



GEORGIA  
HEALTHCARE  
GROUP

## Investor Presentation

*Third quarter and nine month of 2017 results*

*Investing in the growth and quality of healthcare  
in Georgia*


*November 2017*

*[ghg.com.ge](http://ghg.com.ge)*



 **GHG | Overview and strategy**

 GHG | Results discussion – 3Q17 and 9M17

 Macroeconomic and Industry Overview

 Annexes

# A unique investment story supported by compelling theme

*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*

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## Market Leader

- ✓ **Largest healthcare service provider in Georgia:** 23.8% market share by number of beds (2,893) as of 30 September 2017<sup>(2)</sup>, which is expected to grow to c.28% as a result of full renovation and launch of two major hospital facilities: Deka and Sunstone
- ✓ **Largest pharmaceuticals retailer and wholesaler in Georgia:** 29% market share by sales<sup>(3)</sup>, over 2 million client interactions per month, with 0.5 million loyalty card members
- ✓ **2nd Largest medical insurer in Georgia:** 29.6% market share as of 30 June 2017<sup>(4)</sup>, c.110,000 persons insured as at October 2017
- ✓ **Widest Population Coverage :** coverage of over 3/4 of Georgia's 3.7 million population<sup>(5)</sup> with 37 high quality hospitals, 14 district Polyclinics and 24 express outpatient clinics and 251 pharmacies
- ✓ **Institutionalising the industry:** Strong corporate governance; standardised processes; improving safety and quality by implementing JCI benchmarked standards; own personnel training center

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## Business Model with Cost and Synergy Advantage

- ✓ **The single largest scale integrated player in the Georgia Healthcare ecosystem of GEL 3.5 billion aggregated value with cost advantage through scale:** purchasing, centralisation of administrative functions
  - Next healthcare services competitor has only 5% market share by beds
  - Largest purchaser of pharmaceutical products in Georgia
- ✓ **Better access to professional management and high calibre talent**
  - One of the largest employers in the country: 15,151 full time employees, including 3,505 physicians, 3,224 nurses and 812 pharmacists
- ✓ **Referral system & synergies with insurance and pharma business:**
  - Presence along patient pathway, and referral synergies
  - Insurance activities provide steady revenue stream for our Polyclinics and bolster hospital patient referrals
  - 0.5 million loyal customers at pharma business with upside to cross-sell



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## Long-term High-growth Opportunities

3

- ✓ **Very low base:** healthcare services spending per capita only US\$217, outpatient encounters only 3.9 per capita annually<sup>(7)</sup>, GHG revenue per hospital bed only US\$34,200<sup>(6)</sup>
- ✓ **Supported by attractive macro:**<sup>(8)</sup> Georgia – one of the fastest growing countries in Eastern Europe, open and easy<sup>(9)</sup> emerging market to do business, with real GDP growth averaged 4.9% annually during 2006-16. Only 5.8% 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>(10)</sup>
- ✓ **Implying long-term, high-growth expansion** that is driven by:
  - Universal Healthcare Program (UHC)
  - Pick-up in Polyclinics (outpatient clinics)

4

## Strong Management with Proven Track Record

- ✓ **Strong business management team – increased market share by beds from under 1% in 2009 to 23.8% currently, with built-in additional development capacity**
- ✓ **Robust corporate governance:** exceptional in Georgia's healthcare sector, as it is the only Premium listed company from healthcare sector (LSE:GHG LN)<sup>(12)</sup>; 57% shareholder is BGEO Group PLC – listed on the premium segment of the main market of the London Stock Exchange (LSE:BGEO), part of FTSE 250 index. The rest of shares are owned by Institutional Investors and Management as part of (ESOP)
- ✓ **In-depth knowledge of the local market**

Sources:

(1) Georgia Healthcare Group established in Georgia and in UK

(2) Market share by number of beds. Source: National Center for Disease Control ("NCDC"). Data as of December 2016, updated by GHG to include changes before 30 September 2017

(3) Market size Frost and Sullivan analysis 2017

(4) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia

(5) Geostat.ge, data as of 2015. Coverage refers to geographic areas served by GHG facilities

(6) GHG internal reporting 3Q17

(7) NCDC statistical yearbook 2016

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

(9) Ranked #9 (of 189 countries) in World Bank's 2018 "Ease of Doing Business Report", ahead of all its neighboring countries and several EU countries.

(10) Ministry of Finance, Ministry of Economy

(11) Frost & Sullivan 2015

(12) GHG Group PLC successfully completed its IPO of ordinary shares at the Premium Segment of LSE on 12 November, 2015

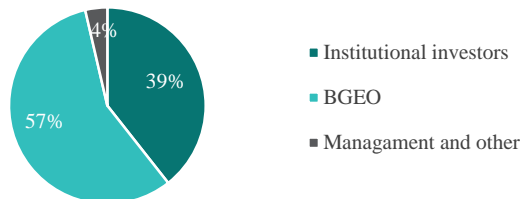


# GHG – shareholder structure and share price

## Investors

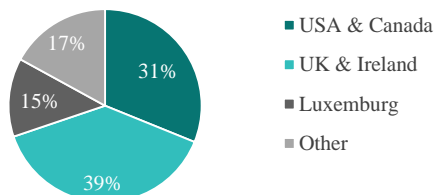
### Strong support from institutional investors at IPO<sup>(1)</sup>

Institutional Investors represent 39% of the shareholders



### Geographically well-diversified institutional shareholder base<sup>(1)</sup>

UK & Ireland – 39%  
USA & Canada – 31%  
Luxemburg – 15%  
Other – 17%

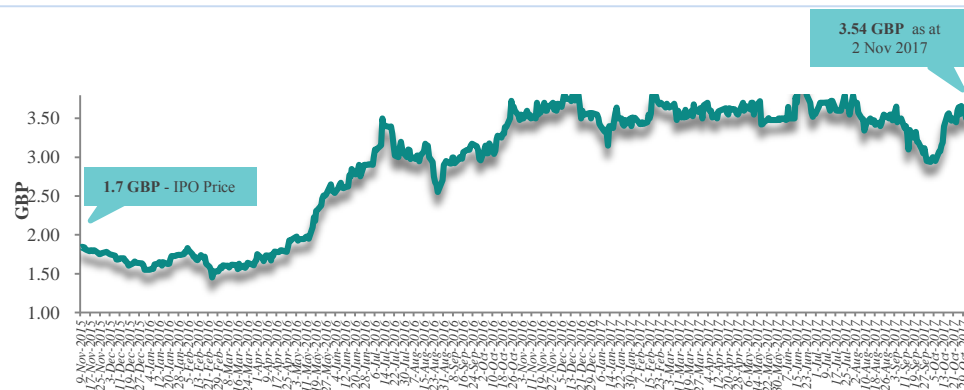


### Top Investors <sup>(1)</sup>

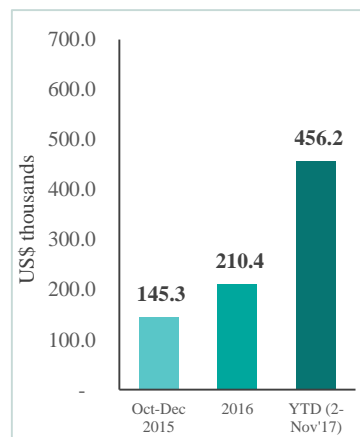
|                       |       |
|-----------------------|-------|
| BGE0                  | 57.0% |
| Wellington Management | 7.5%  |
| T – Rowe Price        | 6.1%  |

## Stock trading performance

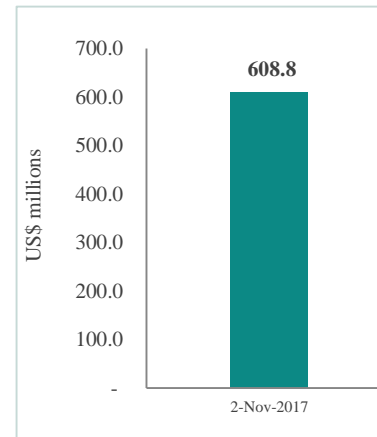
### Stock Price Performance<sup>(2)</sup>



### Average trading daily volume



### Market Capitalisation<sup>(3)</sup>

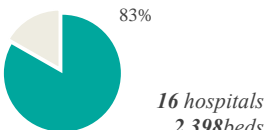
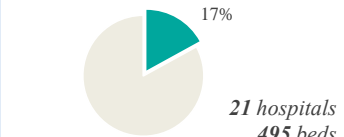
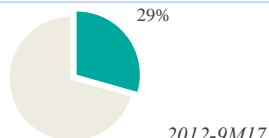
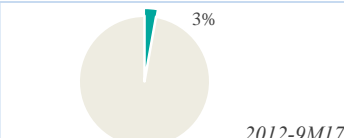
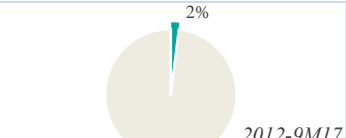
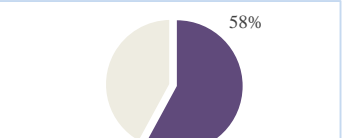
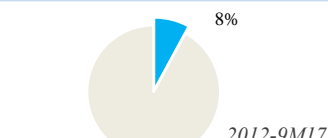

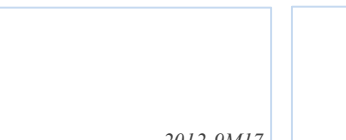
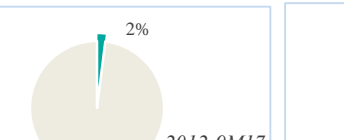


Note: (1) As of 29 September 2017

(2) Share price change calculated from the closing prices of GHG LN, starting from trading date 9 November 2015 to the price of GHG LN as of 2 November 2017

(3) Source: Bloomberg; Market Capitalisation of GHG as of 2 November 2017, GBP/USD exchange rate 1.3059

## Georgia Healthcare Group

| Key Segments                 |                      |                             | Healthcare services   |   |   | Pharma  | Medical insurance   |
|------------------------------|----------------------|-----------------------------|---|---|---|---|---|
|                              |                      |                             | Hospitals   |   | Polyclinics<br><i>(outpatient clinics)</i>  | Pharma  | Medical Insurance   |
|                              |                      |                             | Referral Hospitals  | Community Hospitals   |   |   |   |
| 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   | Wholesaler and urban-retailer, with a countrywide distribution network  | Range of private insurance products purchased by individuals and employers  |
| Market Size 2017             |                      |                             | GEL 1.2bln <i>addressable</i> <sup>(1)</sup>  |   | GEL 0.7bln <sup>(2)</sup>   | GEL 1.5bln <sup>(2)</sup>   | GEL 0.09bln (1H17) <sup>(3)</sup>   |
| Market Share                 |                      |                             | 21% by revenue<br>23.8% by beds (2,893), which is expected to grow to c.28% as a result of renovation and full launch of hospital facilities (additional c.450 beds); |   | 2% by revenue   | 29% by revenue  | 30% by revenue  |
| Selected Operating Data 9M17 |                      |                             |  <p>83%<br/><i>16 hospitals</i><br/><i>2,398 beds</i></p>                            |  <p>17%<br/><i>21 hospitals</i><br/><i>495 beds</i></p>                  | <i>11 clusters with</i><br><i>14 district Polyclinics</i><br><i>24 express outpatient clinic</i>  | <i>251</i> pharmacies in major cities   | <i>c.110,000 individuals</i> insured<br><i>as of October 2017</i>   |
| Financials 9M17              | Gross Revenue        | GEL 550.1mln <sup>(4)</sup> |  <p>29%<br/><i>2012-9M17</i><br/><i>CAGR 55%</i></p> <p>GEL 167.4 mln</p>           |  <p>3%<br/><i>2012-9M17</i><br/><i>CAGR 15%</i></p> <p>GEL 16.5 mln</p> |  <p>2%<br/><i>2012-9M17</i><br/><i>CAGR 39%</i></p> <p>GEL 11.4 mln</p>  |  <p>58%<br/><i>2012-9M17</i><br/><i>CAGR 15%</i></p> <p>GEL 328.9 mln</p> |  <p>8%<br/><i>2012-9M17</i><br/><i>CAGR 15%</i></p> <p>GEL 41.3 mln</p>   |
|                              |                      |                             | EBITDA  | GEL 77.3mln <sup>(4)</sup>  |  <p>65%<br/><i>2012-9M17</i><br/><i>CAGR 51%</i></p> <p>GEL 50.2 mln</p> |  <p>2%<br/><i>2012-9M17</i><br/><i>CAGR 30%</i></p> <p>GEL 1.5 mln</p>    |  <p>34%<br/><i>2012-9M17</i><br/><i>CAGR 30%</i></p> <p>GEL 26.4 mln</p> |
|                              | EBITDA Margin: 27.0% |                             | EBITDA Margin: 13.6%  |   | EBITDA Margin: 8.0%   |   | EBITDA Margin: -1.3%  |

Sources:

- (1) Frost & Sullivan analysis, 2017, adjusted by the company to exclude the revenue from speciality beds - addressable market  
 (2) Frost & Sullivan analysis 2017 – for Polyclinics addressable market excluding revenue from dental and aesthetic services

- (3) Insurance state supervision service of Georgia ("ISSSG"), market for the first half of 2017  
 (4) Net of intercompany eliminations





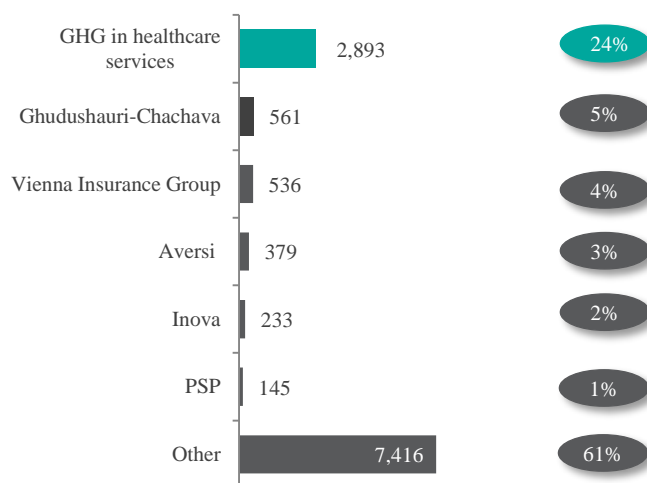
# Clear market leader (2/2) in a fragmented competitive landscape

*Leader in Georgia with clear and established #1 market positions in healthcare services and pharma markets,  
2<sup>nd</sup> largest in medical insurance market*



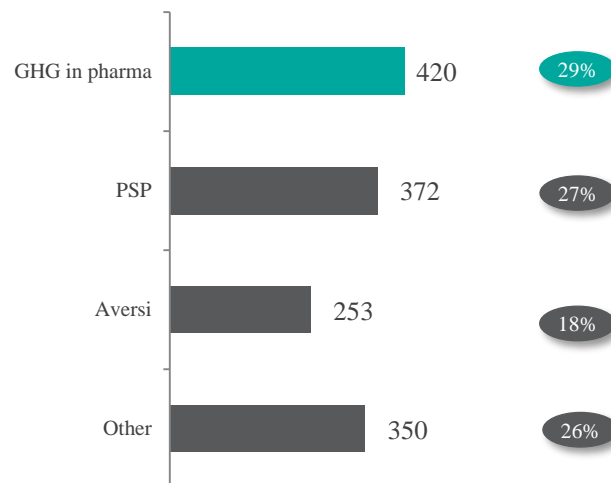
## Healthcare services (Hospitals)

(Number of Beds as of September 2017)<sup>(1)</sup>



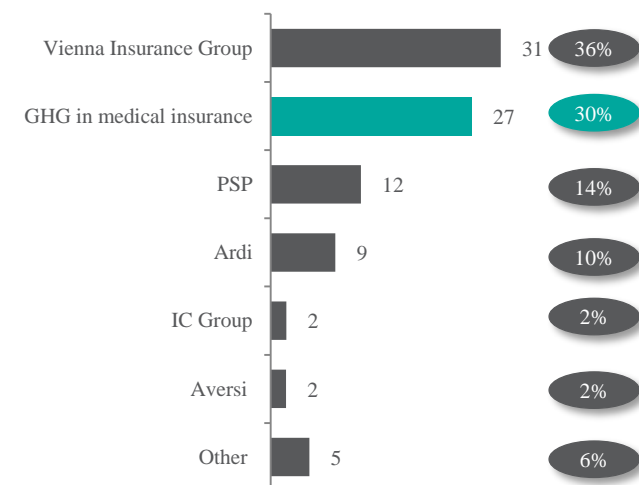
## Pharma

(Revenue, GEL millions in 2016)<sup>(2)</sup>



## Medical Insurance

(Gross premium revenue, GEL millions as of 30 Jun 2017)<sup>(3)</sup>



Market share

Sources:

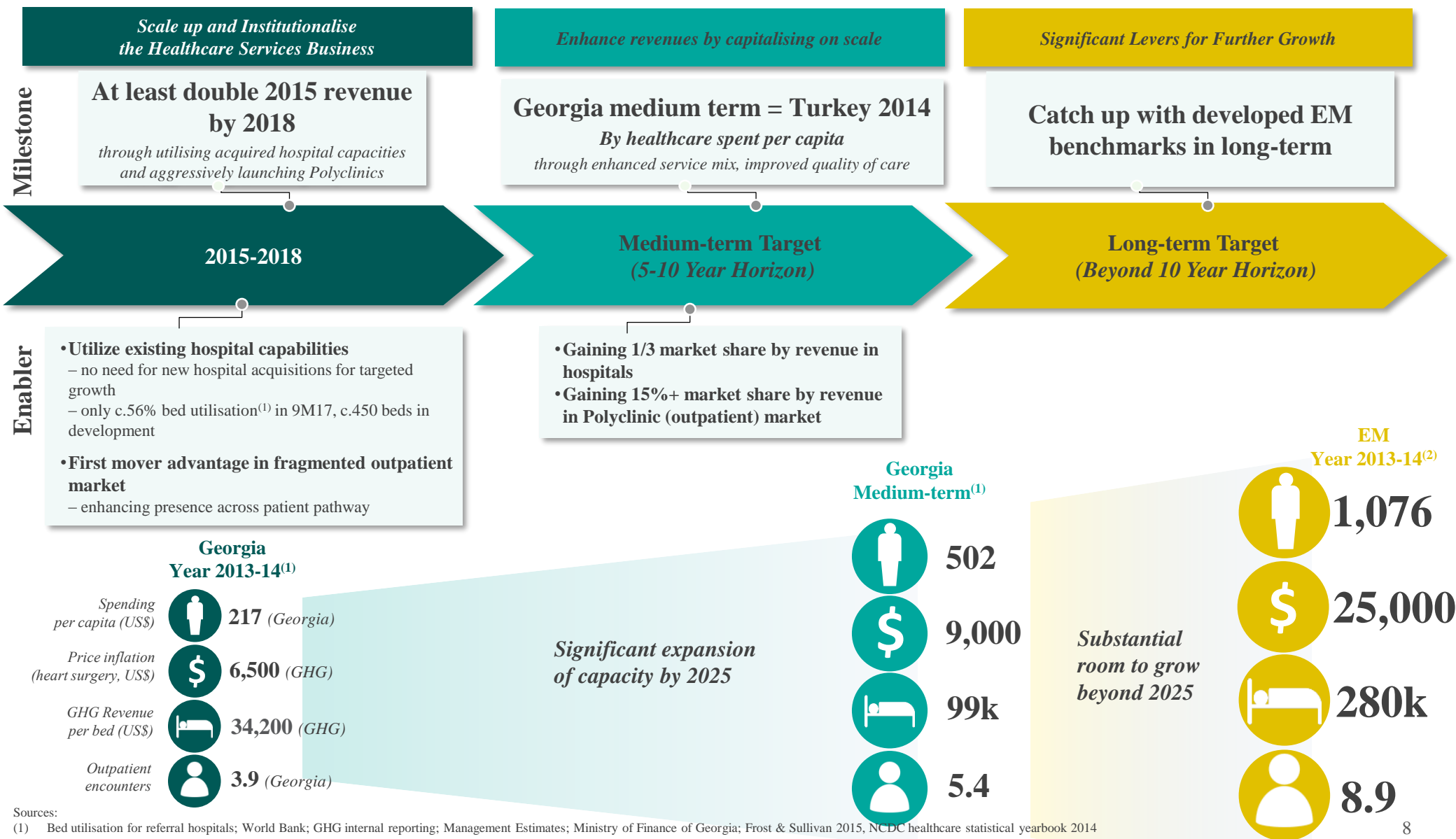
(1) NCDC, data as of December 2016, updated by GHG to include changes before 30 September 2017; excluding speciality beds

