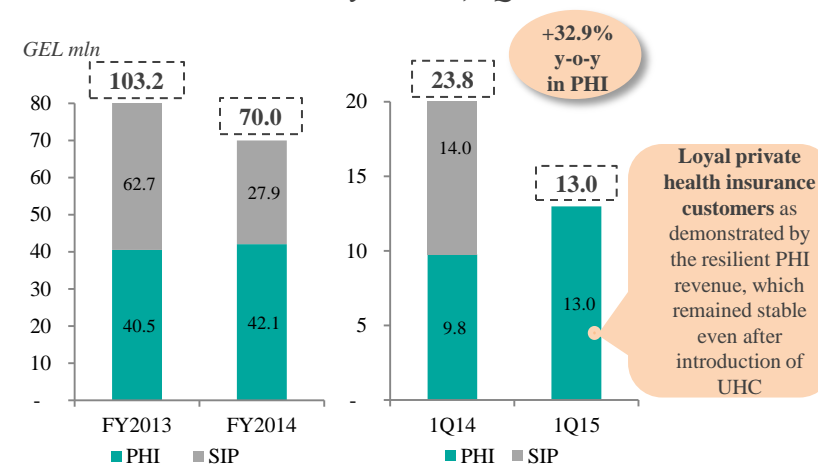
### Healthcare service revenue by sources, 1Q15



### Healthcare service revenue, quarterly



### Health insurance revenue by sources, 1Q15





## Board of directors

**8 non-executive** supervisory board members

**7 independent members**

- ✿ **Irakli Gilauri** | Chairman of the supervisory board | Experience: currently BGH CEO; formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland
- ✿ **David Morrison** | Vice Chairman of the supervisory board, Independent Director | Experience: senior partner at Sullivan & Cromwell LLP prior to retirement; currently also BGH board member
- ✿ **Neil Janin** | Independent 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 Director | Experience: Held various senior roles over his 25 year career at Citibank, including CEO of Citibank Russia; former BGH board member for seven years
- ✿ **Ingeborg Oie** | Independent 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 Director | Experience: Former VP for Business Development at Capio AB and CEO of Capio UK. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia.
- ✿ **Mike Anderson** | Independent Director | Experience: Currently a Medical Director at Chelsea and Westminster hospital, and an Honorary Clinical Senior Lecturer of Imperial College of Science, Technology and Medicine and a member of the British Society of Gastroenterology and British Association for the Study of the Liver
- ✿ **Jacques Richier** | Independent Director | Experience: Currently Chairman and CEO of Allianz France; formerly CEO and Chairman at Swiss Life France

Non-BGH members

## Management

- ✿ **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
- ✿ **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; 11 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, formerly head of Aldagi Legal Department

