



Where the difference is Care!





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GEPHA – GHG’s pharmacy and distribution business

- GHG entered into the pharma business in 2016 and expanded in 2017, by purchasing the third and fourth largest pharmaceuticals retailers and wholesalers in Georgia in May 2016 and January 2017, respectively
- GHG’s two pharmacy chains have been merged (“**GEPHA**”) but, operate under the separate brand names **Pharmadepot** and **GPC**. After merger GEPHA became the largest pharmaceuticals retailer and wholesaler in Georgia
- The total number of bills issued at our pharmacies exceeded 25 million in 2017, making us the country’s largest retailer in terms of both revenue and number of bills issued
- GEPHA now operates more than 250 pharmacies
- Revenue by source:
 - Retail c.70%
 - Wholesale c.30%
- Total number of employees c.3,600
 - Administration - 270
 - Marketing and sales department -130
 - Warehouse and retail staff – 3,200





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GPC

Strong customer loyalty in central regions of Tbilisi

- ✓ 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

Pharmadepot

Strong customer loyalty in suburbs and regions

- ✓ 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



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Differentiation of two brands

GPC More than a pharmacy

Preventive care, longevity, wellness, healthy lifestyle, beauty care



Customer segment: high, middle
Geographic distribution: big cities, high street, supermarkets
Loyalty programme: with 0.5 million loyalty card members
Focus: increasing check volume, private label products, brand equity, service level, unique purchasing experience, innovations

Pharmadepot Contemporary pharmacy

Ask your pharmacist to get professional advise, best quality and best price on your prescription



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

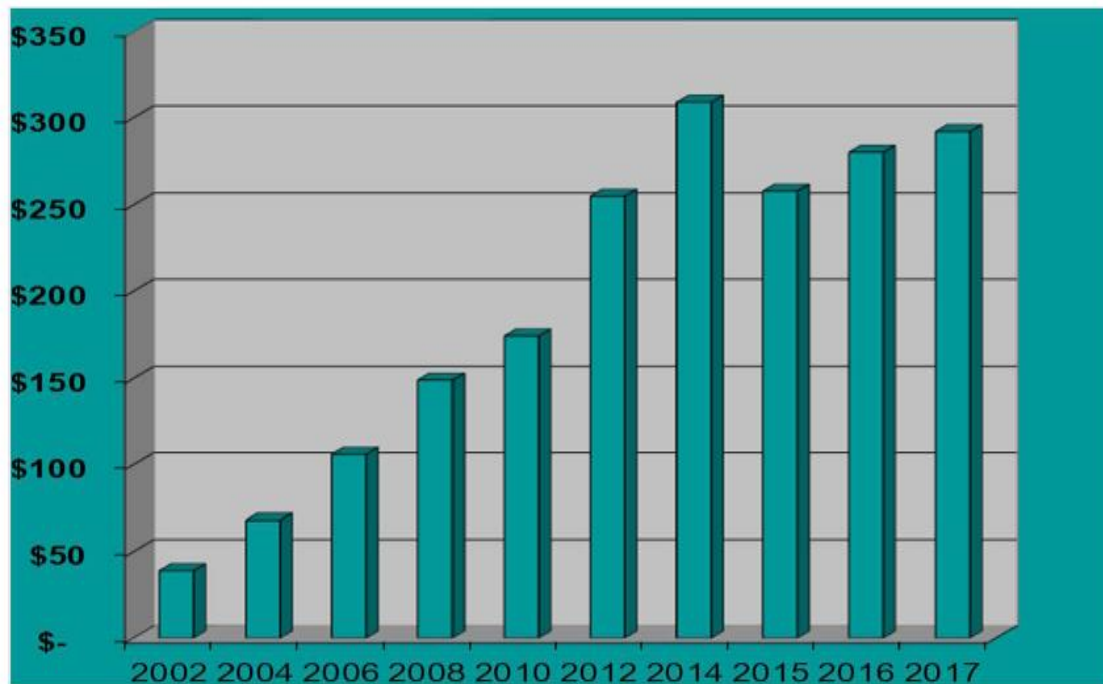
- Customs clearance of medicine: 0 % (12% for food supplement)
- VAT of medicine : 0 % (18% for food supplement)
- Initiated state reforms since 2009 in order to drive competition on the market:
 - ✓ 7 days recognition registration procedure in case if product is registered in EU, Switzerland, USA, Canada, NZ, AU, Japan, South Korea, Israel
 - ✓ Parallel import is permitted for products that are registered in Georgia and if those are registered and sold in EU, Switzerland, USA, Canada, NZ, AU, Japan, South Korea, Israel
- In June 2014 EU-Georgia association membership was signed
- From the May 2017, for citizens who live below a certain level of poverty, reimbursement of certain medicines (antihypertensive and several essential medicines) was introduced under the revised UHC



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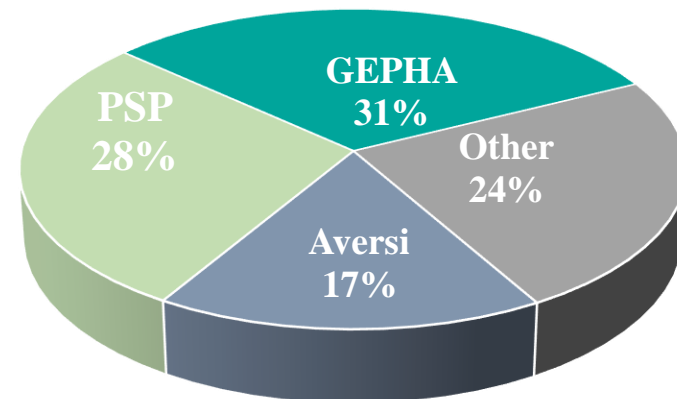
Pharmaceutical market supply

Growth of pharmaceuticals import in 2002-2017: 700%



Gross pharmaceuticals sale = c.85% import + c.15% domestic production

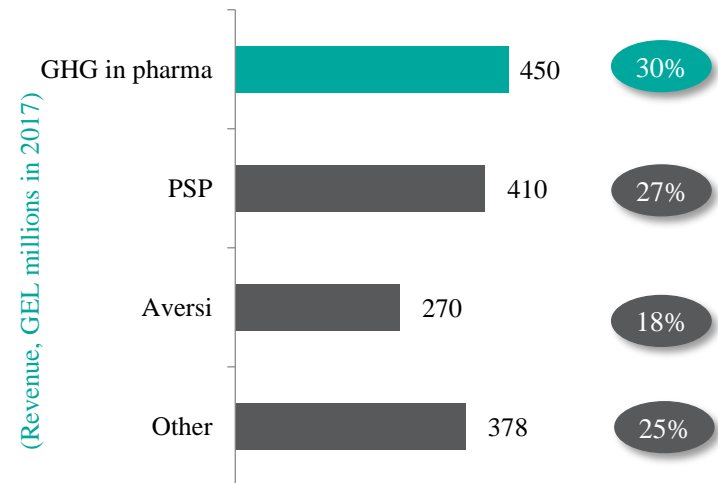
There are over 90 pharmaceuticals importers in Georgia, c.75% of all imports are performed by three companies



Pharmaceutical sector is presented by c.1,670 registered pharmaceutical and related entities

- **Total number of Pharmacies : c.1 600**
 - **chain pharmacies : c.850**
 - **Non-chain pharmacies : c.750**
- **Distributors : 93**
- **Local Manufacturing : 24**
- **Laboratories : 3**

Source: GHG internal reporting



Source: Total market Frost & Sullivan analysis 2017. Revenue distribution between competitors represents managements estimates.