(2) Total market Frost & Sullivan analysis 2017. Revenue distribution between competitors represents managements estimates. GHG's revenue includes GPC and Pharmadepot uneliminated 2016 results

(3) Insurance State Supervision Service Agency of Georgia as of 30 June 2017



# Healthcare services - long-term, high-growth story







# Long-term, high-growth prospects

*Accelerated revenue market share growth*

| Segment                             | Hospitals            | Polyclinics | Pharma     | Insurance             |
|-------------------------------------|----------------------|-------------|------------|-----------------------|
| Market<br><i>Addressable (2017)</i> | GEL 1.2bln           | GEL 0.7bln  | GEL 1.5bln | GEL 0.09bln<br>(1H17) |
| Market shares                       | by revenue   by beds | by revenue  | by revenue | by revenue            |
| Now                                 | 21%   24%            | 2%          | 29%        | 30%                   |
| YE2018                              | c.25%   28%          | c.5%        | 30%+       | 30%+                  |
| Long-term                           | 30%+                 | c.15%+      | 30%+       | 30%+                  |



# Focused growth strategy through 2018

| Segment                            | Hospitals   | Polyclinics   | Pharma  | Insurance  |
|------------------------------------|---|---|---|--|
| Market share<br>Targets 2018       | <b>25%   28%</b><br>by revenue   by beds  | <b>c.5%</b><br>by revenue   | <b>30%+</b><br>by revenue   | <b>30%+</b><br>by revenue  |
| Medium to long<br>term P&L targets | gradually improving to<br><b>c.30% EBITDA margin</b>  |   | <b>8.0%+ EBITDA<br/>margin</b>  | <ul style="list-style-type: none"><li>▪ <b>Combined ratio &lt;97%</b></li><li>▪ <b>Claims retained within GHG &gt;50%</b></li></ul>  |
| Key focus areas in<br>medium-term  | <ol style="list-style-type: none"><li>1 <b>Enhancing footprint in Tbilisi</b></li><li>2 <b>Strengthening existing services in elective care</b> (Investing in key doctors)</li><li>3 <b>Filling service gaps</b> (Mental health, Home care, etc.)</li><li>4 <b>Developing fee business line</b></li><li>5 <b>Enhancing digital channels</b></li></ol> | <ol style="list-style-type: none"><li>1 <b>Accelerated footprint growth</b></li><li>2 <b>Increasing number of registered customers</b></li><li>3 <b>Sales growth through various channels</b> (new services, corporates, state)</li><li>4 <b>Enhancing digital channels</b></li></ol> | <ol style="list-style-type: none"><li>1 <b>Enhancing retails footprint</b></li><li>2 <b>Enhancing retail margin</b> (synergies; private label)</li><li>3 <b>Growing wholesale revenue</b></li><li>4 <b>Enhancing digital channels and customers loyalty</b></li></ol> | <ol style="list-style-type: none"><li>1 <b>Portfolio re-pricing and cost-efficiencies</b></li><li>2 <b>Redirecting more patients to GHG Polyclinics &amp; pharmacies</b></li></ol> |



# Focused growth strategy in healthcare services business

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

Increasing footprint in capital with 320-bed first class Deka hospital and 332- bed first class Sunstone hospital

### Before



### After



### Deka highlights

In August 2016 we opened Deka's diagnostic centre. Renovation of the hospital is planned by the end of 2017, with full launch scheduled for January 2018

#### Target population:

- Medium and high income patient
- Opportunity for medical tourism

#### Project details:

- 320 Bed hospital
- 35,000 Sq. meter
- Targeting JCI Accreditation

#### High technology services:

- Cardio Surgery; Angio surgery; Neurovascular surgery; Laparoscopic Surgery; ICU; ER;

### Sunstone highlights

First phase was launched in April 2017, with 220 newly renovated beds; The full lunch of the 332-bed hospital, with remaining 112 beds is planned by the end of November

#### Target population:

- East Part of Tbilisi (350K Population)
- Capturing referrals from East Georgia (350K Population)

#### Project details:

- 332 Bed hospital
- 35,000 Sq. meter
- 11 Operating Rooms

#### High technology services:

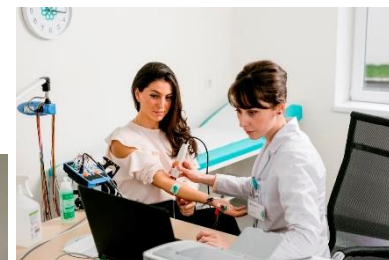
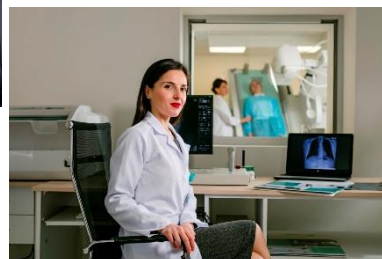
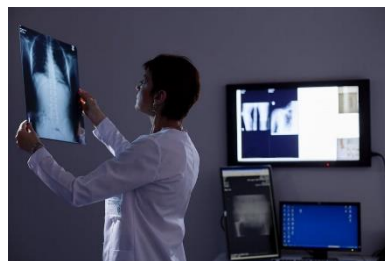
- Full scale of general hospital Elective services; ICU; Delivery; Neonatal ICU; Transplantology





# Investing in and developing high quality elective care services in Georgia

**Developing new, high-quality medical services in Georgia, particularly focusing on elective care, to cover existing service gaps. In 2017 we have already launched more than 30 new services in 15 our different hospitals, while more than 10 are in 4Q17 pipeline**



Launched 60 new services

2016

- In vitro Fertilization
- Kids Cardio Surgery
- Oncology Centre

Launched 33 new services

- Bone Marrow Transplant
- Children's Oncology
- Onco surgery

More than 10 services in the pipeline

2017

- Children's Neuro Surgery
- Ophthalmology
- Bariatric Surgery
- Mental Health

Also some basic services that are not presented in some of our regional hospitals, such as: neonatology, diagnostics, ophthalmology, mammography and breast surgery, gynaecology, cardio-surgery, traumatology, angio-surgery, maternity

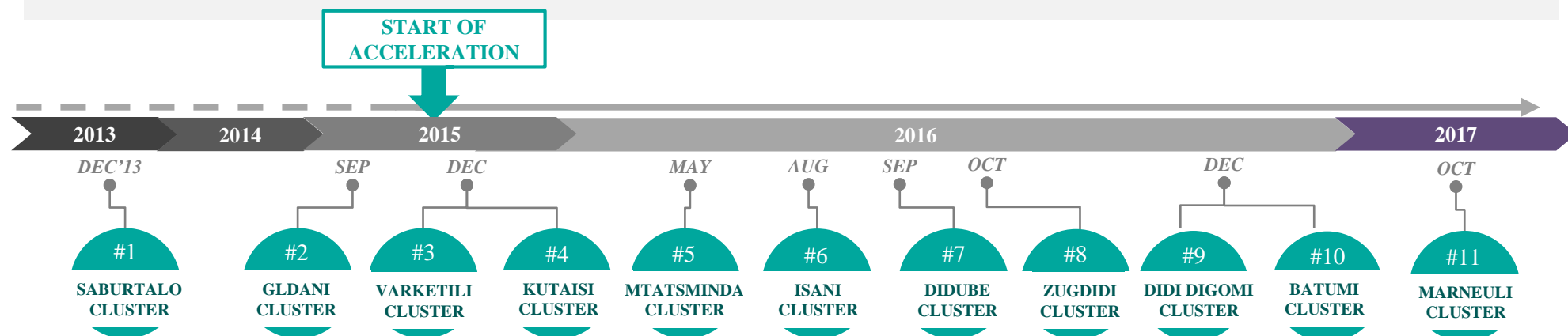


# Focused growth strategy in outpatient market

## *Rebranding strategy and rapid launch of Polyclinics (outpatient clinics)*

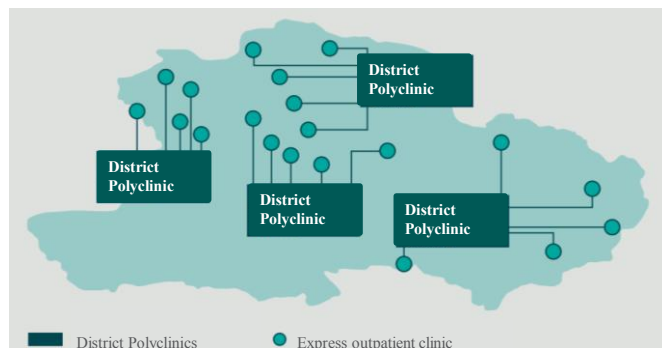
Since we launched our “Polyclinics” campaign in June, the average monthly number of patient visits is up 47%

- ❖ **We have rebrand our ambulatory clinics into Polyclinics** - the word “Polyclinic” is very well known within the population, awareness is high and remains the preferable description for the outpatient clinic customers – and started active marketing campaigns to promote our brand-new Polyclinics
- ❖ **First mover advantage in a fragmented market** - accelerated launch strategy 2015-2016 December



### ORGANISED IN CLUSTERS

Each cluster includes a district Polyclinic, located centrally in a particular district of the city, and three to five smaller express outpatient clinics, located in other areas of the same district.



Large scale  
(district)  
Polyclinic

**Area:** 1800-2500 sq/m  
**Offering:** Full scale services  
**Working hours:** 10:00-20:00, 6 days a week  
**Investment:** GEL 2.0mln

Express  
outpatient  
clinic

**Area:** 20-200 sq/m  
**Offering:** Basic services  
**Working hours:** 09:00-21:00, 7 days a week  
**Investment:** GEL 300 thousand





# Focused growth strategy

## *GHG setting new standard among competition in outpatient business*

### Competition



Mitskevich polyclinic, Tbilisi, September 2015

### Reception



Joen clinic, Tbilisi, September 2015

### Doctor's office



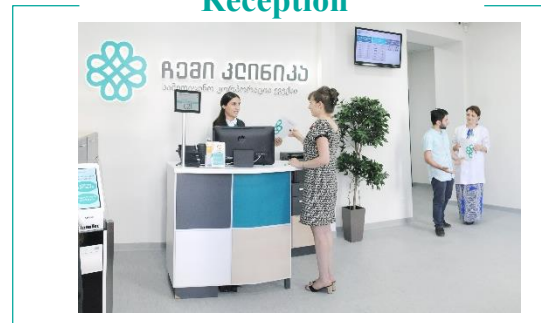
9<sup>th</sup> polyclinic, Tbilisi, September 2015

### GHG Polyclinic



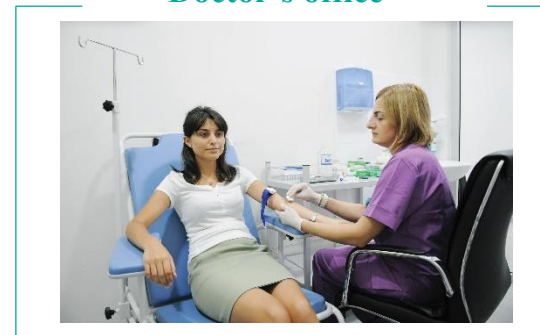
Express outpatient clinic, Tbilisi, December 2014

### Reception



Express outpatient clinic, Tbilisi, December 2014

### Doctor's office



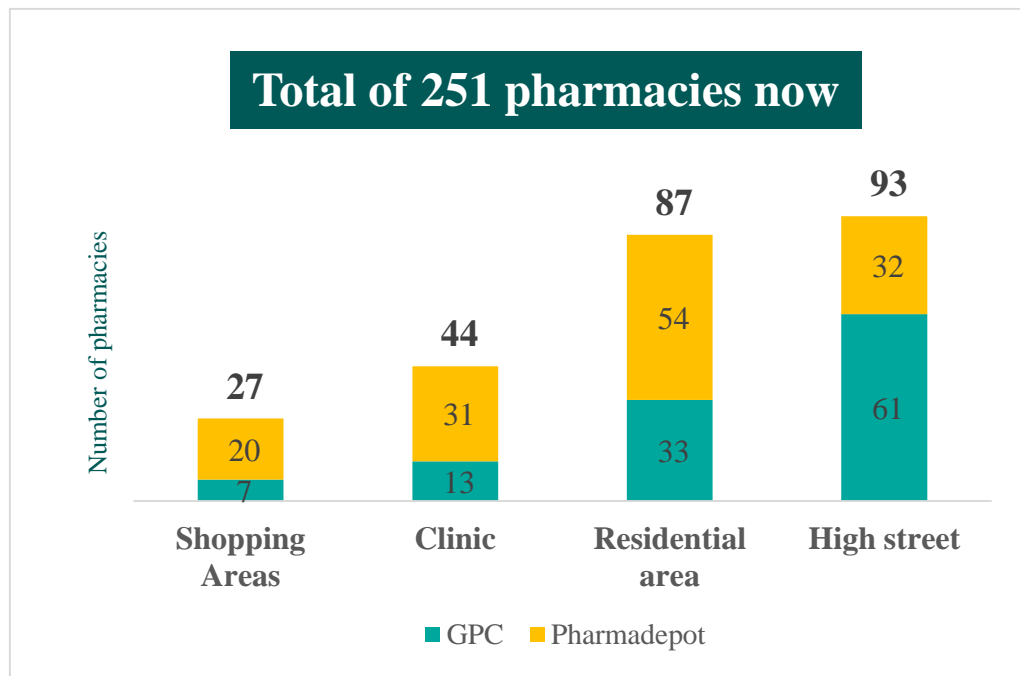
Express outpatient clinic, Tbilisi, December 2014



# Expanding retail footprint in pharma business

## GPC & Pharmadepot retail footprints complement each other

While GPC is a well established retailer with significant presence on high street, Pharmadepot is better represented in residential areas



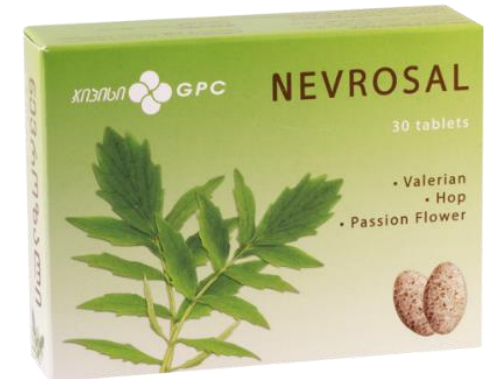
New concept GPC pharmacy store opened in 2017

**Heading to 300  
pharmacies over two  
years**



# Enhancing retail margin in pharma business

One of the top priorities in our pharma business is to increase profitability by increasing revenue share of private label products



24 private label medicines are presented in our pharmacies, out of which 11 products were added during the 9M17. Annualised sales c.2 million.





## Our main challenges

X

**Lack of doctors & Nurses:  
quality and new generation**

X

**Quality of basic medical care**

X

**Lack of services**

## What we achieved



- 5,150 doc's /5,150 nurses retrained
- 85 ToTs developed
- 263 residents in 24 specialties
- 2 Major hospitals constructed



**Quality control framework up and  
running**



**More than 90 new services were  
launched over last two years**

**More than 10 new services to be  
launched in 4Q17**

## Goal



**Complete first round of stuff  
retraining by 2020**



**Complete quality management  
framework implementation.**

**Receive JCI accreditation on some  
of our major referral hospitals in  
coming years**



**Continue to launch new services**

**Capture patient flow export.**



⌘ GHG | Overview and strategy

⌘ **GHG | Results discussion**

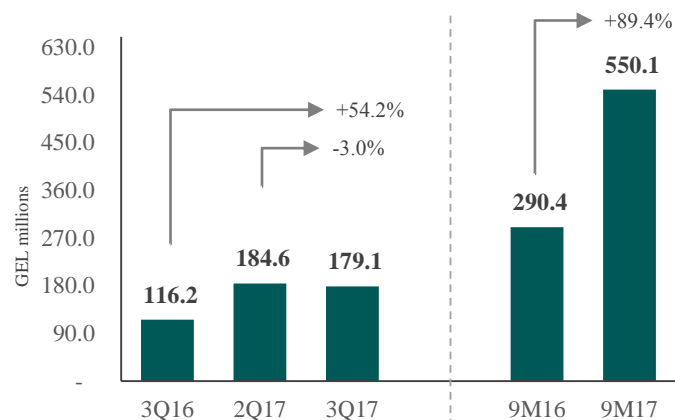
⌘ Macroeconomic and Industry Overview

⌘ Annexes



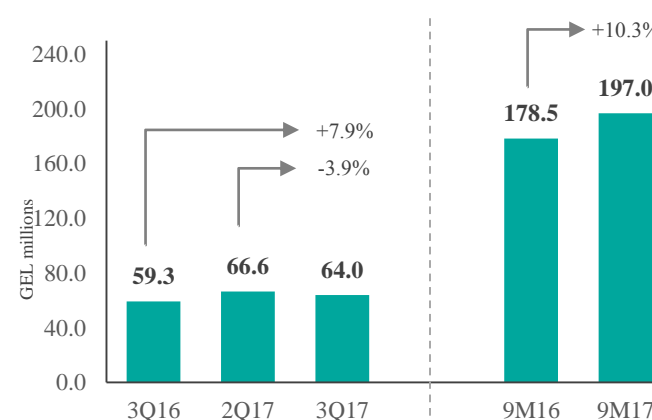
# GHG y-o-y revenue growth was driven by consolidating the pharma business

## Revenue – GHG\*



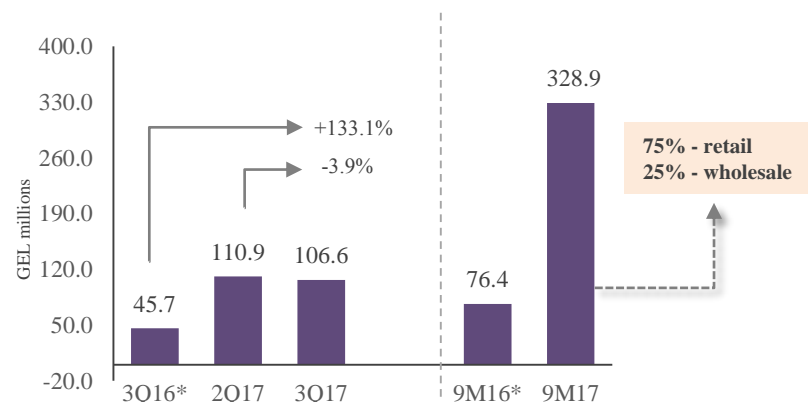
\* Gross revenue including corrections and rebates and is net of intercompany eliminations