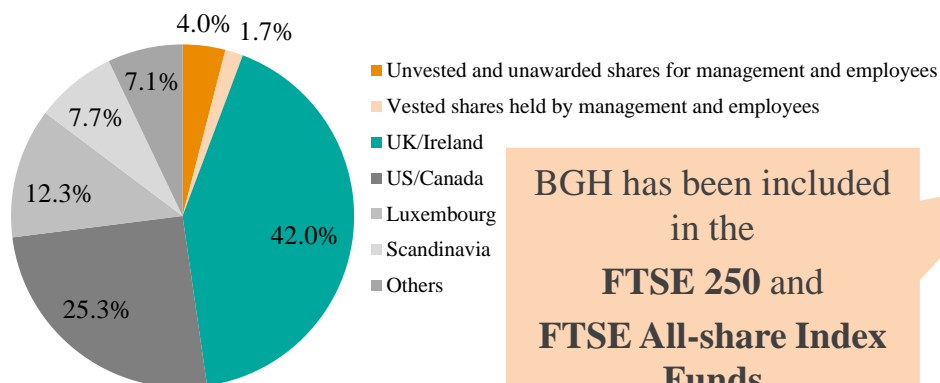


# Successful Track Record of Delivering Profitable Growth

**GHG is 100% owned subsidiary of Bank of Georgia Holding PLC**

**Bank of Georgia Holdings PLC (BGH) (LSE: BGEO) a UK-incorporated holding company of JSC Bank of Georgia**

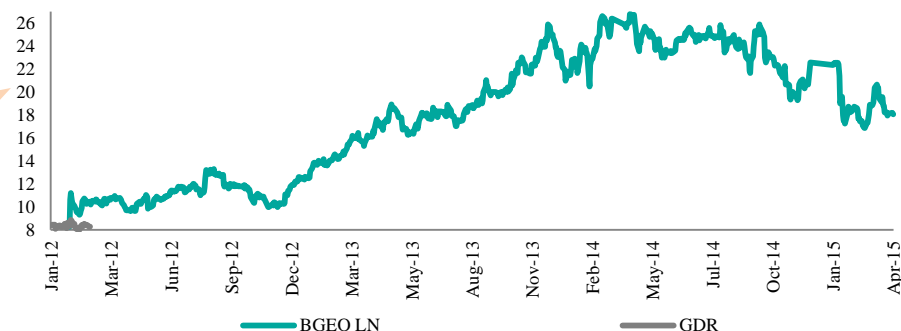
*As of 31 Dec 2014, BGH's shareholder structure was as follows:*



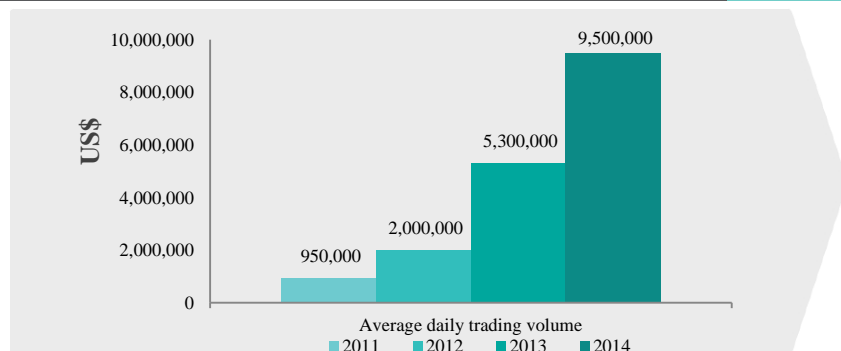
**BGH has been included in the FTSE 250 and FTSE All-share Index Funds since 18 June 2012**

## Share price performance

GBP

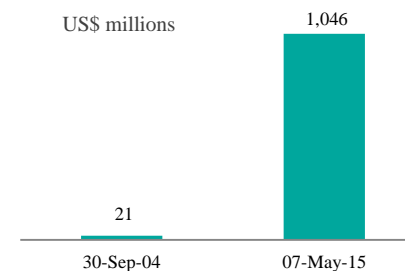


## Average daily trading volume



## x50 growth in market capitalisation

US\$ millions



\*Mostly non-emerging market shareholders since premium listing; management estimates

\*\*Share price change calculated from the last price of BGEO LI on 27 February 2012 to the price of BGEO LN on 7 May 2015

