



We are the largest pharmaceuticals retailer and wholesaler in Georgia: c.30% market share by sales over two million client interactions per month, with c.0.7 million loyalty card members.

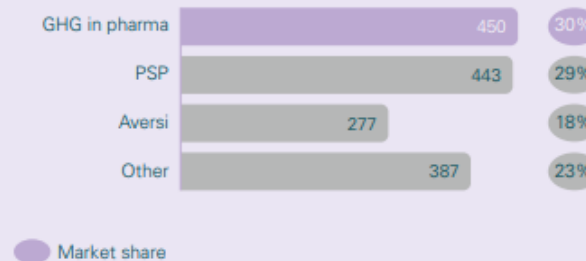
We operate two pharmacy brands, each with a distinct positioning: GPC for the high-end customer segment and Pharmadepot for the mass retail segment.



Pharma market

The pharmaceutical market in Georgia is highly concentrated, three major players holding approximately 75% of the market share. Two main competitors in the pharma market are also present in the hospital and medical insurance markets, with much smaller market shares than GHG. GHG therefore remains the only large player across all these markets as the competitors have not managed so far to establish scalable businesses in all respective sectors.

Pharmacy and distribution
Revenue in 2017 (GEL million)²



270+

Pharmacies

2.3

Monthly customer interaction

GEL 13.4

Average bill size

c.700,000

Members of loyalty programme

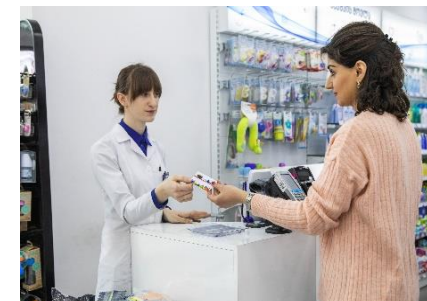
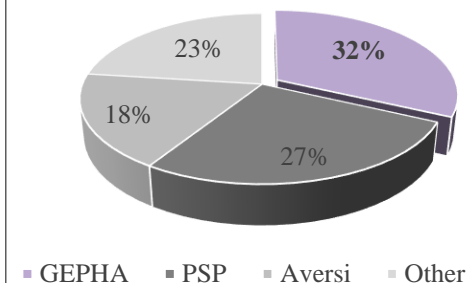
30%

The share of parapharmacy sales in retail revenue

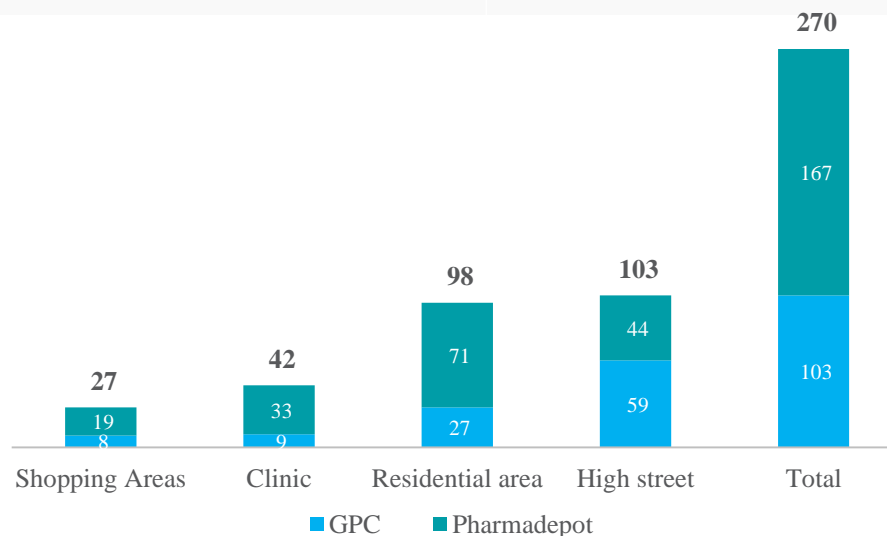


- The Georgian pharmaceutical market is highly dependent on imports. The share of locally-produced drugs on the market is 12% as opposed to only 5% in the early 2000s.
- There are over 90 pharmaceutical importers in Georgia, but c.75% of all imports are performed by three companies: GEPHA (c.32%), PSP (c.27%) and Aversi (c.18%).
- Pharmaceutical market reforms, mainly introducing parallel import and automatically registering medicines recognised by international control bodies, such as the US Food and Drug Administration (“FDA”) and the European Medicines Agency (“EMA”), supported by favourable regimes for setting up pharmacies – 0% VAT on medicines, absence of customs duties and no price controls – made it possible to create a competitive marketplace in Georgia.
- The current per capita pharmaceutical expenditure in Georgia stands at US\$1072 (excluding parapharmacy products), which puts Georgia in the middle among the countries in the peer group.
- According to a market research by Frost & Sullivan, generics account for 61% of the total market revenues, which corresponds to the EU average (c.50%). The market opportunity for generics is still considerable – in the leading economies like Germany and the UK, generics hold a dominant share of more than 80% (in the reimbursed segment).
- The Over the Counter (“OTC”) segment in Georgia prevailed over the last decade until 2014, when a prescription requirement was introduced for over 6,000 medicines. Now the distribution between OTC and prescription drugs is almost equal.

Imports Share



GPC	Pharmadepot
Strong customer loyalty in central regions of Tbilisi	Strong customer loyalty in suburbs and regions
<ul style="list-style-type: none"> Founded in 1996 2001 - starts retail chain development 2005 - "Red A" - launches franchising project to consolidate the independent pharmacies 2006 - presents the first loyalty card in Georgian pharmaceutical market 2008 - opened the first pharmacy in Georgia 2016 - 112 pharmacies nationwide 2016 - 14% import share 2018 - Introduction of private label products 2018 - 103 pharmacies nationwide 	<ul style="list-style-type: none"> Founded in 1999 2001 - the pioneer in pharmaceuticals distribution instead of cash and carry system practiced in Georgia 2009 - changing the market structure by launching large format, discount pharmacies 2011 - European Bank for Reconstruction and Development ("EBRD") finances Pharmadepot's plan to expand its footprint across the country 2015 - becomes the second largest importer of pharmaceuticals in Georgia and a leader in terms of market share growth in past seven years 2016 - 131 pharmacies nationwide 2016 - 17% import share 2018 - 167 pharmacies nationwide



GPC More than a pharmacy



Customer segment: high, middle

Geographic distribution: big cities, high street, supermarkets

Loyalty programme: with 0.7 million loyalty card members

Focus: increasing check volume, private label products, brand equity, service level, unique purchasing experience, innovations

Pharmadepot Contemporary pharmacy



Customer segment: low, middle

Geographic distribution: nationwide, high street, hospitals

Discount card: with 0.7 million card members

Focus: aggressive chain expansion, increasing number of customers, private label products, aggressive sales strategy and marketing, protects GPC brand in economy segment



Margin enhancement and growth

Top priority in pharmacy and distribution business remains to increase profitability by exercising more supplier synergies and growth of private label products

Currently 37 private label medicines are presented in our pharmacies.

In the first half of 2019, private label personal care products were introduced in our pharmacies under the brand name “Attirance”.

We offer a wide range of personal care products and significantly enhance our position as market leader in this segment.