## Revenue – Healthcare services business



\* Gross revenue including corrections and rebates

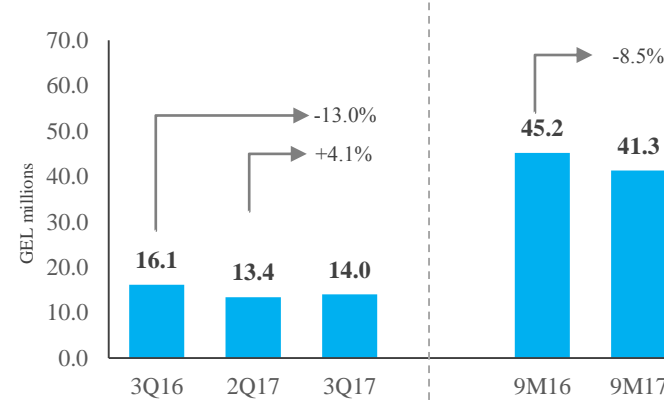
## Revenue – Pharma business\*



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting

## Revenue – Medical insurance business

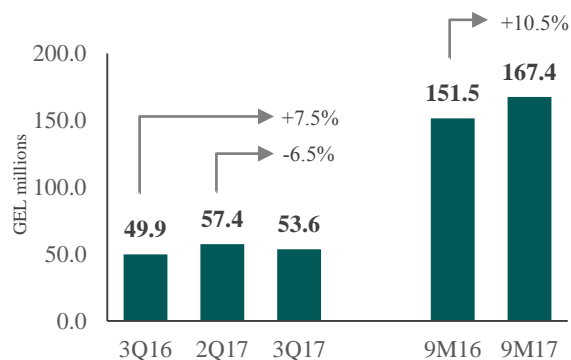




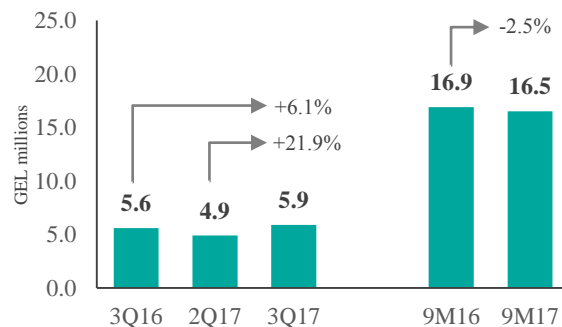
# In healthcare services business we made a strong progress towards diversifying our revenue stream by payment sources, out-of-pocket revenue up 37.4% y-o-y

## Healthcare services revenue breakdown by segments

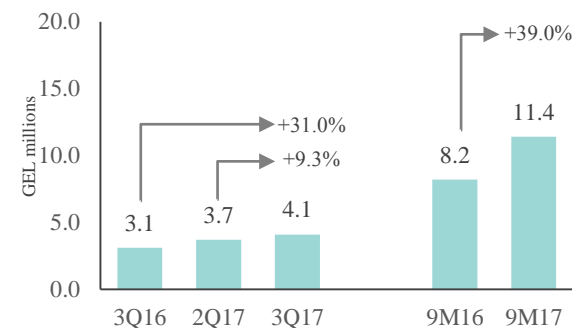
### Referral hospitals



### Community hospitals

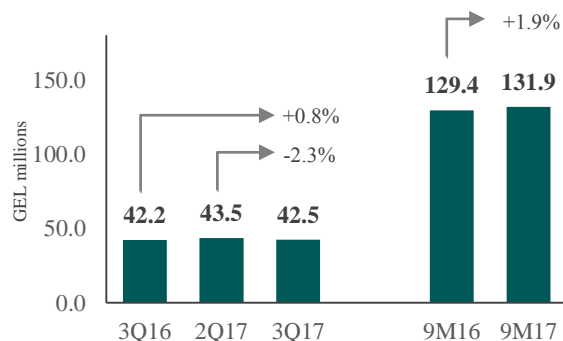


### Polyclinics

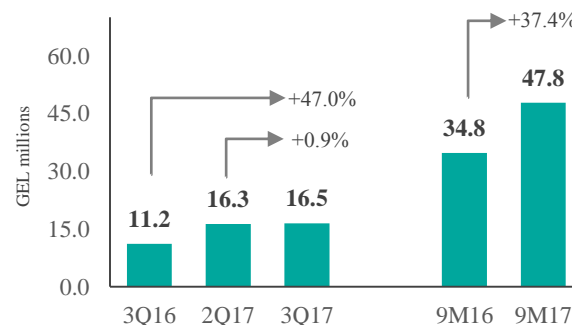


## Healthcare services revenue breakdown by source of payments

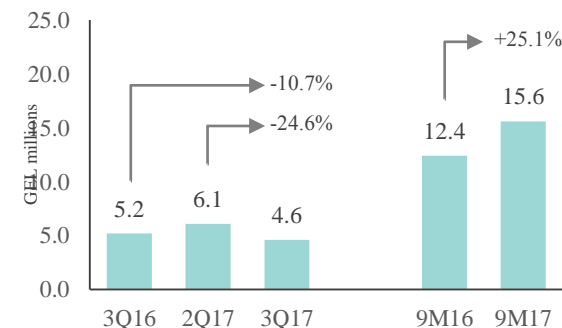
### Government-funded



### Out-of-pocket



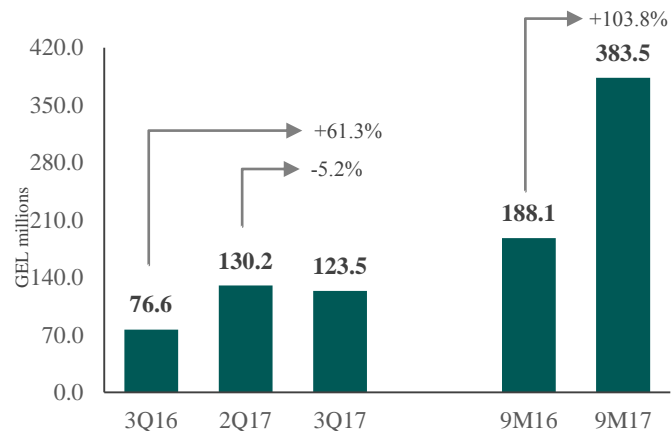
### Medical insurance





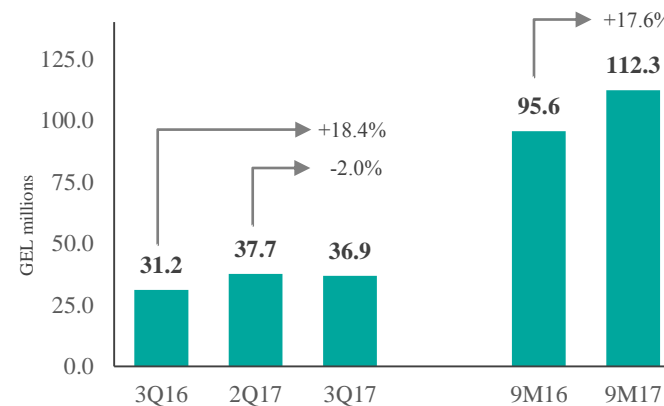
# GHG cost of services growth follows the pharma acquisition

## Cost of services – GHG\*

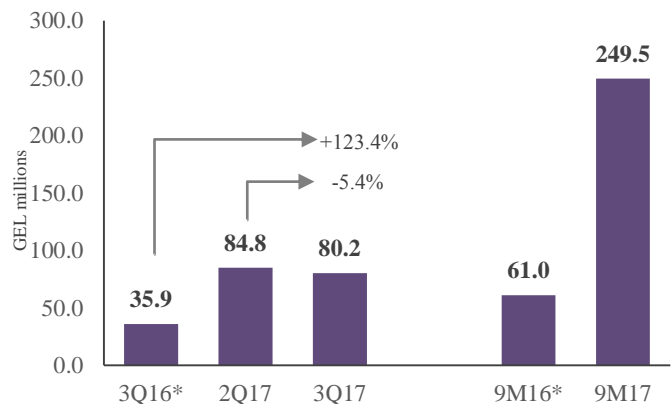


\* Net of intercompany eliminations

## Cost of services – Healthcare services business



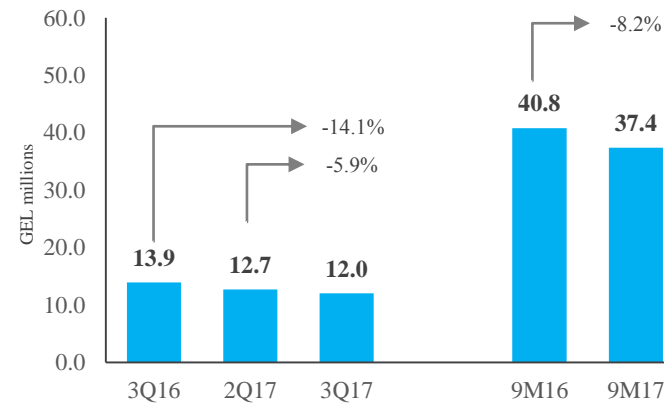
## Cost of services – Pharma business\*



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting

## Cost of services – Medical insurance business

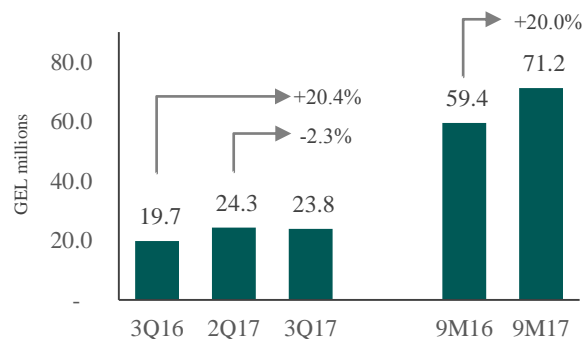




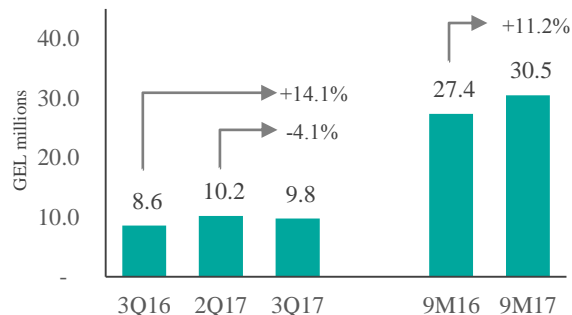
# The growth in cost of services in the healthcare services business was mainly driven by the cost of salaries and other employee benefits

## Healthcare services cost of services breakdown

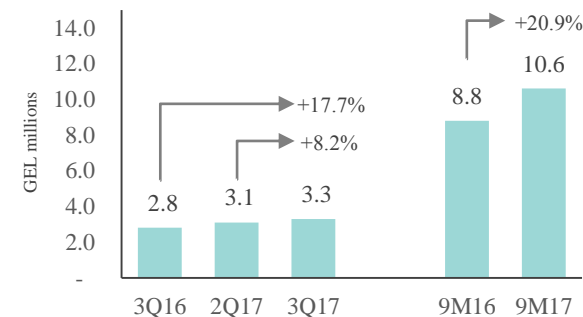
### Cost of salaries and other employee benefits



### Cost of materials and supplies



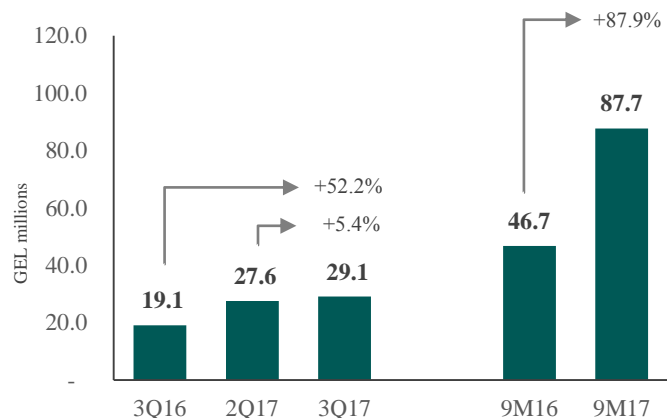
### Cost of utilities, providers and other



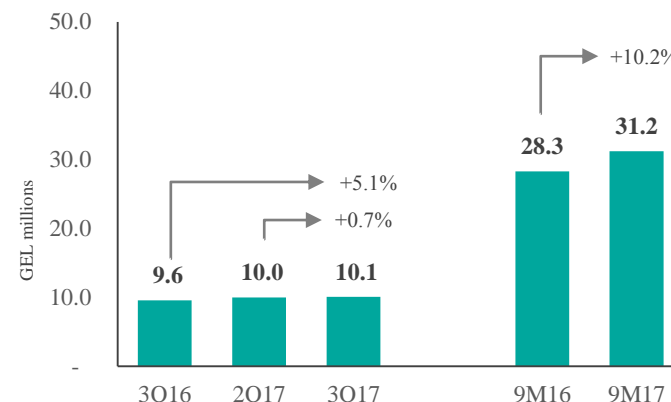


# GHG operating expenses growth mainly due to the pharma acquisition

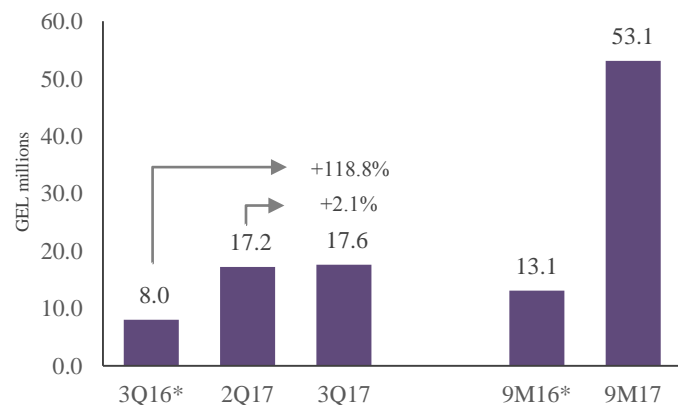
## Operating expense – GHG



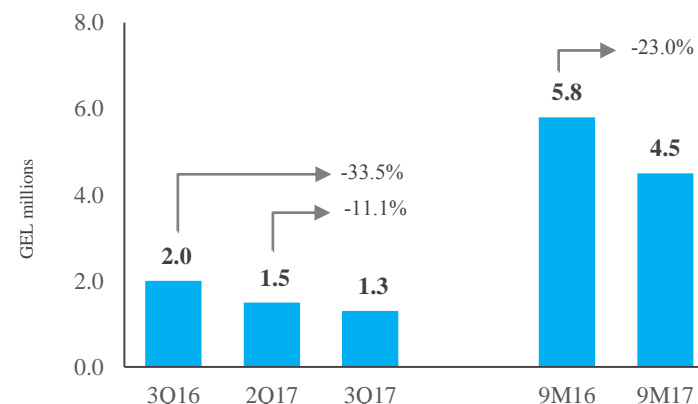
## Operating expense – Healthcare services business



## Operating expense – Pharma business\*



## Operating expense – Medical insurance business



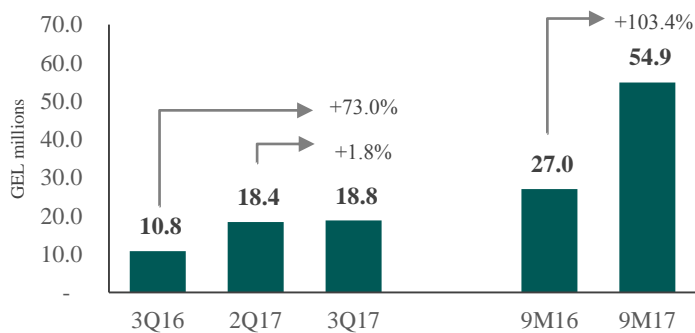
\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May  
Source: GHG Internal Reporting



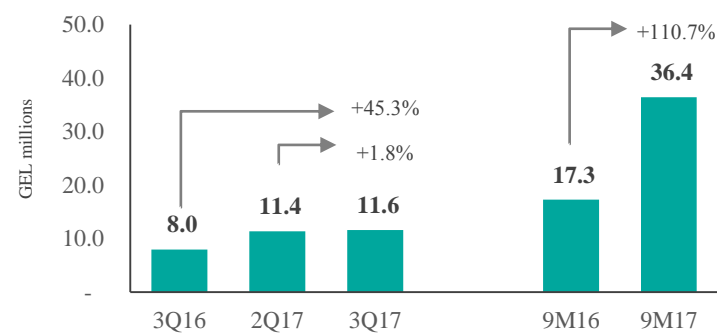
# The main operating cost drivers of GHG are the salaries and other employee benefits and the G&A