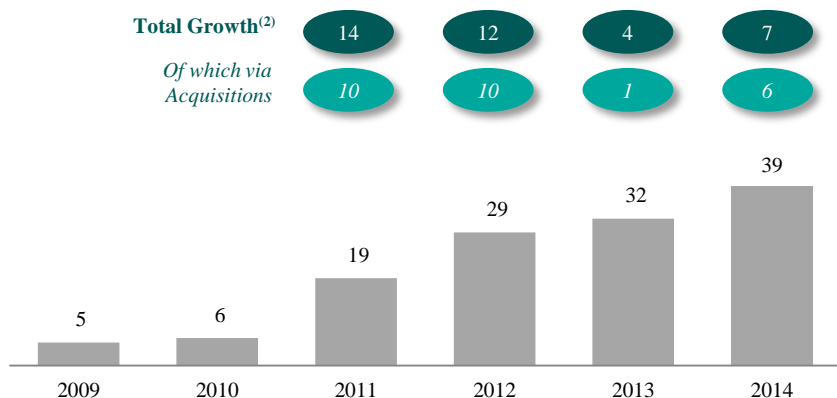




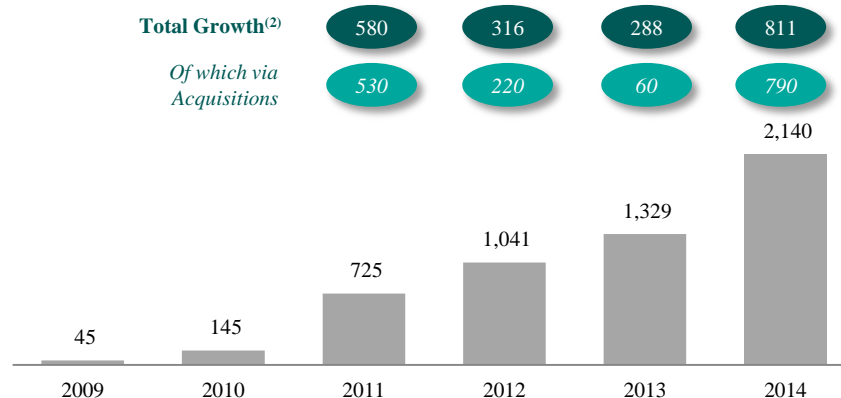
# Highly Experienced Management with Proven Track Record

Led by a highly experienced management team, GHG has successfully acquired and integrated more than 20 companies in the hospital and insurance sectors over the past decade

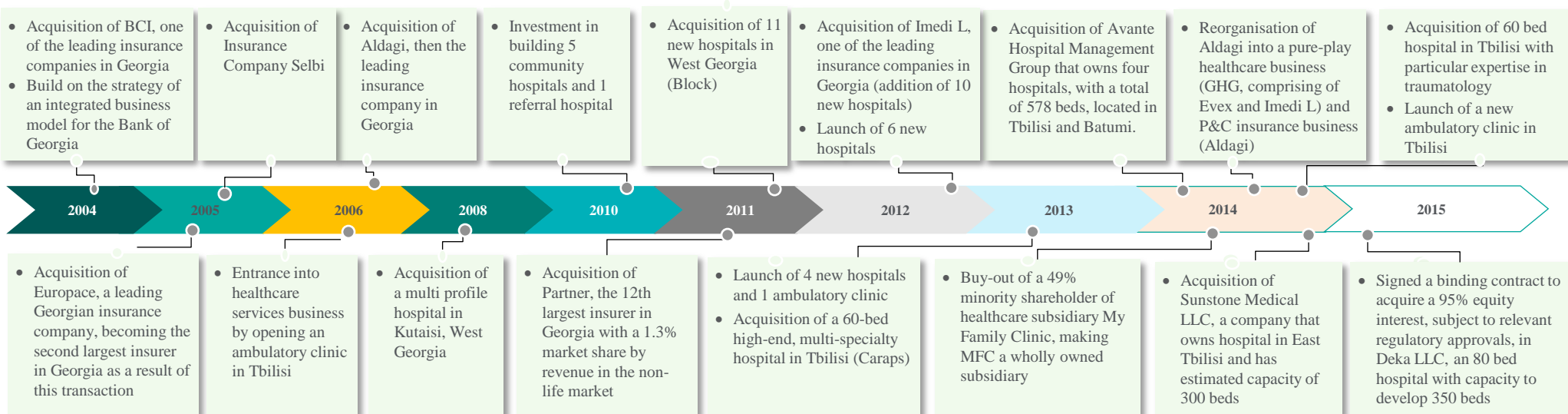
## Growth in # of Clinics<sup>(1)</sup>



## 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 (2,220) and total number of clinics (40) shown on other slides, as some of the clinics were consolidated or divested



## *GHG's strategy is simple: doubling 2015 revenue by 2018*

### Hospitals

**To achieve 1/3 market share, *currently 22.0%*<sup>(1)</sup>**

*– room to grow in Tbilisi, where GHG's current market share is only 14.1%<sup>(1)</sup>*

### Ambulatories

**Rapid launch of ambulatory clinics**

*– 20-30 ambulatory clinics, within 2-3 years, in highly fragmented and under-penetrated outpatient segment*

### Medical equipment pick-ups

**To invest in medical equipment, utilizing existing service gaps**

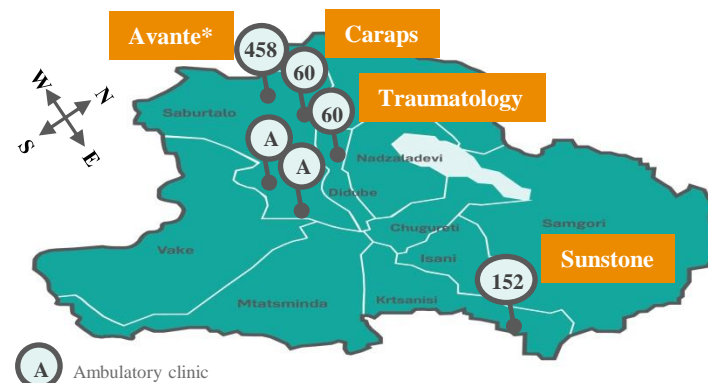
# FOCUSED GROWTH STRATEGY

## *Expanding bed capacity to 1/3 of the market – Recent M&As*

### Recent acquisitions

- DEC 2013** **Caraps** is a 60 bed hospital specialising in plastic surgery.  
*Acquisition rationale:* reaching new customer base in healthcare through Caraps high-end customer segment.
- FEB 2014** **Avante** includes 4 mono profile hospitals, operating 578 beds, that serve as a main referral for mother and child care services.  
*Acquisition rationale:* Increase market share and bed capacity by acquiring the largest service providers for mother and child care in the country, employing the best qualified medical staff for these services.
- APR 2014** **Block Georgia:** a buy-out of a 49% minority shareholder of healthcare subsidiary JSC My Family Clinic (predecessor to Evex).  
*Transaction rationale:* buy-out gave GHG flexibility in executing growth strategy and an opportunity to expand regional footprint through investments into development projects via My Family Clinic (MFC).
- MAY 2014** **Sunstone** is a long-established general hospital in Tbilisi, rented out by previous owners and largely underutilised for several years.  
*Acquisition rationale:* Attractive location and an opportunity to develop hospital with over 300 bed capacity in an untapped region, covering sizable new market with 300k population in East Tbilisi.
- SEP 2014** **Traumatology** is a 60 bed long established hospital, providing a wide-range of in-patient and out-patient services with particular expertise in traumatology.  
*Acquisition rationale:* Increasing market share and bed capacity in Tbilisi

### Coverage in Tbilisi, the capital city



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

### Expanding bed capacity through further growth in Tbilisi

- GEL 4.9mln** quarterly run rate EBITDA from recent acquisitions of Caraps, Avante, Sunstone and Traumatology that operate 850 beds in total.

# FOCUSED GROWTH STRATEGY

## *Rapid launch of ambulatory clinics*

### GOAL

- Capitalize 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

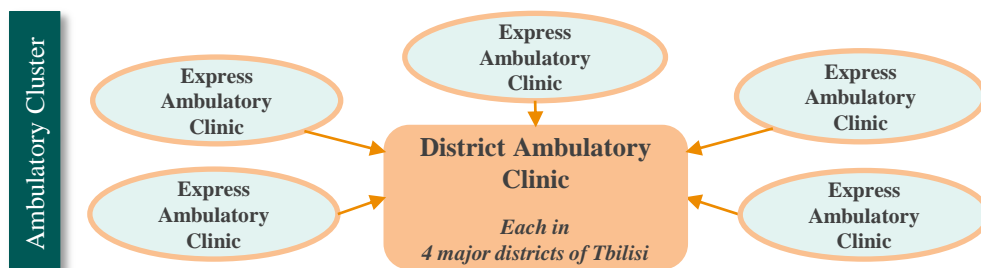
**Ambulatory clusters** will be developed in all major districts of Tbilisi.