## GHG – salaries and other employee benefits and the G&A breakdown

### Salaries and other employee benefits



### General and administrative expenses

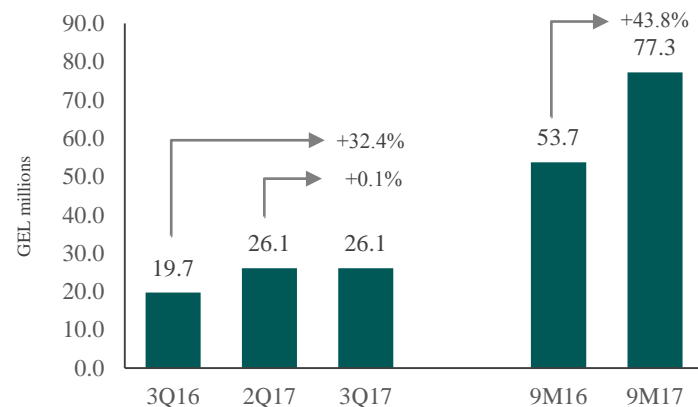




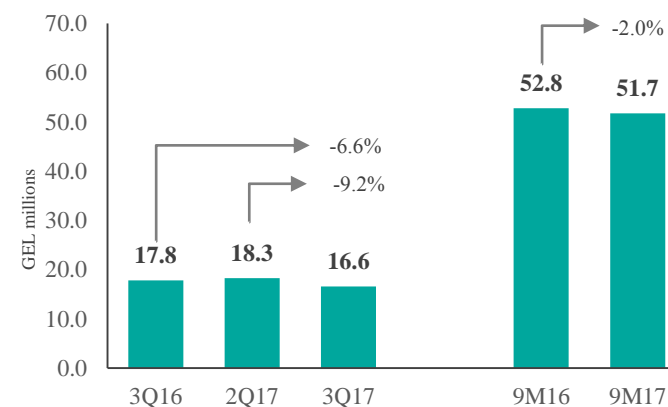


# EBITDA - GHG reported 9M17 EBITDA of GEL 77.3 million

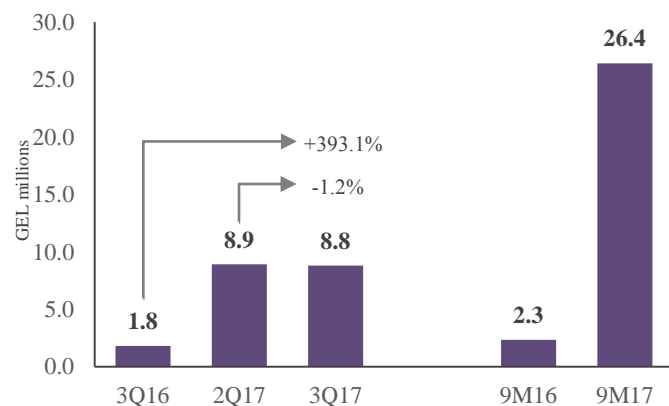
## EBITDA – GHG\*



## EBITDA – Healthcare services business



## EBITDA – Pharma business\*



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting

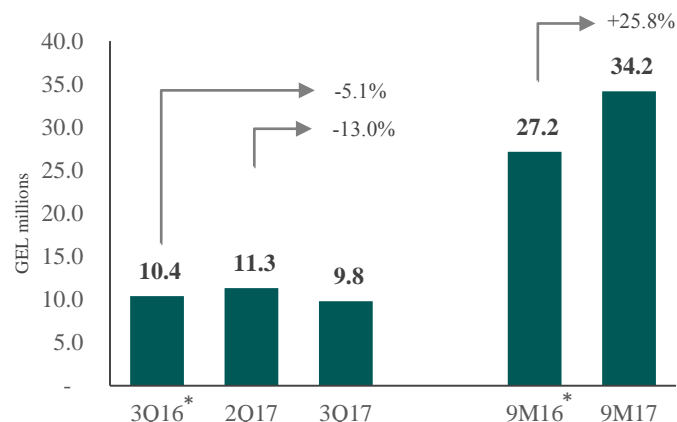
## EBITDA – Medical insurance business



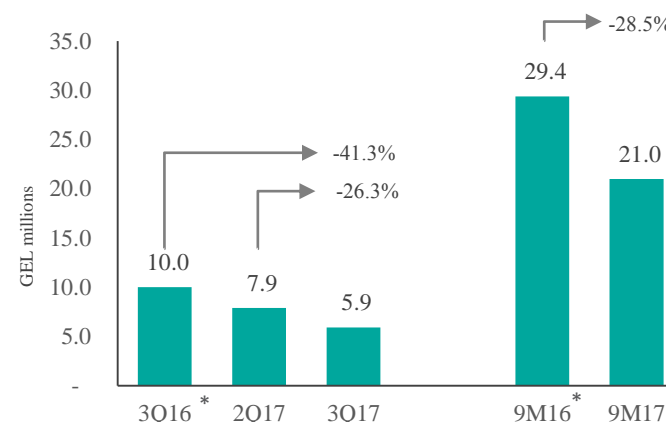


# Profit before tax- GHG reported 9M17 profit before tax of GEL 34.2 million

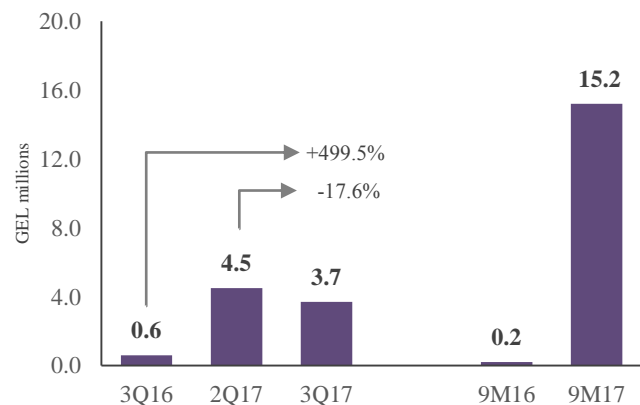
## Profit before tax – GHG\*



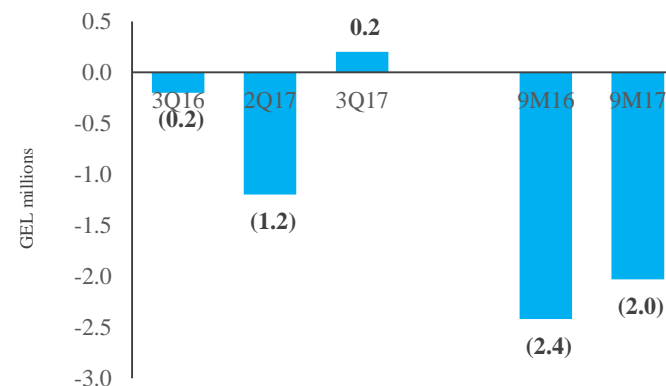
## Profit before tax – Healthcare services business



## Profit before tax – Pharma business\*



## Profit before tax – Medical insurance business



\* 2017 results fully reflect our combined pharma business - GPC and Pharmadepot, acquired in and consolidated from May 2016 and January 2017 respectively. While 2016 only includes GPC results since May

Source: GHG Internal Reporting



# Capex – Key driver for our 2016-2018 strategy

## Capex 2014-9M17

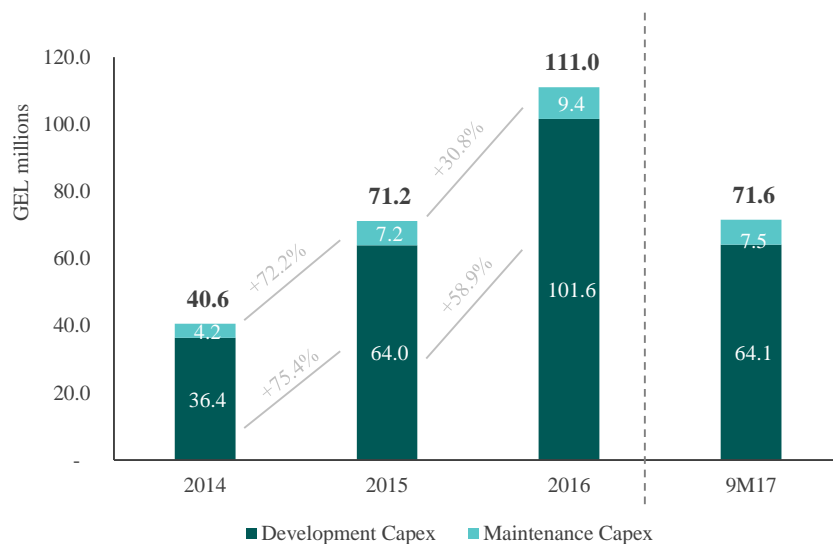
Maintenance capex as % of healthcare service revenue

2.8%

3.7%

3.8%

3.8%



## Capex 2016-2018 Strategy and performance

- Our key strategic pillar for Doubling 2015 Revenue in 2018 is the development capex, including two hospital renovations, Polyclinics roll-out and some other new projects to fill service gaps.
- **During 9M17 we spent a total of GEL 71.6 million on capital expenditures, from which:**
  - Development Capex was 64.1 million
  - Maintenance Capex was GEL 7.5 million
- These expenditures already include commencement of the flagship projects of DEKA and Sunstone.



⌘ GHG | Overview and strategy

⌘ GHG | Results discussion

⌘ **Macroeconomic and Industry Overview**

⌘ Annexes



# Long-term, high growth prospects

## Georgia / rapidly developing reform driven economy

- Area: 69,700 km
- Population (2017): 3.7 million people
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi (Population of 1.1 million people)
- Currency: Lari (GEL)

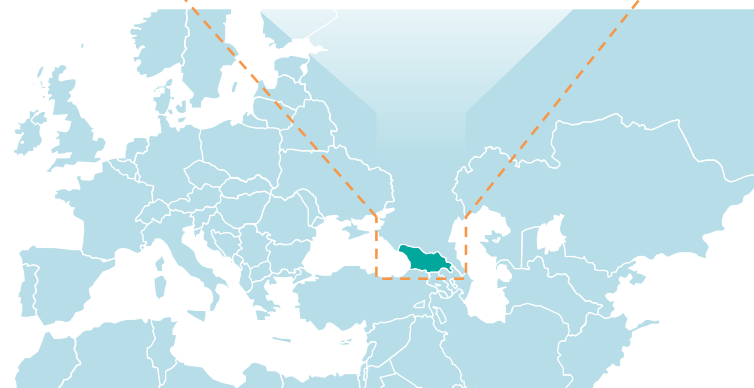


Ease of Doing  
Business  
Best Improvement  
since 2005

- Nominal GDP: 2016 GEL 33.9bln (US\$14.3bln)
- Real GDP growth rate 2012-2016: 6.4%, 3.4%, 4.6%, 2.9%, 2.7%
- Real GDP 2006-2016 annual average growth rate: 4.9%
- GDP per capita 2016 (PPP) per IMF: US\$10,044
- Inflation rate (e-o-p) 2016: 1.8%
- External public debt to GDP 2016: 35.2%

• Sovereign ratings:

|                |  |
|----------------|--|
| <b>S&amp;P</b> | BB-/Stable, affirmed in May 2017         |
| <b>Moody's</b> | Ba2/Positive, affirmed in September 2017 |
| <b>Fitch</b>   | BB-/Stable, affirmed in September 2017   |



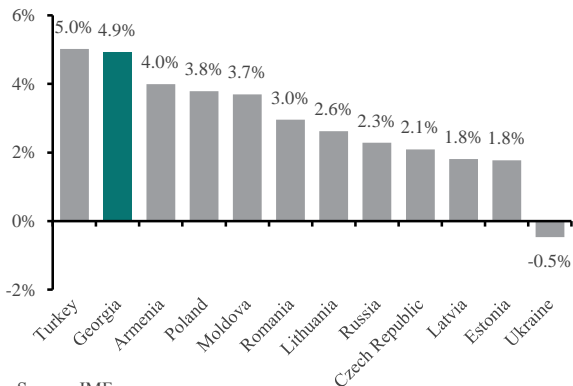


# Long-term, high growth prospects

## Georgia / strong economic performance

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

Real GDP growth, % 2006-16 Average



Source: IMF

### ...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 16<sup>th</sup> in 2017

- Georgia has implemented one of the most radical market and government reforms and programme of economic liberalisation in the former Soviet countries
- 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 FDI inflow to average 10% of GDP during 2005-2016

### ...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

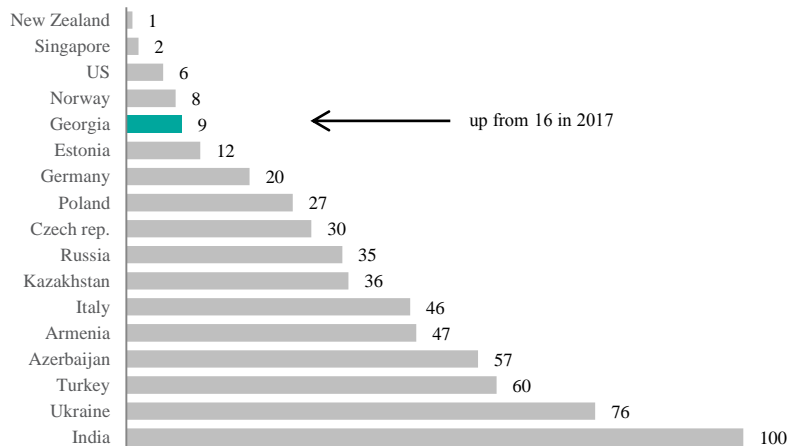




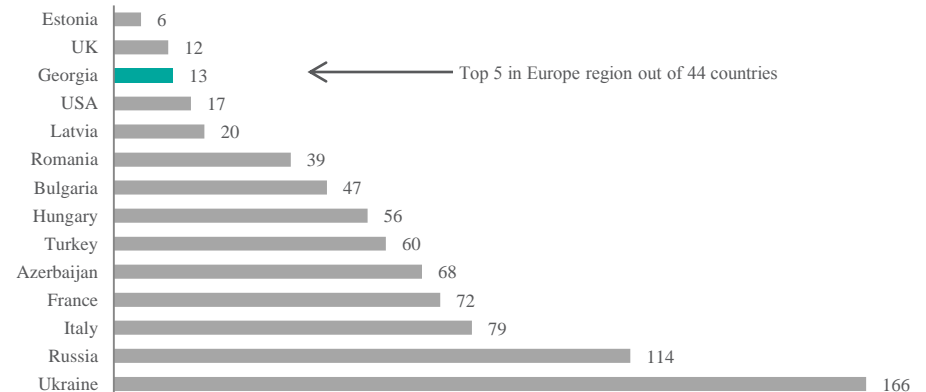
# Long-term, high growth prospects

## Georgia | top improver on World Bank's Ease of Doing Business Report

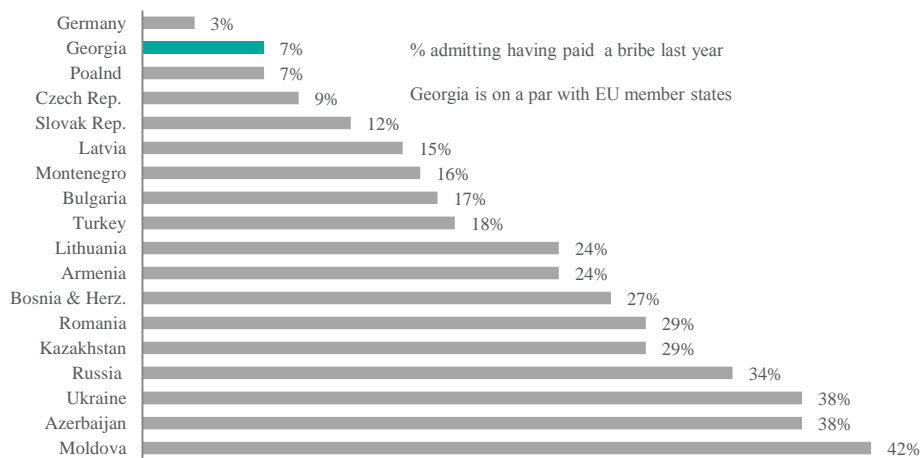
### Ease of Doing Business | 2018 (WB-IFC Doing Business Report)



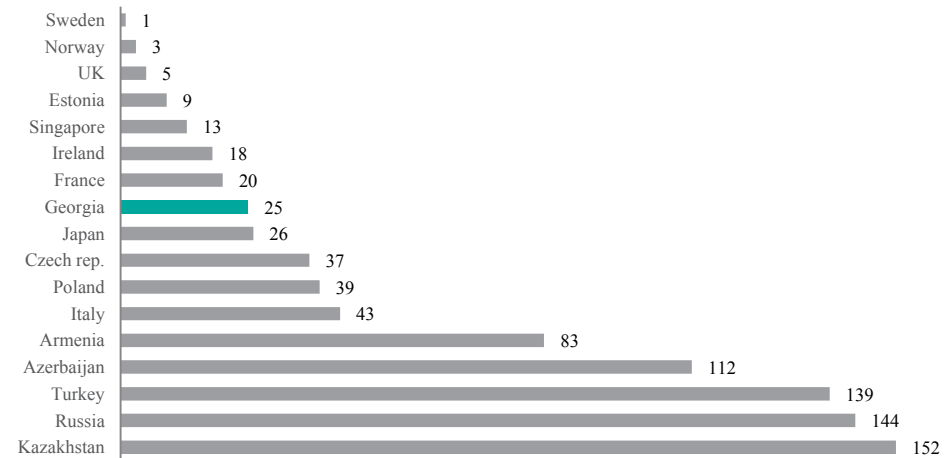
### Economic Freedom Index | 2017 (Heritage Foundation)



### Global Corruption Barometer | TI 2016



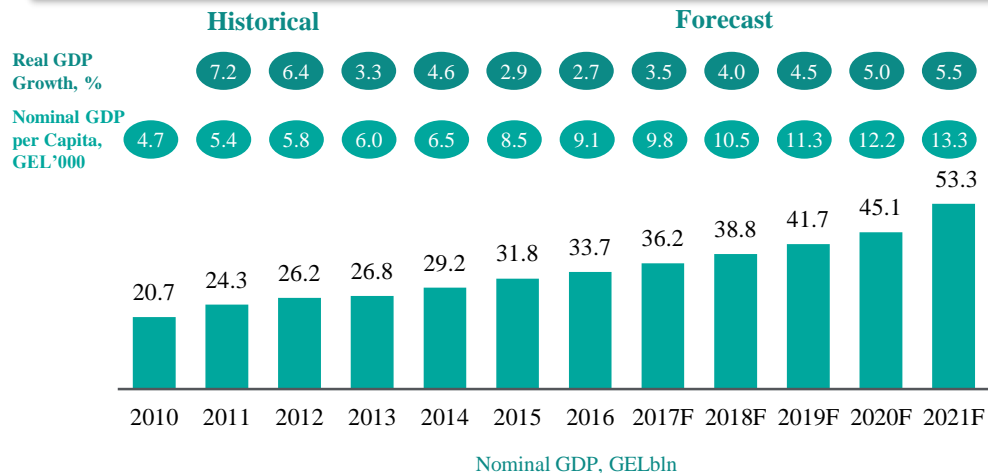
### Business Bribery Risk, 2017 | Trace International



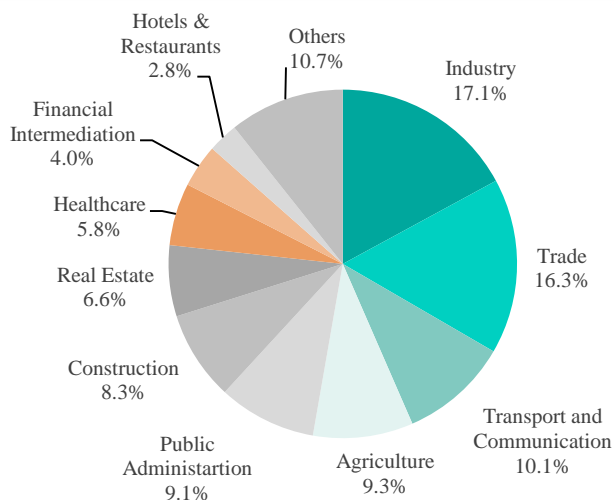


# Long-term, high growth prospects Georgia | *positive economic outlook*

## GDP Growth Expected to Continue



## GDP composition, FY 2016



## Clear Strategy to Achieve Long Term Growth

### Liberal Reforms and Prudent Policy

- Liberty Act (effective January 2014) ensures a credible fiscal and monetary framework
- Public expenditure/GDP capped at 30%; Fiscal deficit/GDP capped at 3%; Public debt/GDP capped at 60%
- Business friendly environment and low tax regime (attested by favourable international rankings)

### Regional Logistics and Tourism Hub

- Tourism revenues on the rise: tourism inflows stood at 15.1% of GDP in 2016 and arrivals reached 6.4mln visitors in 2016 (up 7.6% y-o-y)
- Regional energy transit corridor accounting for 1.6% of world's oil and gas transit volumes

### Strong FDI

- FDI at US\$1.6bln (10.9% of GDP) in 2016; FDI stood at US\$ 751.0mln (10.8% of GDP) in 1H17
- FDI averaged 9.7% of GDP in 2007-2016

### Support from International Community

- Visa-free travel to the EU is another major success in Georgian foreign policy. Georgian passport holders were granted free entrance to the EU countries from 28 March 2017
- 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

### Cheap Electricity

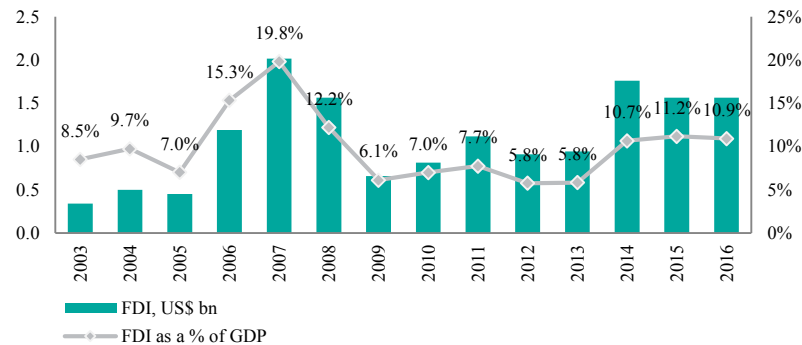
- Only 20% of hydropower capacity utilized; 120 renewable (HPPs/WPPs/SPPs) energy power plants are in various stages of construction or development
- Significantly boosted transmission capacity in recent years