*Ambulatory cluster consists of:*

- one **District Ambulatory Clinic**; and
- 4-6 **Express Ambulatory Clinics**

#### CURRENTLY:

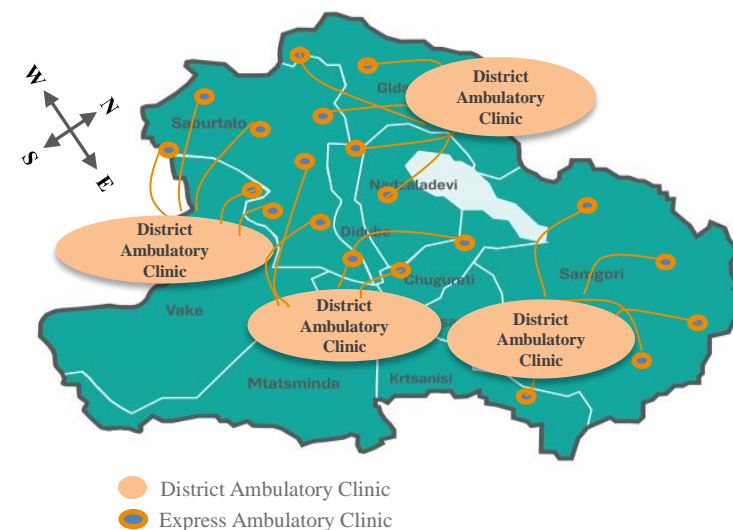
- Only 6 ambulatory clinics as of 31 March 2015
- GEL 1.3mln revenue from ambulatory clinics
- 32.5% EBITDA margin of ambulatory clinics
- 3.1% share in total healthcare revenue



### District Ambulatory Clinic specifications:

- Area:** 1800-2500 sq/m
- Offering:** All pediatric and adult outpatient specialist services; clinical, biochemical and serological lab tests; imaging studies (incl. CT, Echocardiography, US, X-ray, endoscopy); functional diagnostics (ECG, 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

### Tbilisi map



### Ambulatory Express 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 range and more sophisticated services are offered.*



# FOCUSED GROWTH STRATEGY

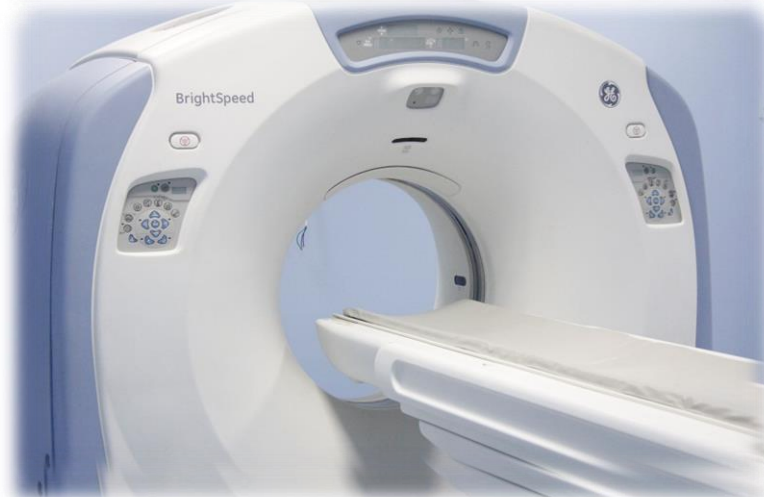
*Investing in medical equipment, utilizing existing service gaps*

## *Medical equipment at GHG healthcare facilities*

### Before



### After

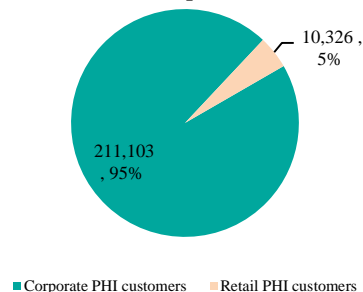




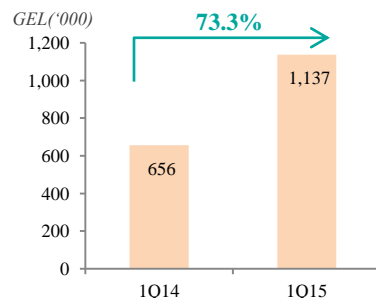
### Strong growth momentum driving the small base *fueled by UHC top-ups and business model*

#### Strong growth momentum – fueled by UHC

Customer segments split between retail and corporate in 1Q15



Retail PHI revenue dynamics



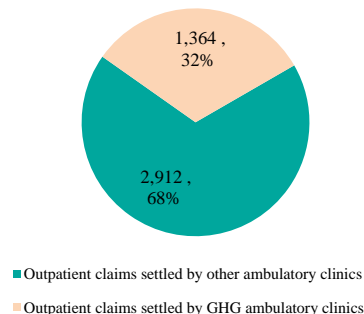
1 of 10,000 retail customers, c.1,800 bought top-up products for their UHC coverage in the first quarter of 2015

2 Retail segment grew 73.3% y-o-y in 1Q15

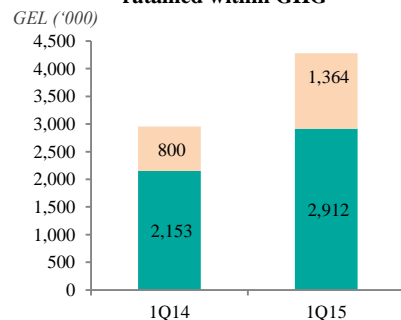
3 of 221,000 customers, only 10,000, or 5% are retail, of GEL 13.0mln revenue, GEL 1.1mln, or 8.8% is retail

#### Strong growth momentum – reinforced by business model

Ambulatory claims split between GHG and other clinics in 1Q15



Dynamics of ambulatory claims retained within GHG



4 Significant room to increase ambulatory claims retained within GHG, as only 31.9 % of such claims are now retained

5 Guaranteed stable stream of revenue for newly launched ambulatory clinics, as a result of increasing share of our insurance claims

#### Strategy by 2018

##### A Triple 2015 retail insurance revenue

###### Drivers:

- Increasing demand for top-up products for the UHC coverage
- Enhancing penetration by expanding distribution channels in the regions, to market complementary and substitute PMI products, where increased access to healthcare is driving the demand

##### B Retain at least 50% of outpatient claims within GHG

###### Drivers:

- Increasing number of GHG ambulatory clinics will result in increased retention of outpatient claims within the group – thus generating acquisition cost free revenue for newly rolled out clinics

- 1. Georgia's Infrastructure reform**
- 2. GHG FY2014 financial results**
- 3. Georgia's disease profile**