# Diversified sources of capital flow

## Strong foreign investor interest

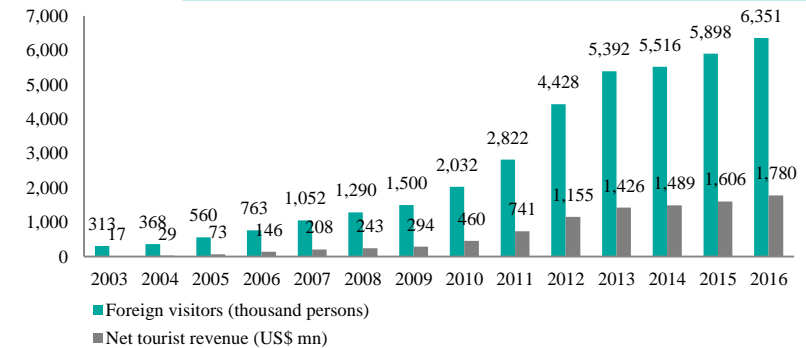
FDI stood at US\$ 751.0mln, down 5.5% y/y in 1H17



Sources: Geostat

## Tourist arrivals and revenues on the rise

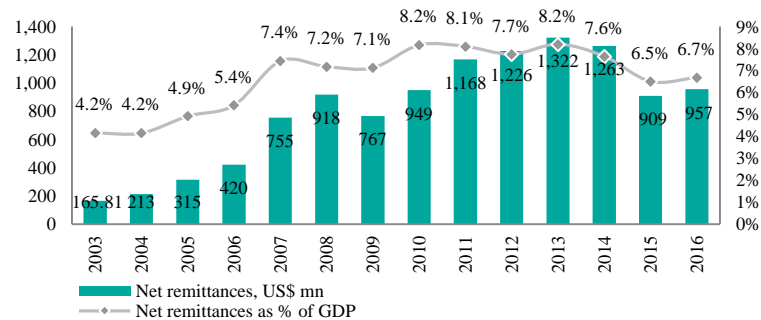
5.8mln visitors in 9M17, up 19.2% y/y  
Tourism revenues up 28.5% y/y to US\$ 2.2bln in 9M17



Sources: Georgian National Tourism Agency, National Bank of Georgia

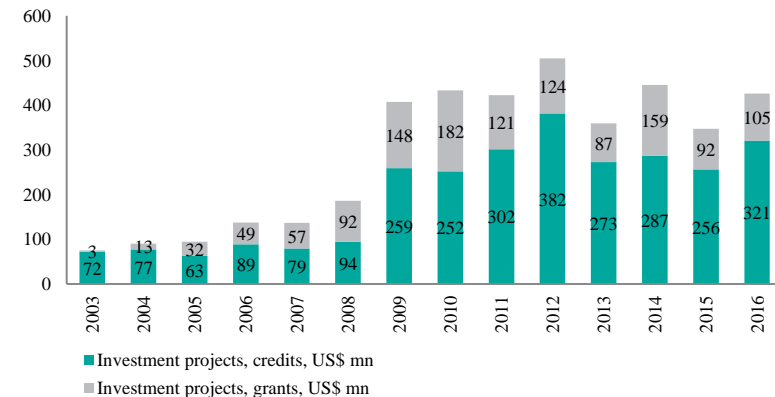
## Remittances - steady source of external funding

Remittances reached US\$ 996.0mln in 9M17, up 19.7% y/y



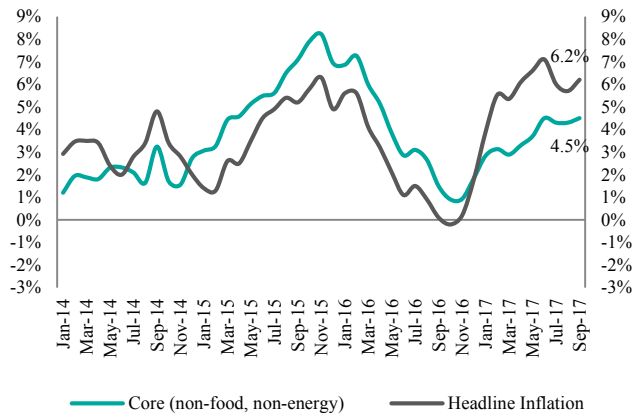
Source: National Bank of Georgia

## Public donor funding



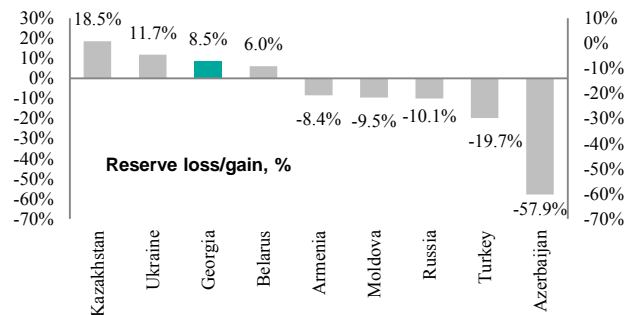
Source: Ministry of Finance of Georgia

## Annual inflation



Sources: Geostat

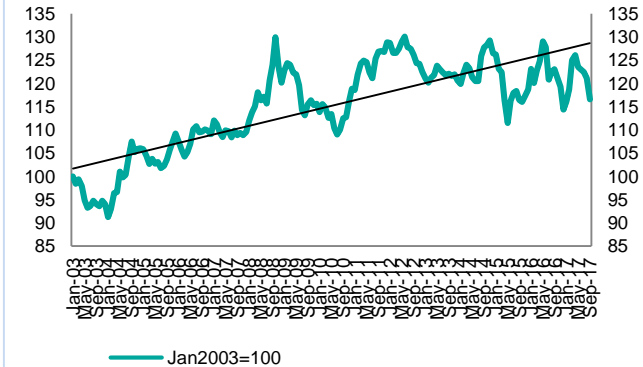
## Georgia used less reserves to support GEL



Source: IMF

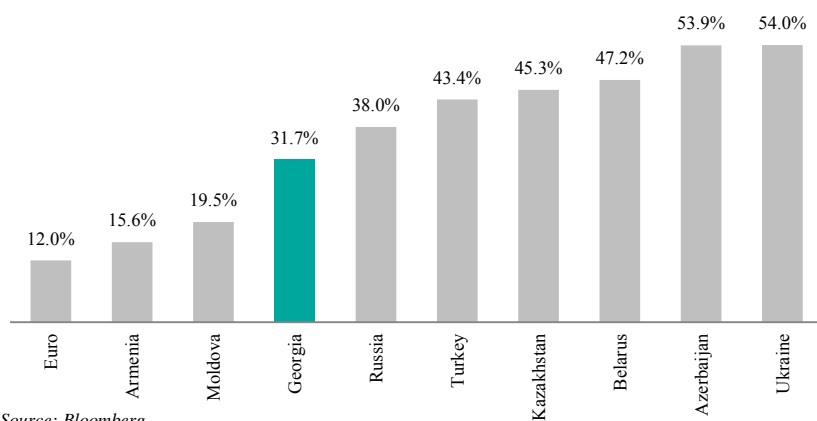
Note: Jul-2017 vs Aug-2014; Armenia's reserves exclude a US\$ 500mn Eurobond issued in March 2015

## Real effective exchange rate (REER)



Sources: NBG

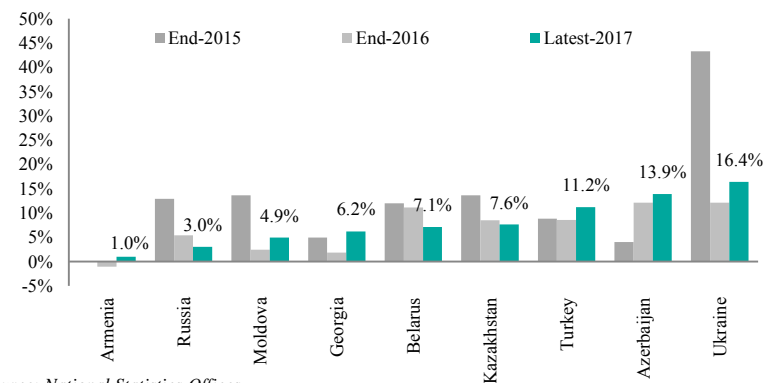
## Currency weakening vs. US\$



Source: Bloomberg.

Note: US\$ per unit of national currency, period 1-Aug-2014 – 25-Oct-2017

## Inflation increased due to one-offs in Georgia



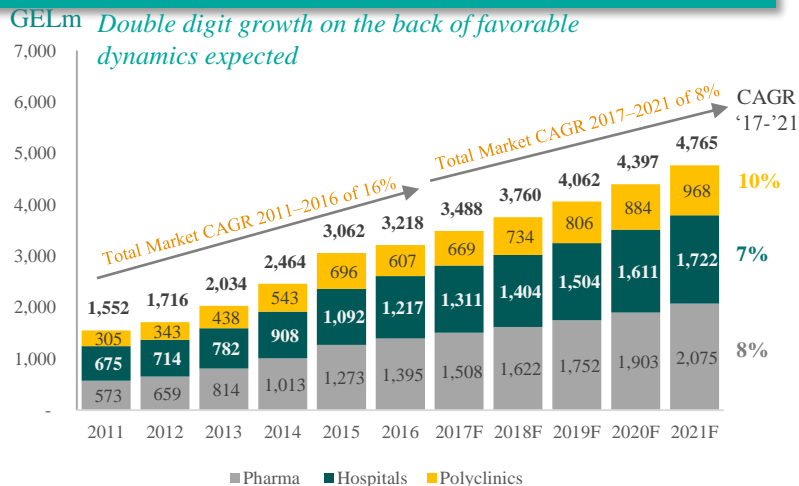
Source: National Statistics Offices



# Long-term, high growth prospects

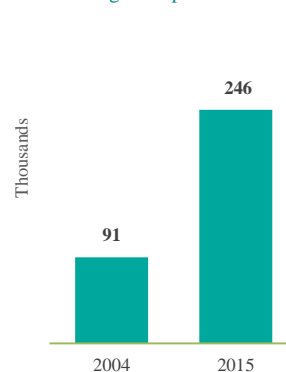
## Rapidly Growing Healthcare Services Market

### Growth in Healthcare Services Market Expected to Continue

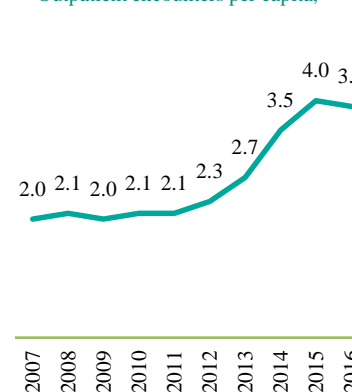


### Demand Analysis

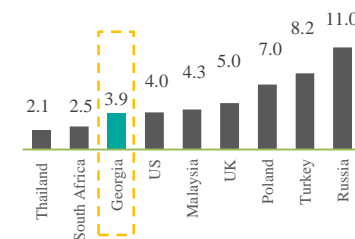
Number of Surgical Operations



Outpatient encounters per capita,

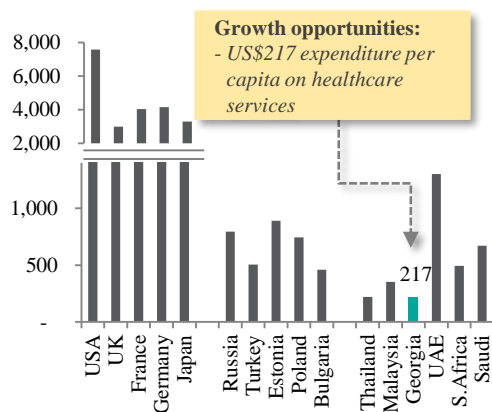


Outpatient encounters per capita, Georgia VS other countries

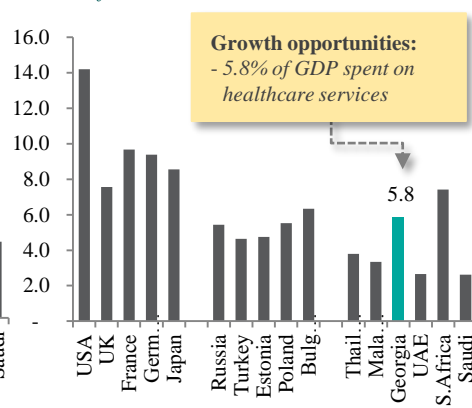


### Low Expenditure on Health Services

Per capita expenditure on healthcare services, current US\$



Expenditure on healthcare services, % of GDP

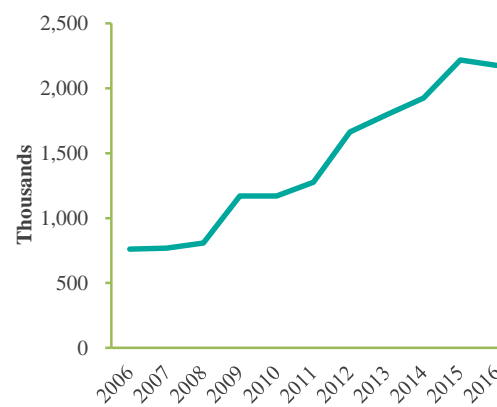


Source: World Bank 2013

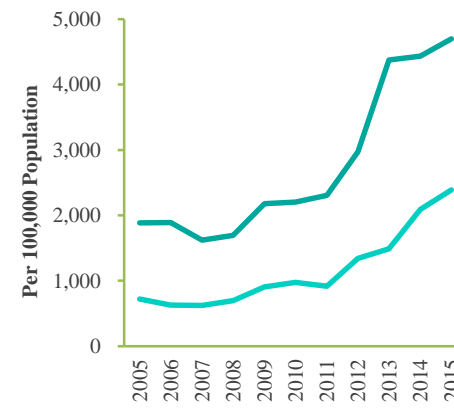
Note: Healthcare services expenditure for other countries is pro-forma, based on assumption that pharmaceuticals is 17% of total spending

### Increasing Overall Disease Incidence...

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



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



— Diseases of the Circulatory System

— Endocrine, Nutritional and Metabolic Diseases

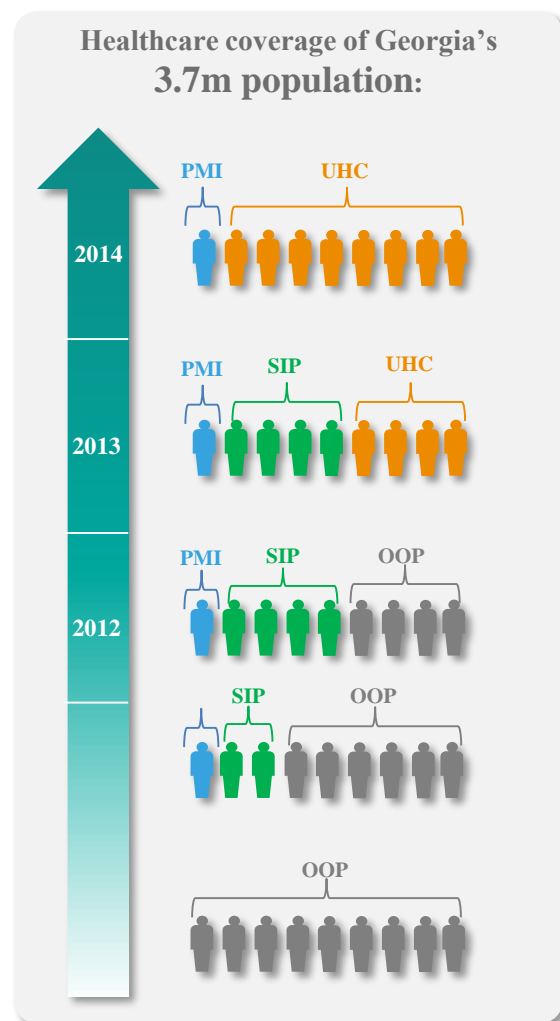
Source: NCDC



# Long-term, high growth prospects

## *Favorable government healthcare policy*

Expanding medical insurance coverage and creating opportunities for private participation (via top-ups) has been the key impact of the Universal Health Care reform



Source: Ministry of Health of Georgia

● OOP – out-of-pocket ● UHC – Universal Healthcare Program ● PMI – Private Medical Insurance

● SIP – State Insurance Program

PMI, UHC, SIP include co-payments

### 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



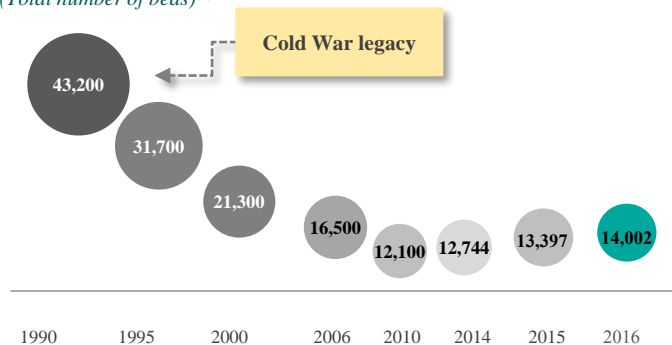
# Long-term, high growth prospects

## Favorable government healthcare policy – 90% of hospital capacity is private

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

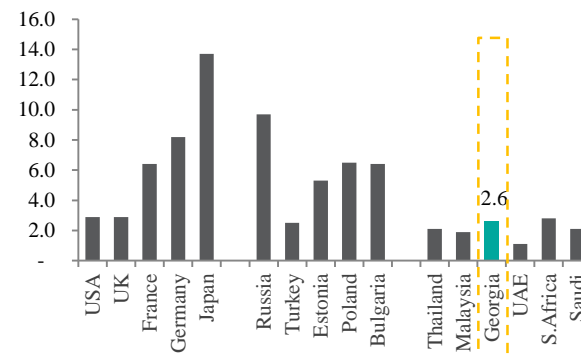
#### Capacity-wise Georgia stands alongside US, UK and Turkey

Optimising bed capacity over the years  
(Total number of beds)<sup>(1)</sup>



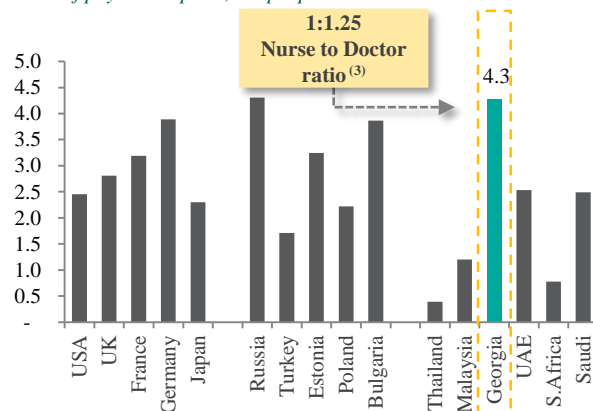
Note: (\*) Target market bed capacity = Total market bed capacity of 14,002 beds – 1,872 specialty beds at penitentiary, TB and psychiatric clinics

Beds per 1,000 people<sup>(2)</sup>



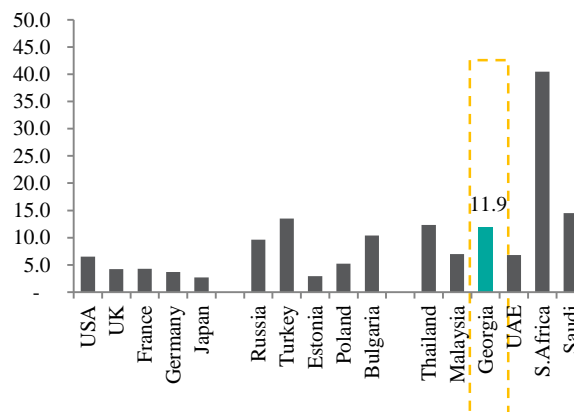
#### However, physician overcapacity yet to be addressed