## *GHG healthcare facilities*

### Before



### After







## *GHG healthcare facilities*





## Income Statement

	<u>Healthcare Services</u>			<u>Health Insurance</u>			<u>Eliminations</u>		<u>Total</u>		
	Quarter-ended			Quarter-ended			Quarter-ended		Quarter-ended		
<i>GEL thousands, unless otherwise noted</i>	1Q15	1Q14	Change, Y-o-Y	1Q15	1Q14	Change, Y-o-Y	1Q15	1Q14	1Q15	1Q14	Change, Y-o-Y
<b>Revenue</b>	<b>41,788</b>	<b>30,521</b>	<b>36.9%</b>	<b>12,992</b>	<b>23,751</b>	<b>-45.3%</b>	<b>(1,862)</b>	<b>(7,585)</b>	<b>52,918</b>	<b>46,687</b>	<b>13.3%</b>
<b>COGS, insurance claims expense</b>	<b>(24,273)</b>	<b>(18,949)</b>	<b>28.1%</b>	<b>(10,837)</b>	<b>(20,027)</b>	<b>-45.9%</b>	<b>1,771</b>	<b>7,516</b>	<b>(33,339)</b>	<b>(31,460)</b>	<b>6.0%</b>
Direct salary	(15,092)	(12,134)	24.4%	-	-		675	3,236	(14,417)	(8,898)	62.0%
Materials, including medicines and medical disposables	(6,482)	(3,611)	79.5%	-	-		290	963	(6,192)	(2,648)	133.8%
Direct healthcare provider expenses	(468)	(1,146)	-59.2%	-	-		21	306	(447)	(840)	-46.8%
Utilities and other expenses	(2,231)	(2,058)	8.4%	-	-		100	549	(2,131)	(1,509)	41.2%
Health insurance claims expense	-	-		(10,837)	(20,027)	-45.9%	685	2,462	(10,152)	(17,565)	-42.2%
<b>Gross profit</b>	<b>17,515</b>	<b>11,572</b>	<b>51.4%</b>	<b>2,155</b>	<b>3,724</b>	<b>-42.1%</b>	<b>(91)</b>	<b>(69)</b>	<b>19,579</b>	<b>15,227</b>	<b>28.6%</b>
Salaries and other employee benefits	(5,314)	(3,084)	72.3%	(1,036)	(1,404)	-26.2%	91	69	(6,259)	(4,419)	41.6%
General and Administrative salaries	(1,778)	(1,281)	38.8%	(621)	(616)	0.8%	-	-	(2,399)	(1,897)	26.5%
Impairment Charge	(831)	(363)	128.9%	(103)	(185)	-44.3%	-	-	(934)	(548)	70.4%
Other operating income	78	130	-40.0%	47	26	80.8%	-	-	125	156	-19.9%
<b>EBITDA</b>	<b>9,670</b>	<b>6,974</b>	<b>38.7%</b>	<b>442</b>	<b>1,545</b>	<b>-71.4%</b>	<b>-</b>	<b>-</b>	<b>10,112</b>	<b>8,519</b>	<b>18.7%</b>
<b>EBITDA margin</b>	<b>23.1%</b>	<b>22.8%</b>		<b>3.4%</b>	<b>6.5%</b>				<b>19.1%</b>	<b>18.2%</b>	
Depreciation	(2,186)	(1,585)	37.9%	(136)	(165)	-17.6%	-	-	(2,322)	(1,750)	32.7%
Net interest income (expense)	(4,073)	(3,009)	35.4%	(28)	186	-	-	-	(4,101)	(2,823)	45.3%
(Losses) gains on currency exchange	2,907	(1,000)	-	497	114	336.0%	-	-	3,404	(886)	-
Net non-recurring items	(211)	-	-	-	-	-	-	-	(211)	-	-
<b>Profit before income tax</b>	<b>6,107</b>	<b>1,380</b>	<b>342.5%</b>	<b>775</b>	<b>1,680</b>	<b>-53.9%</b>	<b>-</b>	<b>-</b>	<b>6,882</b>	<b>3,060</b>	<b>124.9%</b>
Income tax expense	(491)	(181)	171.3%	(116)	(271)	-57.2%	-	-	(607)	(452)	34.3%
<b>Profit</b>	<b>5,616</b>	<b>1,199</b>	<b>368.3%</b>	<b>659</b>	<b>1,409</b>	<b>-53.2%</b>	<b>-</b>	<b>-</b>	<b>6,275</b>	<b>2,608</b>	<b>140.6%</b>
<b>Attributable to:</b>											
- shareholders of the Company	5,073	878	477.7%	659	1,409	-53.2%	-	-	5,732	2,287	150.6%
- minority interest	543	321	69.2%	-	-		-	-	543	321	69.2%

## Revenue from healthcare services by payment sources

<i>GEL thousands, unless otherwise noted</i>	<u>1Q15</u>	<u>1Q14</u>	<u>Change Y-o-Y</u>
Referral and specialty hospitals	36,244	23,352	55.2%
Community hospitals	4,108	3,061	34.2%
Ambulatory clinics	1,436	1,246	15.2%
Ambulance and rural primary care	-	2,862	-100.0%
<b>Total</b>	<b>41,788</b>	<b>30,521</b>	<b>36.9%</b>

## Revenue from health insurance by payment sources

<i>GEL thousands, unless otherwise noted</i>	<u>1Q15</u>	<u>1Q14</u>	<u>Change Y-o-Y</u>
State funded health insurance products	-	13,973	-100.0%
Private health insurance products	12,992	9,778	32.9%
<b>Total</b>	<b>12,992</b>	<b>23,751</b>	<b>-45.3%</b>