Number of physicians per 1,000 people<sup>(2)</sup>

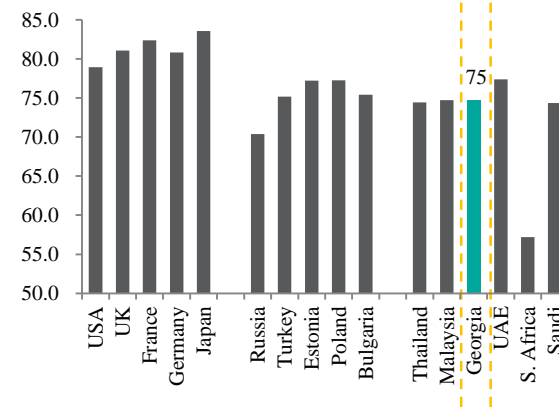


#### With significant room for optimisation in terms of service quality, as indicated by: Under 5 Mortality Rate... ... And Life Expectancy At Birth

Under 5 mortality per 1,000 live births<sup>(2)</sup>



Total (years)<sup>(2)</sup>



Source:

- (1) NCDC 2016
- (2) World Bank | 2012, 2013, 2014, 2015
- (3) NCDC 2015

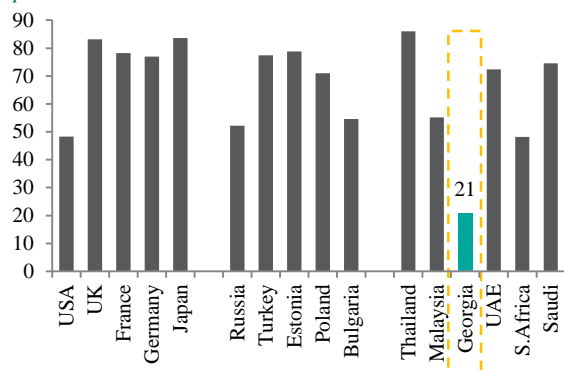


# Long-term, high growth prospects

## *Favorable government healthcare policy*

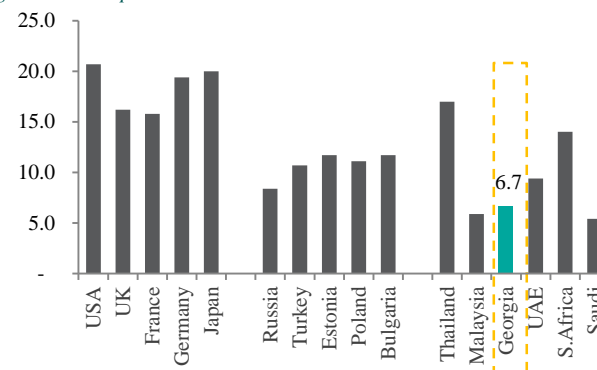
### Government finances reached c.30% of total healthcare costs in 2015, from c.20% in 2013

General government expenditure on health as a percentage of total expenditure on health in 2014<sup>(1)</sup>



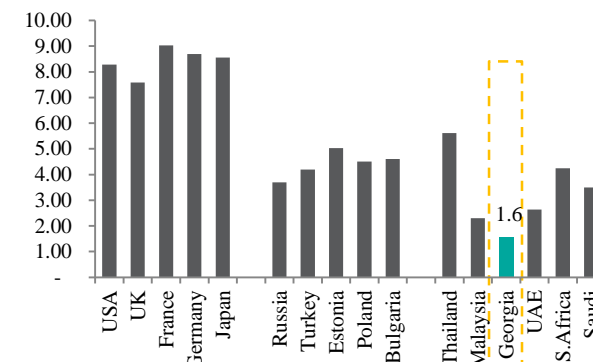
### Government spending on healthcare was only 6.7% of state budget in 2013, which grew up to 9% in recent years

General government expenditure on health as a percentage of total government expenditure in 2013<sup>(1)</sup>



### Government expenditure on healthcare as a % of GDP increased from c.2% in 2013, up to c.2.7% in 2015 year<sup>(4)</sup>

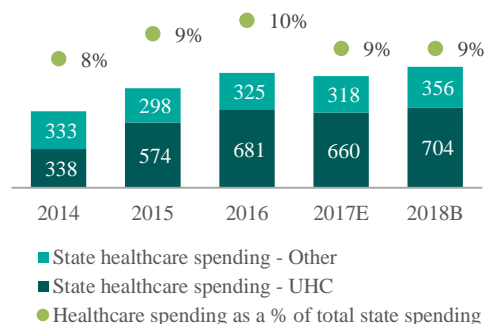
Government expenditure on health as % of GDP in 2013<sup>(1)</sup>



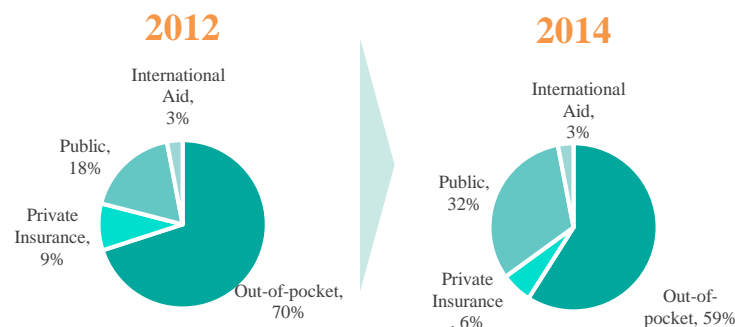
### State financing of healthcare increasing for the last several years

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

GELm

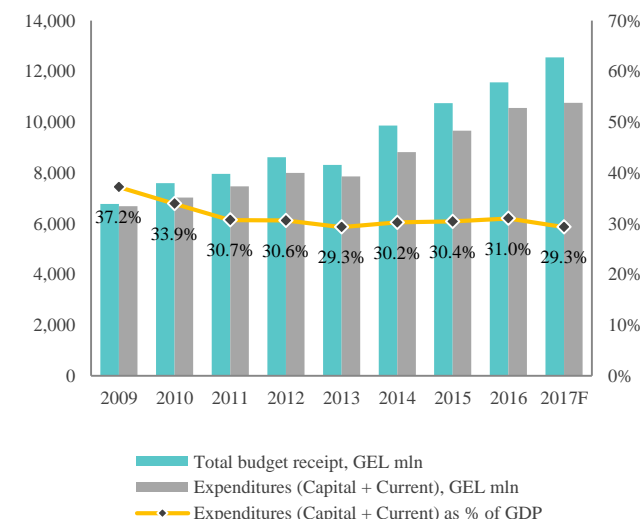


### High private spending and growing public sector participation on the back of UHC implementation<sup>(3)</sup>



### With total government expenditure c.30% as a percentage of GDP

Total government expenditures<sup>(2)</sup>



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

(4) GHG Internal reporting



⌘ GHG | Overview and strategy

⌘ GHG | Results discussion

⌘ Macroeconomic and Industry Overview

⌘ **Annexes**

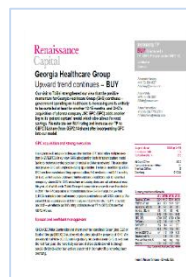


## Consensus Target Price is 3.95 GBP



GBP 4.00

\*as of 7 Sep 2017



GBP 3.70

\*as of 22 Aug 2017



GBP 4.20

\*as of 15 Aug 2017



GBP 3.70

\*as of 25 Sep 2017



GBP 4.00

\*as of 14 Sep 2017



GBP 4.07

\*as of 3 July 2017



GBP 4.00

\*as of 12 Oct 2017





# Robust corporate governance, exceptional in Georgia's healthcare sector

## *Board of Directors – majority independent members*

The Board is composed entirely of Non-Executive, independent directors (except for the chairman and CEO) and meets quarterly to define the strategy and how to move forward for which management is responsible to execute.



- **Irakli Gilauri** | Chairman of the board | Experience: currently BGEO 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 BGEO 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 BGEO Chairman



- **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



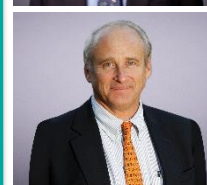
- **Jacques Richier** | Independent Non-executive Director | Experience: Currently Chairman and CEO of Allianz France and Chairman of Allianz Worldwide Partners; formerly CEO and Chairman at Swiss Life France



- **Tim Elsigood** | Independent Non-executive Director | Experience: Currently Consultant Advisor to Abraj in Tunisia and Morocco. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia. Former Senior VP for Business Development at Capio AB, VP for Medsi Group and CEO of Isida Hospital.



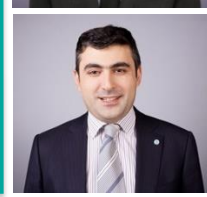
- **Mike Anderson** | Independent Non-executive Director | Experience: Formerly a Medical Director at Chelsea and Westminster hospital, currently medical director for North West London Reconfiguration Programme and physician at Chelsea and Westminster Hospital



- **William Huyett** | Independent Non-executive Director | Experience: (effective 18 June 2017). Currently Director Emeritus of McKinsey and Company, Inc. During his 28-year career there, he served clients in health care and other technology-intensive industries. Prior to joining McKinsey, Mr. Huyett held a variety of line management positions in the automation industry with Rockwell/Allen-Bradley.



- **Paul Goldfinch** | Independent Non-executive Director | Experience: (effective 1 January 2017). Currently the Group CFO of 4Finance. Formerly CFO of the Corporate and Investment Division of Sberbank. Mr Goldfinch spent 18 years at UBS AG, where as a Managing Director, he held a number of senior roles



- **Nikoloz Gamkrelidze** | Director, CEO at GHG | Experience: previously BGEO 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-BGEO members

Non-BGEO members

### 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



# Robust corporate governance *exceptional in Georgia's healthcare sector*

## Management



✿ **Nikoloz Gamkrelidze** | Director, CEO at GHG; formerly Deputy CEO (Finance) of BGEO Group PLC and CEO of Insurance Company Aldagi



✿ **Irakli Gogia** | Deputy CEO, Finance and Operations; formerly Deputy CEO at JSC Insurance Company Aldagi, CFO at Liberty Consumer, 4 years of experience at Ernst & Young and Deloitte & Touche



✿ **David Vakhtangishvili** | Deputy CEO, Chief Risk Officer; 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



✿ **Giorgi Gordadze** | Head of Polyclinics Business (outpatient clinics); (effective May 2017), formerly Commercial Director at GPC, 20 years experience in pharmaceuticals business



✿ **Givi Giorgadze** | CEO, Medical insurance; Since seven years experience in banking sector, formerly Director of Corporate Sales at Insurance Company BCI



✿ **Gregory ("Gia") Khurtsidze** | Deputy CEO, Clinical; two years experience as Clinical Director of the National Center of Internal Medicine at New Hospital in Tbilisi, worked as a physician and held administrative roles at various leading healthcare institutions in the USA



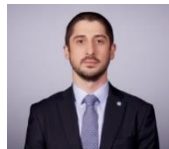
✿ **Enrico Beridze** | CEO GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly CEO of ABC Pharmacia



✿ **Mikheil Abramidze** | Head of Operations at GEPHA; (effective 1 January 2017). 15 years experience in pharmaceuticals field, formerly COO of ABC Pharmacia



✿ **Nino Kortua** | Chief Legal Officer; 14 years experience in insurance field as a lawyer, formerly head of Aldagi Legal Department



✿ **Otar Lortkipanidze** | IT Director; 10 years experience in IT field. Formerly head of IT department at Georgia water and Power



✿ **Medea Chkhaidze** | Chief HR Officer; 10 years experience in human resource management, formerly Head of Personnel Management Division at Aldagi Insurance Company



✿ **Nino Chichua** | Chief Marketing and Communications Officer; 13 years experience in Marketing, formerly CEO at Public Service Hall (LEPL)



✿ **Manana Khurtsilava** | Chief of Internal Audit; 8 years experience in internal control/internal audit. Formerly head of the internal audit department of Insurance Company Aldagi.

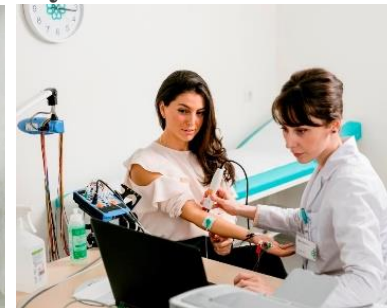
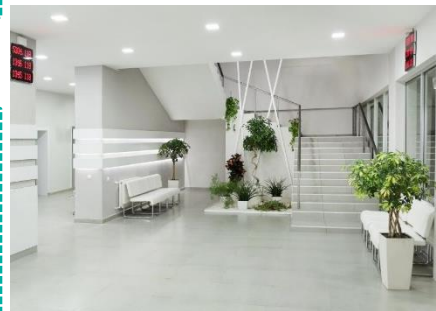


# Competition – setting new standards

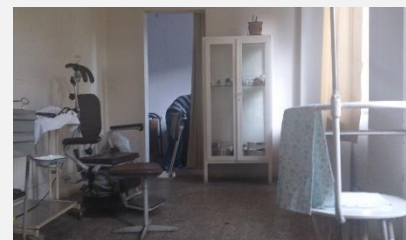
**Outpatient market is still highly fragmented with very few players having high standards of service and up-to-date technology**

|                          |   |
|--------------------------|---|
| GHG                      | 14 district clinics, 7 in Tbilisi 7 in Regions<br>Small (120-200 m <sup>2</sup> ), Medium (c.1000 m <sup>2</sup> ) and Large (1800-2500 m <sup>2</sup> ) Format<br>Multiprofile |
| Tatisvli                 | 2 clinics in Tbilisi<br>Medium format<br>Multiprofile   |
| Cito                     | 1 Clinic in Tbilisi<br>Medium Format<br>Multiprofile  |
| Curatsio                 | 1 Clinic in Tbilisi 1 in Western Georgia<br>Medium Format<br>Multiprofile   |
| Medison                  | 3 Clinics in Tbilisi<br>Medium and Large Format<br>Multiprofile   |
| Medalpha (Aversi)        | 1 Clinic in Tbilisi<br>Medium Format<br>Multiprofile  |
| Medcapital (Aversi; PSP) | 4 Clinics in Tbilisi<br>Medium Format<br>Multiprofile   |
| Polyclinics              | <b>c.450 small Polyclinics</b><br><b>Small formats</b><br><b>Multiprofile</b><br><b>Soviet style</b><br><b>Privatized, with no development</b><br><b>CT Scan not available</b>  |

**GHG Polyclinic**



**Soviet-era polyclinics**







# Service gaps in Georgia



## OUTPATIENT CARE

Outpatient encounters in Georgia are low at 4.0 a year, compared to the CIS average of 8.9 and European Region countries of 7.5, according to WHO



## LABORATORY SERVICES

- Number of lab tests are still sent to the laboratories abroad.
- Pathology service is outdated and 30 years behind European level



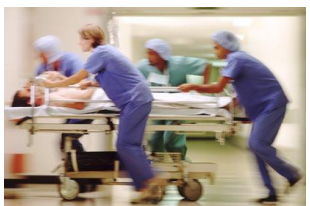
## CANCER

- Very low reported incidence levels
- Malignant neoplasms incidence rate in Georgia is 140.3, compared to 543.7 in EU, and the detection of over 30% of malignant neoplasms occur at stage IV



## MATERNITY CARE

- Highest number of caesarean among the former Soviet Union republics – 41.4% of the total number of all deliveries in 2014.
- Maternal mortality ratio per live births three-times higher in Georgia than in the European Region.



## EMERGENCY CARE

- Emergency units simply did not exist in Georgia until several years ago.
- hospitals had to staff emergency units with over 15 different specialists, which decreased the quality and efficiency of the ER



## NEONATOLOGY

neonatal mortality was 60-80% of under five mortality during previous years, well above the 43% global average.



## PEDIATRICS

- Biggest share in medical services import is The culture of regular visits to the doctor at an early pediatric age - as a favorable heritage from Soviet-times



## PEDIATRIC CARDIO SURGERY

For almost 15 years, there was only one center in Georgia that provided cardiology and cardiosurgery services for children.



## CARDIOLOGY

- hospitalization rate per 100,000 population that was 1,647 in 2014, which is two-fold less than in CIS and European Union countries.
- cardiovascular diseases represent 16.5% of deaths



## CRITICAL CARE

- The lack of quality of care in a number of areas in the Georgian healthcare system puts strain on critical care units



## Quality Standards

- Reputation for high clinical standards
- Recruiting high-calibre and experienced physicians and providing them with ongoing professional development in the latest global best practices
- Developed internal quality requirements: the healthcare services Quality Standards (EQS)
  - Benchmark based on JCI and EU standards and adoption of global best practices
  - Focus on evidence based quality care such as infection control, medication safety, facility safety and quality of medical service
  - Audited on regular basis
  - Implemented across all facilities by end of 2015
- Accreditations received by GHG include:
  - ISO 9001:2008 - Accredited to GHG's key referral hospitals in Tbilisi, Kutaisi and Batumi
  - First and only Georgian healthcare company working towards JCI accreditation
- Adopted infection control procedures in partnership with outside consultants including JCI Consultancy, CDC Atlanta, Emory University and the WHO

## Staff training and education

- Training facility opened in 2014 in Kutaisi
- Partnerships including with Partners for International Development and the Tbilisi State Medical University
- Teaching up-to-date guidelines and protocols as well as clinical complications
- Training courses include emergency medicine, nursing care, obstetrics and gynaecology, IT and ICU
- Can serve over 150 students per day
- Modern infrastructure and practical/simulation skills labs
- In 2015 healthcare services business launched residency programme line with our strategy to develop a new generation of doctors. Currently we have accreditation for 23 specialties with the total number of slots for admission of 240 residents. To incentivise and support top talent's enrollment in our residency programme, we offer grants, student loans and employment after graduating from our residency programme
- Healthcare services signed MOU with Tvildiani Medical university and established mutual nurse collage. More than 200 nurses will graduate collage per year
- Healthcare services learning Center (ELC) also developed external nurse courses in 4 regions (Adjara, Samegrelo, Imereti and Samtskhe-Javakheti) of Georgia, where more than 200 new nurses from external institutions started their trainings