## Revenue from healthcare services by business lines

<i>GEL thousands, unless otherwise noted</i>	<u>1Q15</u>	<u>1Q14</u>	<u>Change Y-o-Y</u>
Private insurance companies, of which:	2,545	12,348	-79.4%
Imedi L health insurance	1,771	7,516	-76.4%
Government-funded healthcare programs	31,169	11,178	178.8%
Out-of-pocket payments by patients	8,074	6,995	15.4%
<b>Total</b>	<b>41,788</b>	<b>30,521</b>	<b>36.9%</b>

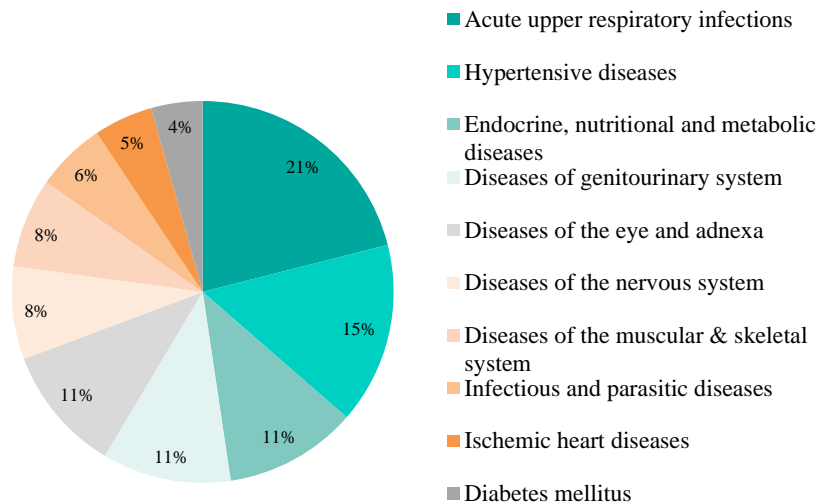
## Selected Balance Sheet items

<i>GEL thousands, unless otherwise noted</i>	<u>1Q15</u>	<u>1Q14</u>	<u>Change Y-o-Y</u>
<b>Total assets, of which:</b>	<b>435,124</b>	<b>337,242</b>	<b>29.0%</b>
Premises and equipment, net	270,742	218,008	24.2%
<b>Total liabilities, of which:</b>	<b>258,071</b>	<b>214,095</b>	<b>20.5%</b>
Borrowed funds	163,720	117,491	39.3%
<b>Total shareholders' equity, of which:</b>	<b>177,052</b>	<b>123,146</b>	<b>43.8%</b>



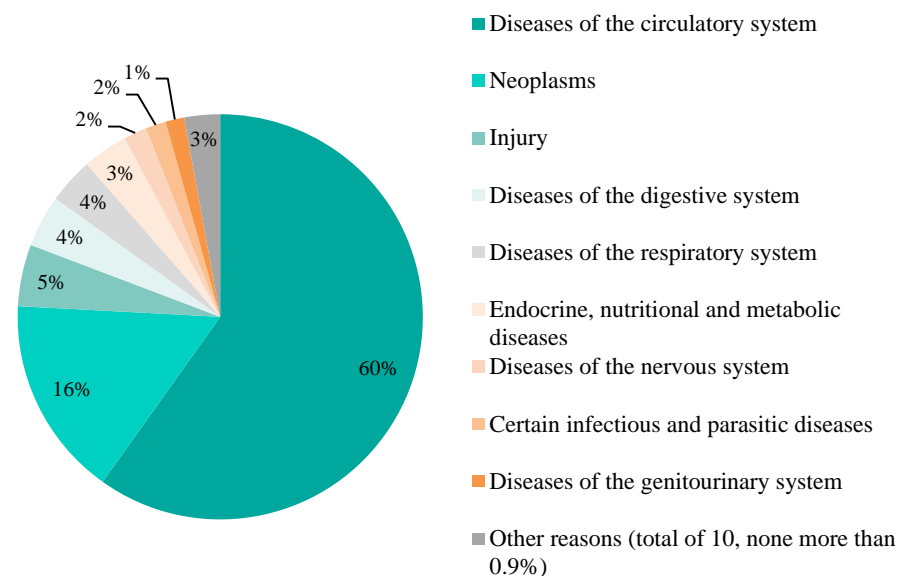
## Top 10 prevalent diseases

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







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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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