# GHG consolidated - Income Statement

| <i>GEL thousands; unless otherwise noted</i> | 3Q17             | 3Q16            | Change,<br>Y-o-Y | 2Q17             | Change,<br>Q-o-Q | 9M17             | 9M16             | Change,<br>Y-o-Y |
|--|------------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Revenue, gross</b>                        | <b>179,065</b>   | <b>116,159</b>  | <b>54.2%</b>     | <b>184,601</b>   | <b>-3.0%</b>     | <b>550,113</b>   | <b>290,408</b>   | <b>89.4%</b>     |
| Corrections & rebates                        | (407)            | (762)           | -46.6%           | (660)            | -38.3%           | (1,690)          | (1,896)          | -10.9%           |
| <b>Revenue, net</b>                          | <b>178,658</b>   | <b>115,397</b>  | <b>54.8%</b>     | <b>183,941</b>   | <b>-2.9%</b>     | <b>548,423</b>   | <b>288,512</b>   | <b>90.1%</b>     |
| Revenue from healthcare services             | 63,598           | 58,543          | 8.6%             | 65,940           | -3.6%            | 195,263          | 176,639          | 10.5%            |
| Revenue from pharma                          | 106,607          | 45,725          | 133.1%           | 110,942          | -3.9%            | 328,948          | 76,416           | 330.5%           |
| Net insurance premiums earned                | 13,959           | 16,054          | -13.0%           | 13,410           | 4.1%             | 41,334           | 45,182           | -8.5%            |
| Eliminations                                 | (5,506)          | (4,925)         | 11.8%            | (6,351)          | -13.3%           | (17,122)         | (9,725)          | 76.1%            |
| <b>Costs of services</b>                     | <b>(123,467)</b> | <b>(76,563)</b> | <b>61.3%</b>     | <b>(130,247)</b> | <b>-5.2%</b>     | <b>(383,460)</b> | <b>(188,109)</b> | <b>103.8%</b>    |
| Cost of healthcare services                  | (36,916)         | (31,170)        | 18.4%            | (37,652)         | -2.0%            | (112,345)        | (95,567)         | 17.6%            |
| Cost of pharma                               | (80,237)         | (35,915)        | 123.4%           | (84,822)         | -5.4%            | (249,467)        | (60,974)         | 309.1%           |
| Cost of insurance services                   | (11,968)         | (13,939)        | -14.1%           | (12,718)         | -5.9%            | (37,420)         | (40,775)         | -8.2%            |
| Eliminations                                 | 5,653            | 4,461           | 26.7%            | 4,945            | 14.3%            | 15,771           | 9,207            | 71.3%            |
| <b>Gross profit</b>                          | <b>55,191</b>    | <b>38,834</b>   | <b>42.1%</b>     | <b>53,694</b>    | <b>2.8%</b>      | <b>164,963</b>   | <b>100,403</b>   | <b>64.3%</b>     |
| Salaries and other employee benefits         | (18,759)         | (10,841)        | 73.0%            | (18,424)         | 1.8%             | (54,911)         | (26,993)         | 103.4%           |
| General and administrative expenses          | (11,600)         | (7,985)         | 45.3%            | (11,400)         | 1.8%             | (36,352)         | (17,253)         | 110.7%           |
| Impairment of receivables                    | (918)            | (172)           | NMF              | (1,003)          | -8.5%            | (3,042)          | (2,388)          | 27.4%            |
| Other operating income                       | 2,200            | (109)           | NMF              | 3,229            | -31.9%           | 6,611            | (31)             | NMF              |
| <b>EBITDA</b>                                | <b>26,114</b>    | <b>19,727</b>   | <b>32.4%</b>     | <b>26,096</b>    | <b>0.1%</b>      | <b>77,269</b>    | <b>53,738</b>    | <b>43.8%</b>     |
| Depreciation and amortisation                | (6,384)          | (5,215)         | 22.4%            | (6,481)          | -1.5%            | (18,737)         | (14,261)         | 31.4%            |
| Net interest expense                         | (7,691)          | (3,838)         | 100.4%           | (7,828)          | -1.8%            | (22,638)         | (8,963)          | 152.6%           |
| Net gains/(losses) from foreign currencies   | (1,336)          | (263)           | NMF              | 986              | NMF              | 2,428            | (2,487)          | NMF              |
| Net non-recurring income/(expense)           | (872)            | (49)            | NMF              | (1,478)          | -41.0%           | (4,142)          | (864)            | 379.4%           |
| <b>Profit before income tax expense</b>      | <b>9,831</b>     | <b>10,362</b>   | <b>-5.1%</b>     | <b>11,295</b>    | <b>-13.0%</b>    | <b>34,180</b>    | <b>27,163</b>    | <b>25.8%</b>     |
| Income tax benefit/(expense)                 | (92)             | (587)           | -84.3%           | (88)             | 4.5%             | (199)            | 27,838           | NMF              |
| <i>of which: Deferred tax adjustments</i>    | -                | 2,198           |                  | -                |                  |                  | 29,311           |                  |
| <b>Profit for the period</b>                 | <b>9,739</b>     | <b>9,775</b>    | <b>-0.4%</b>     | <b>11,207</b>    | <b>-13.1%</b>    | <b>33,981</b>    | <b>55,001</b>    | <b>-38.2%</b>    |
| <b>Attributable to:</b>                      |                  |                 |                  |                  |                  |                  |                  |                  |
| - shareholders of the Company                | 6,261            | 7,125           | -12.1%           | 6,172            | 1.4%             | 21,265           | 44,801           | -52.5%           |
| - non-controlling interests                  | 3,478            | 2,650           | 31.2%            | 5,035            | -30.9%           | 12,716           | 10,200           | 24.7%            |
| <i>of which: Deferred tax adjustments</i>    | -                | 352             |                  | -                |                  |                  | 5,057            |                  |



# GHG consolidated - Balance Sheet

| <i>GEL thousands; unless otherwise noted</i>       | <b>30-Sep-17</b> | <b>30-Sep-16</b> | <b>Change,<br/>Y-o-Y</b> | <b>30-Jun-17</b> | <b>Change,<br/>Q-o-Q</b> |
|--|------------------|------------------|--------------------------|------------------|--------------------------|
| <b>Total assets, of which:</b>                     | <b>1,123,735</b> | <b>876,940</b>   | <b>28.1%</b>             | <b>1,065,527</b> | <b>5.5%</b>              |
| Cash and bank deposits                             | 42,790           | 48,067           | -11.0%                   | 37,052           | 15.5%                    |
| Receivables from healthcare services               | 99,387           | 73,895           | 34.5%                    | 96,784           | 2.7%                     |
| Receivables from sale of pharmaceuticals           | 20,224           | 8,757            | 130.9%                   | 15,550           | 30.1%                    |
| Insurance premiums receivable                      | 26,085           | 31,147           | -16.3%                   | 26,936           | -3.2%                    |
| Property and equipment                             | 637,328          | 541,206          | 17.8%                    | 612,159          | 4.1%                     |
| Goodwill and other intangible assets               | 125,550          | 65,053           | 93.0%                    | 124,490          | 0.9%                     |
| Inventory  | 117,111          | 49,490           | 136.6%                   | 107,169          | 9.3%                     |
| Prepayments  | 34,118           | 40,451           | -15.7%                   | 25,350           | 34.6%                    |
| Other assets                                       | 21,142           | 18,874           | 12.0%                    | 20,037           | 5.5%                     |
| <b>Total liabilities, of which:</b>                | <b>579,822</b>   | <b>361,976</b>   | <b>60.2%</b>             | <b>530,879</b>   | <b>9.2%</b>              |
| Borrowed funds                                     | 329,199          | 195,188          | 68.7%                    | 280,483          | 17.4%                    |
| Accounts payable                                   | 92,597           | 54,179           | 70.9%                    | 87,691           | 5.6%                     |
| Insurance contract liabilities                     | 25,128           | 31,067           | -19.1%                   | 26,429           | -4.9%                    |
| Other liabilities                                  | 132,898          | 81,542           | 63.0%                    | 136,276          | -2.5%                    |
| <b>Total shareholders' equity attributable to:</b> | <b>543,913</b>   | <b>514,964</b>   | <b>5.6%</b>              | <b>534,648</b>   | <b>1.7%</b>              |
| Shareholders of the Company                        | 479,854          | 460,848          | 4.1%                     | 471,491          | 1.8%                     |
| Non-controlling interest                           | 64,059           | 54,116           | 18.4%                    | 63,157           | 1.4%                     |



# Healthcare service business - Income Statement

| <i>GEL thousands; unless otherwise noted</i> | 3Q17            | 3Q16            | Change,<br>Y-o-Y | 2Q17            | Change, Q-<br>o-Q | 9M17             | 9M16            | Change,<br>Y-o-Y |
|--|-----------------|-----------------|------------------|-----------------|-------------------|------------------|-----------------|------------------|
| <b>Healthcare service revenue, gross</b>     | <b>64,004</b>   | <b>59,305</b>   | <b>7.9%</b>      | <b>66,600</b>   | <b>-3.9%</b>      | <b>196,952</b>   | <b>178,535</b>  | <b>10.3%</b>     |
| Corrections & rebates                        | (407)           | (762)           | -46.6%           | (660)           | -38.3%            | (1,690)          | (1,896)         | -10.9%           |
| <b>Healthcare services revenue, net</b>      | <b>63,598</b>   | <b>58,543</b>   | <b>8.6%</b>      | <b>65,940</b>   | <b>-3.6%</b>      | <b>195,263</b>   | <b>176,639</b>  | <b>10.5%</b>     |
| <b>Costs of healthcare services</b>          | <b>(36,916)</b> | <b>(31,170)</b> | <b>18.4%</b>     | <b>(37,652)</b> | <b>-2.0%</b>      | <b>(112,345)</b> | <b>(95,567)</b> | <b>17.6%</b>     |
| <b>Gross profit</b>                          | <b>26,682</b>   | <b>27,373</b>   | <b>-2.5%</b>     | <b>28,288</b>   | <b>-5.7%</b>      | <b>82,918</b>    | <b>81,072</b>   | <b>2.3%</b>      |
| Salaries and other employee benefits         | (7,881)         | (6,003)         | 31.3%            | (7,996)         | -1.4%             | (23,056)         | (17,372)        | 32.7%            |
| General and administrative expenses          | (4,071)         | (3,385)         | 20.3%            | (4,154)         | -2.0%             | (12,307)         | (8,864)         | 38.8%            |
| Impairment of receivables                    | (979)           | (48)            | NMF              | (1,033)         | -5.2%             | (2,992)          | (2,026)         | 47.7%            |
| Other operating income                       | 2,865           | (143)           | NMF              | 3,190           | -10.2%            | 7,167            | (28)            | NMF              |
| <b>EBITDA</b>                                | <b>16,616</b>   | <b>17,794</b>   | <b>-6.6%</b>     | <b>18,295</b>   | <b>-9.2%</b>      | <b>51,730</b>    | <b>52,782</b>   | <b>-2.0%</b>     |
| <b>EBITDA margin</b>                         | <b>26.0%</b>    | <b>30.0%</b>    |                  | <b>27.5%</b>    |                   | <b>26.3%</b>     | <b>29.6%</b>    |                  |
| Depreciation and amortisation                | (5,691)         | (4,613)         | 23.4%            | (5,774)         | -1.4%             | (16,404)         | (12,995)        | 26.2%            |
| Net interest income (expense)                | (4,474)         | (3,125)         | 43.2%            | (4,435)         | 0.9%              | (13,025)         | (8,383)         | 55.4%            |
| Net gains/(losses) from foreign currencies   | (209)           | (95)            | 120.0%           | 1,118           | NMF               | 1,604            | (2,217)         | NMF              |
| Net non-recurring income/(expense)           | (381)           | 22              | NMF              | (1,255)         | -69.6%            | (2,912)          | 179             | NMF              |
| <b>Profit before income tax expense</b>      | <b>5,861</b>    | <b>9,983</b>    | <b>-41.3%</b>    | <b>7,949</b>    | <b>-26.3%</b>     | <b>20,993</b>    | <b>29,366</b>   | <b>-28.5%</b>    |
| Income tax benefit/(expense)                 | -               | (612)           | NMF              | -               | NMF               | (11)             | 27,493          | NMF              |
| <i>of which: Deferred tax adjustments</i>    | -               | 2,198           |                  | -               |                   | -                | 29,311          |                  |
| <b>Profit for the period</b>                 | <b>5,861</b>    | <b>9,371</b>    | <b>-37.5%</b>    | <b>7,949</b>    | <b>-26.3%</b>     | <b>20,982</b>    | <b>56,859</b>   | <b>-63.1%</b>    |
| <b>Attributable to:</b>                      |                 |                 |                  |                 |                   |                  |                 |                  |
| - shareholders of the Company                | 4,965           | 6,721           | -26.1%           | 5,636           | -11.9%            | 16,365           | 46,660          | -64.9%           |
| - non-controlling interests                  | 896             | 2,650           | -66.2%           | 2,313           | -61.3%            | 4,617            | 10,199          | -54.7%           |
| <i>of which: Deferred tax adjustments</i>    | -               | 352             |                  | -               |                   | -                | 5,057           |                  |





# Healthcare services business - Revenue breakdowns

## Healthcare services business revenue by types of healthcare facilities

(GEL thousands, unless otherwise noted)

|   | 3Q17          | 3Q16          | Change,<br>Y-o-Y | 2Q17          | Change,<br>Q-o-Q | 9M17           | 9M16           | Change,<br>Y-o-Y |
|---|---------------|---------------|------------------|---------------|------------------|----------------|----------------|------------------|
| <b>Healthcare services revenue, net</b> | <b>63,598</b> | <b>58,543</b> | <b>8.6%</b>      | <b>65,940</b> | <b>-3.6%</b>     | <b>195,263</b> | <b>176,639</b> | <b>10.5%</b>     |
| Referral hospitals                      | 53,604        | 49,850        | 7.5%             | 57,358        | -6.5%            | 167,408        | 151,543        | 10.5%            |
| Community hospitals                     | 5,943         | 5,601         | 6.1%             | 4,876         | 21.9%            | 16,480         | 16,910         | -2.5%            |
| Polyclinics                             | 4,051         | 3,092         | 31.0%            | 3,706         | 9.3%             | 11,375         | 8,186          | 39.0%            |

## Healthcare services business revenue by source of payment

(GEL thousands, unless otherwise noted)

|   | 3Q17          | 3Q16          | Change,<br>Y-o-Y | 2Q17          | Change,<br>Q-o-Q | 9M17           | 9M16           | Change,<br>Y-o-Y |
|---|---------------|---------------|------------------|---------------|------------------|----------------|----------------|------------------|
| <b>Healthcare services revenue, net</b>       | <b>63,598</b> | <b>58,543</b> | <b>8.6%</b>      | <b>65,940</b> | <b>-3.6%</b>     | <b>195,263</b> | <b>176,639</b> | <b>10.5%</b>     |
| Government-funded healthcare programmes       | 42,535        | 42,194        | 0.8%             | 43,527        | -2.3%            | 131,893        | 129,406        | 1.9%             |
| Out-of-pocket payments by patients            | 16,461        | 11,197        | 47.0%            | 16,308        | 0.9%             | 47,817         | 34,802         | 37.4%            |
| Private medical insurance companies, of which | 4,602         | 5,152         | -10.7%           | 6,105         | -24.6%           | 15,553         | 12,431         | 25.1%            |
| GHG medical insurance                         | 2,133         | 2,540         | -16.0%           | 2,710         | -21.3%           | 7,536          | 7,820          | -3.6%            |



# Pharma business - Income Statement

| <i>GEL thousands; unless otherwise noted</i> | 3Q17            | 3Q16            | Change,<br>Y-o-Y | 2Q17            | Change,<br>Q-o-Q | 9M17             | May-<br>Sep 2016 |
|--|-----------------|-----------------|------------------|-----------------|------------------|------------------|------------------|
| <b>Pharma revenue</b>                        | <b>106,607</b>  | <b>45,725</b>   | <b>133.1%</b>    | <b>110,942</b>  | <b>-3.9%</b>     | <b>328,948</b>   | <b>76,416</b>    |
| <b>Costs of pharma</b>                       | <b>(80,237)</b> | <b>(35,915)</b> | <b>123.4%</b>    | <b>(84,822)</b> | <b>-5.4%</b>     | <b>(249,467)</b> | <b>(60,974)</b>  |
| <b>Gross profit</b>                          | <b>26,370</b>   | <b>9,810</b>    | <b>168.8%</b>    | <b>26,120</b>   | <b>1.0%</b>      | <b>79,481</b>    | <b>15,442</b>    |
| Salaries and other employee benefits         | (10,350)        | (4,106)         | 152.1%           | (9,684)         | 6.9%             | (29,650)         | (6,796)          |
| General and administrative expenses          | (7,192)         | (4,005)         | 79.6%            | (7,229)         | -0.5%            | (23,183)         | (6,485)          |
| Impairment of receivables                    | 92              | -               | NMF              | (103)           | NMF              | (39)             | -                |
| Other operating income                       | (103)           | 89              | -215.7%          | (183)           | NMF              | (185)            | 181              |
| <b>EBITDA</b>                                | <b>8,817</b>    | <b>1,788</b>    | <b>393.1%</b>    | <b>8,921</b>    | <b>-1.2%</b>     | <b>26,424</b>    | <b>2,342</b>     |
| <b>EBITDA margin</b>                         | <b>8.3%</b>     | <b>3.9%</b>     |                  | <b>8.0%</b>     |                  | <b>8.0%</b>      | <b>3.1%</b>      |
| Depreciation and amortisation                | (475)           | (391)           | 21.5%            | (465)           | 2.2%             | (1,651)          | (649)            |
| Net interest income (expense)                | (3,015)         | (627)           | 380.9%           | (3,187)         | -5.4%            | (8,995)          | (1,054)          |
| Net gains/(losses) from foreign currencies   | (1,109)         | (77)            | NMF              | (180)           | NMF              | 806              | (349)            |
| Net non-recurring income/(expense)           | (489)           | (71)            | NMF              | (566)           | -13.6%           | (1,371)          | (71)             |
| <b>Profit before income tax expense</b>      | <b>3,729</b>    | <b>622</b>      | <b>499.5%</b>    | <b>4,523</b>    | <b>-17.6%</b>    | <b>15,213</b>    | <b>219</b>       |
| Income tax benefit/(expense)                 | (92)            | -               | NMF              | 222             | NMF              | 122              | -                |
| <b>Profit for the period</b>                 | <b>3,637</b>    | <b>622</b>      | <b>484.7%</b>    | <b>4,745</b>    | <b>-23.4%</b>    | <b>15,335</b>    | <b>219</b>       |



# Medical insurance business - Income Statement

| <i>GEL thousands; unless otherwise noted</i> | 3Q17            | 3Q16            | Change,<br>Y-o-Y | 2Q17            | Change,<br>Q-o-Q | 9M17            | 9M16            | Change,<br>Y-o-Y |
|--|-----------------|-----------------|------------------|-----------------|------------------|-----------------|-----------------|------------------|
| <b>Net insurance premiums earned</b>         | <b>13,959</b>   | <b>16,054</b>   | <b>-13.0%</b>    | <b>13,410</b>   | <b>4.1%</b>      | <b>41,334</b>   | <b>45,182</b>   | <b>-8.5%</b>     |
| <b>Cost of insurance services</b>            | <b>(11,968)</b> | <b>(13,939)</b> | <b>-14.1%</b>    | <b>(12,718)</b> | <b>-5.9%</b>     | <b>(37,420)</b> | <b>(40,775)</b> | <b>-8.2%</b>     |
| <b>Gross profit</b>                          | <b>1,991</b>    | <b>2,115</b>    | <b>-5.9%</b>     | <b>692</b>      | <b>187.7%</b>    | <b>3,914</b>    | <b>4,407</b>    | <b>-11.2%</b>    |
| Salaries and other employee benefits         | (834)           | (1,196)         | -30.3%           | (972)           | -14.2%           | (2,854)         | (3,343)         | -14.6%           |
| General and administrative expenses          | (369)           | (595)           | -38.0%           | (366)           | 0.8%             | (1,242)         | (1,904)         | -34.8%           |
| Impairment of receivables                    | (138)           | (124)           | 11.3%            | (117)           | 17.9%            | (368)           | (362)           | 1.7%             |
| Other operating income                       | 31              | (55)            | NMF              | (18)            | NMF              | 6               | (184)           | NMF              |
| <b>EBITDA</b>                                | <b>681</b>      | <b>145</b>      | <b>369.7%</b>    | <b>(781)</b>    | <b>NMF</b>       | <b>(544)</b>    | <b>(1,386)</b>  | <b>-60.8%</b>    |
| <b>EBITDA margin</b>                         | <b>4.9%</b>     | <b>0.9%</b>     |                  | <b>-5.8%</b>    |                  | <b>-1.3%</b>    | <b>-3.1%</b>    |                  |
| Depreciation and amortisation                | (219)           | (211)           | 3.8%             | (242)           | -9.5%            | (683)           | (617)           | 10.7%            |
| Net interest income (expense)                | (202)           | (86)            | 134.9%           | (206)           | -1.9%            | (618)           | 474             | NMF              |
| Net gains/(losses) from foreign currencies   | (18)            | (91)            | -80.2%           | 48              | NMF              | 18              | 79              | -77.2%           |
| Net non-recurring income/(expense)           | (2)             | -               | NMF              | 2               | NMF              | (200)           | (973)           | NMF              |
| <b>Profit before income tax expense</b>      | <b>240</b>      | <b>(243)</b>    | <b>-198.8%</b>   | <b>(1,179)</b>  | <b>NMF</b>       | <b>(2,027)</b>  | <b>(2,423)</b>  | <b>-16.3%</b>    |
| Income tax benefit/(expense)                 | -               | 25              | NMF              | (310)           | NMF              | (310)           | 345             | NMF              |
| <b>Profit / (Loss) for the period</b>        | <b>240</b>      | <b>(218)</b>    | <b>-210.1%</b>   | <b>(1,489)</b>  | <b>NMF</b>       | <b>(2,337)</b>  | <b>(2,078)</b>  | <b>12.5%</b>     |

# GHG – Income statement, *YTD*

| Income Statement, 9M17                       | Healthcare services |          |                  | Pharma    |                   | Medical insurance |          |                  | Eliminations |         | GHG       |           |                  |
|--|---------------------|----------|------------------|-----------|-------------------|-------------------|----------|------------------|--------------|---------|-----------|-----------|------------------|
| <i>GEL thousands; unless otherwise noted</i> | 9M17                | 9M16     | Change,<br>Y-o-Y | 9M17      | (May-Sep)<br>9M16 | 9M17              | 9M16     | Change,<br>Y-o-Y | 9M17         | 9M16    | 9M17      | 9M16      | Change,<br>Y-o-Y |
| Revenue, gross                               | 196,952             | 178,535  | 10.3%            | 328,948   | 76,416            | 41,334            | 45,182   | -8.5%            | (17,122)     | (9,725) | 550,113   | 290,408   | 89.4%            |
| Corrections & rebates                        | (1,690)             | (1,896)  | -10.9%           | -         | -                 | -                 | -        | -                | -            | -       | (1,690)   | (1,896)   | -10.9%           |
| Revenue, net                                 | 195,263             | 176,639  | 10.5%            | 328,948   | 76,416            | 41,334            | 45,182   | -8.5%            | (17,122)     | (9,725) | 548,423   | 288,512   | 90.1%            |
| Costs of services                            | (112,345)           | (95,567) | 17.6%            | (249,467) | (60,974)          | (37,420)          | (40,775) | -8.2%            | 15,771       | 9,207   | (383,460) | (188,109) | 103.8%           |
| Cost of salaries and other employee benefits | (71,215)            | (59,355) | 20.0%            | -         | -                 | -                 | -        | -                | 2,582        | 3,228   | (68,633)  | (56,127)  | 22.3%            |
| Cost of materials and supplies               | (30,524)            | (27,443) | 11.2%            | -         | -                 | -                 | -        | -                | 4,866        | 1,493   | (25,658)  | (25,950)  | -1.1%            |
| Cost of medical service providers            | (1,457)             | (1,292)  | 12.8%            | -         | -                 | -                 | -        | -                | 53           | 70      | (1,404)   | (1,222)   | 14.9%            |
| Cost of utilities and other                  | (9,149)             | (7,477)  | 22.4%            | -         | -                 | -                 | -        | -                | 332          | 407     | (8,817)   | (7,070)   | 24.7%            |
| Net insurance claims incurred                | -                   | -        | -                | -         | -                 | (34,910)          | (37,790) | -7.6%            | 7,938        | 4,009   | (26,972)  | (33,781)  | -20.2%           |
| Agents, brokers and employee commissions     | -                   | -        | -                | -         | -                 | (2,510)           | (2,985)  | -15.9%           | -            | -       | (2,510)   | (2,985)   | -15.9%           |
| Cost of pharma - wholesale                   | -                   | -        | -                | (68,656)  | (16,631)          | -                 | -        | -                | -            | -       | (68,656)  | (16,631)  | 312.8%           |
| Cost of pharma - retail                      | -                   | -        | -                | (180,811) | (44,343)          | -                 | -        | -                | -            | -       | (180,811) | (44,343)  | 307.8%           |
| Gross profit                                 | 82,918              | 81,072   | 2.3%             | 79,481    | 15,442            | 3,914             | 4,407    | -11.2%           | (1,351)      | (518)   | 164,963   | 100,403   | 64.3%            |
| Salaries and other employee benefits         | (23,056)            | (17,372) | 32.7%            | (29,650)  | (6,796)           | (2,854)           | (3,343)  | -14.6%           | 649          | 518     | (54,911)  | (26,993)  | 103.4%           |
| General and administrative expenses          | (12,307)            | (8,864)  | 38.8%            | (23,183)  | (6,485)           | (1,242)           | (1,904)  | -34.8%           | 380          | -       | (36,352)  | (17,253)  | 110.7%           |
| Impairment of receivables                    | (2,992)             | (2,026)  | 47.7%            | (39)      | -                 | (368)             | (362)    | 1.7%             | 358          | -       | (3,042)   | (2,388)   | 27.4%            |
| Other operating income                       | 7,167               | (28)     | NMF              | (185)     | 181               | 6                 | (184)    | NMF              | (377)        | -       | 6,611     | (31)      | NMF              |
| EBITDA                                       | 51,730              | 52,782   | -2.0%            | 26,424    | 2,342             | (544)             | (1,386)  | -60.8%           | (341)        | -       | 77,269    | 53,738    | 43.8%            |
| EBITDA margin                                | 26.3%               | 29.6%    |                  | 8.0%      | 3.1%              | -1.3%             | -3.1%    |                  |              |         | 14.0%     | 18.5%     |                  |
| Depreciation and amortisation                | (16,404)            | (12,995) | 26.2%            | (1,651)   | (649)             | (683)             | (617)    | 10.7%            | -            | -       | (18,737)  | (14,261)  | 31.4%            |
| Net interest income (expense)                | (13,025)            | (8,383)  | 55.4%            | (8,995)   | (1,054)           | (618)             | 474      | NMF              | -            | -       | (22,638)  | (8,963)   | 152.6%           |
| Net gains/(losses) from foreign currencies   | 1,604               | (2,217)  | NMF              | 806       | (349)             | 18                | 79       | -77.2%           | -            | -       | 2,428     | (2,487)   | NMF              |
| Net non-recurring income/(expense)           | (2,912)             | 179      | NMF              | (1,371)   | (71)              | (200)             | (973)    | -79.4%           | 341          | -       | (4,142)   | (864)     | NMF              |
| Profit before income tax expense             | 20,993              | 29,366   | -28.5%           | 15,213    | 219               | (2,027)           | (2,423)  | -16.3%           | -            | -       | 34,180    | 27,163    | 25.8%            |
| Income tax benefit/(expense)                 | (11)                | 27,493   | NMF              | 122       | -                 | (310)             | 345      | NMF              | -            | -       | (199)     | 27,838    | NMF              |
| <i>of which: Deferred tax adjustments</i>    | -                   | 29,311   | NMF              | -         | -                 | -                 | -        | -                | -            | -       | -         | 29,311    | NMF              |
| Profit for the period                        | 20,982              | 56,859   | -63.1%           | 15,335    | 219               | (2,337)           | (2,078)  | 12.5%            | -            | -       | 33,981    | 55,001    | -38.2%           |
| Attributable to:                             |                     |          |                  |           |                   |                   |          |                  |              |         |           |           |                  |
| - shareholders of the Company                | 16,365              | 46,660   | -64.9%           | 7,235     | 219               | (2,337)           | (2,078)  | 12.5%            | -            | -       | 21,265    | 44,801    | -52.5%           |
| - non-controlling interests                  | 4,617               | 10,199   | -54.7%           | 8,100     | -                 | -                 | -        | -                | -            | -       | 12,716    | 10,200    | 24.7%            |
| <i>of which: Deferred tax adjustments</i>    | -                   | 5,057    | NMF              | -         | -                 | -                 | -        | -                | -            | -       | -         | 5,057     | NMF              |

Sources: GHG Internal Reporting

(1) 9M16 includes only May-June GPC's results

# GHG – Income statement, quarterly

| Income Statement, <i>Quarterly</i>           | Healthcare services |          |                  |          |                  | Pharma   |          |                  |          |                  | Medical insurance |          |                  |          |                  | Eliminations |         |         | GHG       |          |                  |           |                  |
|--|---------------------|----------|------------------|----------|------------------|----------|----------|------------------|----------|------------------|-------------------|----------|------------------|----------|------------------|--------------|---------|---------|-----------|----------|------------------|-----------|------------------|
|  | 3Q17                | 3Q16     | Change,<br>Y-o-Y | 2Q17     | Change,<br>Q-o-Q | 3Q17     | 3Q16     | Change,<br>Y-o-Y | 2Q17     | Change,<br>Q-o-Q | 3Q17              | 3Q16     | Change,<br>Y-o-Y | 2Q17     | Change,<br>Q-o-Q | 3Q17         | 3Q16    | 2Q17    | 3Q17      | 3Q16     | Change,<br>Y-o-Y | 2Q17      | Change,<br>Q-o-Q |
| <i>GEL thousands; unless otherwise noted</i> |                     |          |                  |          |                  |          |          |                  |          |                  |                   |          |                  |          |                  |              |         |         |           |          |                  |           |                  |
| Revenue, gross                               | 64,004              | 59,305   | 7.9%             | 66,600   | -3.9%            | 106,607  | 45,725   | 133.1%           | 110,942  | -3.9%            | 13,959            | 16,054   | -13.0%           | 13,410   | 4.1%             | (5,506)      | (4,925) | (6,351) | 179,065   | 116,159  | 54.2%            | 184,601   | -3.0%            |
| Corrections & rebates                        | (407)               | (762)    | -46.6%           | (660)    | -38.3%           | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | -            | -       | -       | (407)     | (762)    | -46.6%           | (660)     | -38.3%           |
| Revenue, net                                 | 63,598              | 58,543   | 8.6%             | 65,940   | -3.6%            | 106,607  | 45,725   | 133.1%           | 110,942  | -3.9%            | 13,959            | 16,054   | -13.0%           | 13,410   | 4.1%             | (5,506)      | (4,925) | (6,351) | 178,658   | 115,397  | 54.8%            | 183,941   | -2.9%            |
| Costs of services                            | (36,916)            | (31,170) | 18.4%            | (37,652) | -2.0%            | (80,237) | (35,915) | 123.4%           | (84,822) | -5.4%            | (11,968)          | (13,939) | -14.1%           | (12,718) | -5.9%            | 5,653        | 4,461   | 4,945   | (123,467) | (76,563) | 61.3%            | (130,247) | -5.2%            |
| Cost of salaries and other employee benefits | (23,777)            | (19,746) | 20.4%            | (24,343) | -2.3%            | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | 798          | 1,569   | 929     | (22,979)  | (18,177) | 26.4%            | (23,414)  | -1.9%            |
| Cost of materials and supplies               | (9,817)             | (8,602)  | 14.1%            | (10,240) | -4.1%            | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | 1,921        | 704     | 1,582   | (7,896)   | (7,898)  | 0.0%             | (8,658)   | -8.8%            |
| Cost of medical service providers            | (651)               | (463)    | 40.6%            | (434)    | 50.0%            | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | 22           | 35      | 17      | (629)     | (428)    | 47.0%            | (417)     | 50.8%            |
| Cost of utilities and other                  | (2,671)             | (2,359)  | 13.2%            | (2,635)  | 1.4%             | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | 88           | 193     | 102     | (2,583)   | (2,166)  | 19.3%            | (2,533)   | 2.0%             |
| Net insurance claims incurred                | -                   | -        | -                | -        | -                | -        | -        | -                | -        | -                | (11,162)          | (12,834) | -13.0%           | (11,936) | -6.5%            | 2,824        | 1,960   | 2,315   | (8,338)   | (10,874) | -23.3%           | (9,621)   | -13.3%           |
| Agents, brokers and employee commissions     | -                   | -        | -                | -        | -                | -        | -        | -                | -        | -                | (806)             | (1,105)  | -27.1%           | (782)    | 3.1%             | -            | -       | -       | (806)     | (1,105)  | -27.1%           | (782)     | 3.1%             |
| Cost of pharma - wholesale                   | -                   | -        | -                | -        | -                | (23,171) | (10,086) | 129.7%           | (22,989) | 0.8%             | -                 | -        | -                | -        | -                | -            | -       | -       | (23,171)  | (10,086) | 129.7%           | (22,989)  | 0.8%             |
| Cost of pharma - retail                      | -                   | -        | -                | -        | -                | (57,066) | (25,829) | 120.9%           | (61,833) | -7.7%            | -                 | -        | -                | -        | -                | -            | -       | -       | (57,066)  | (25,829) | 120.9%           | (61,833)  | -7.7%            |
| Gross profit                                 | 26,682              | 27,373   | -2.5%            | 28,288   | -5.7%            | 26,370   | 9,810    | 168.8%           | 26,120   | 1.0%             | 1,991             | 2,115    | -5.9%            | 692      | 187.7%           | 147          | (464)   | (1,406) | 55,191    | 38,834   | 42.1%            | 53,694    | 2.8%             |
| Salaries and other employee benefits         | (7,881)             | (6,003)  | 31.3%            | (7,996)  | -1.4%            | (10,350) | (4,106)  | 152.1%           | (9,684)  | 6.9%             | (834)             | (1,196)  | -30.3%           | (972)    | -14.2%           | 306          | 464     | 227     | (18,759)  | (10,841) | 73.0%            | (18,424)  | 1.8%             |
| General and administrative expenses          | (4,071)             | (3,385)  | 20.3%            | (4,154)  | -2.0%            | (7,192)  | (4,005)  | 79.6%            | (7,229)  | -0.5%            | (369)             | (595)    | -38.0%           | (366)    | 0.8%             | 32           | -       | 348     | (11,600)  | (7,985)  | 45.3%            | (11,400)  | 1.8%             |
| Impairment of other receivables              | (979)               | (48)     | NMF              | (1,033)  | -5.2%            | 92       | -        | NMF              | (103)    | -189.3%          | (138)             | (124)    | 11.3%            | (117)    | 17.9%            | 108          | -       | 250     | (918)     | (172)    | NMF              | (1,003)   | -8.5%            |
| Other operating income                       | 2,865               | (143)    | NMF              | 3,190    | -10.2%           | (103)    | 89       | -215.7%          | (183)    | -43.7%           | 31                | (55)     | NMF              | (18)     | NMF              | (593)        | -       | 240     | 2,200     | (109)    | NMF              | 3,229     | -31.9%           |
| EBITDA                                       | 16,616              | 17,794   | -6.6%            | 18,295   | -9.2%            | 8,817    | 1,788    | 393.1%           | 8,921    | -1.2%            | 681               | 145      | 369.7%           | (781)    | NMF              | -            | -       | (341)   | 26,114    | 19,727   | 32.4%            | 26,096    | 0.1%             |
| EBITDA margin                                | 26.0%               | 30.0%    |                  | 27.5%    |                  | 8.3%     | 3.9%     |                  | 8.0%     |                  | 4.9%              | 0.9%     |                  | -5.8%    |                  | -            | -       |         | 14.6%     | 17.0%    |                  | 14.1%     |                  |
| Depreciation and amortisation                | (5,691)             | (4,613)  | 23.4%            | (5,774)  | -1.4%            | (475)    | (391)    | 21.5%            | (465)    | 2.2%             | (219)             | (211)    | 3.8%             | (242)    | -9.5%            | -            | -       | -       | (6,384)   | (5,215)  | 22.4%            | (6,481)   | -1.5%            |
| Net interest income (expense)                | (4,474)             | (3,125)  | 43.2%            | (4,435)  | 0.9%             | (3,015)  | (627)    | 380.9%           | (3,187)  | -5.4%            | (202)             | (86)     | 134.9%           | (206)    | -1.9%            | -            | -       | -       | (7,691)   | (3,838)  | 100.4%           | (7,828)   | -1.8%            |
| Net gains/(losses) from foreign currencies   | (209)               | (95)     | NMF              | 1,118    | -118.7%          | (1,109)  | (77)     | NMF              | (180)    | NMF              | (18)              | (91)     | -80.2%           | 48       | NMF              | -            | -       | -       | (1,336)   | (263)    | NMF              | 986       | NMF              |
| Net non-recurring income/(expense)           | (381)               | 22       | NMF              | (1,255)  | -69.6%           | (489)    | (71)     | NMF              | (566)    | -13.6%           | (2)               | -        | -                | 2        | NMF              | -            | -       | 341     | (872)     | (49)     | NMF              | (1,478)   | -41.0%           |
| Profit before income tax expense             | 5,861               | 9,983    | -41.3%           | 7,949    | -26.3%           | 3,729    | 622      | 499.5%           | 4,523    | -17.6%           | 240               | (243)    | NMF              | (1,179)  | NMF              | -            | -       | -       | 9,831     | 10,362   | -5.1%            | 11,295    | -13.0%           |
| Income tax benefit/(expense)                 | -                   | (612)    | NMF              | -        | NMF              | (92)     | -        | -                | 222      | NMF              | -                 | 25       | NMF              | (310)    | NMF              | -            | -       | -       | (92)      | (587)    | -84.3%           | (88)      | 4.5%             |
| of which: Deferred tax adjustments           | -                   | 2,198    | -                | -        | -                | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | -            | -       | -       | -         | 2,198    | -                | -         | -                |
| Profit for the period                        | 5,861               | 9,371    | -37.5%           | 7,949    | -26.3%           | 3,637    | 622      | 484.7%           | 4,745    | -23.4%           | 240               | (218)    | NMF              | (1,489)  | NMF              | -            | -       | -       | 9,739     | 9,775    | -0.4%            | 11,207    | -13.1%           |
| Attributable to:                             |                     |          |                  |          |                  |          |          |                  |          |                  |                   |          |                  |          |                  |              |         |         |           |          |                  |           |                  |
| - shareholders of the Company                | 4,965               | 6,721    | -26.1%           | 5,636    | -11.9%           | 1,054    | 622      | 69.5%            | 2,024    | -47.9%           | 240               | (218)    | NMF              | (1,489)  | NMF              | -            | -       | -       | 6,261     | 7,125    | -12.1%           | 6,172     | 1.4%             |
| - non-controlling interests                  | 896                 | 2,650    | -66.2%           | 2,313    | -61.3%           | 2,583    | -        | NMF              | 2,721    | -5.1%            | -                 | -        | -                | -        | -                | -            | -       | -       | 3,478     | 2,650    | 31.2%            | 5,035     | -30.9%           |
| of which: Deferred tax adjustments           | -                   | 352      | -                | -        | -                | -        | -        | -                | -        | -                | -                 | -        | -                | -        | -                | -            | -       | -       | -         | 352      | -                | -         | -                |

Sources: GHG Internal Reporting

(1) 2Q16 includes only May-June GPC's results

## Selected Balance Sheet items

|  | <u>Healthcare services</u> |           |                  |           |                  | <u>Pharma</u> |           |                  |           |                  | <u>Medical insurance</u> |           |                  |           |                  |
|--|----------------------------|-----------|------------------|-----------|------------------|---------------|-----------|------------------|-----------|------------------|--------------------------|-----------|------------------|-----------|------------------|
|  | 30-Sep-17                  | 30-Sep-16 | Change,<br>Y-o-Y | 30-Jun-17 | Change,<br>Q-o-Q | 30-Sep-17     | 30-Sep-16 | Change,<br>Y-o-Y | 30-Jun-17 | Change,<br>Q-o-Q | 30-Sep-17                | 30-Sep-16 | Change,<br>Y-o-Y | 30-Jun-17 | Change,<br>Q-o-Q |
| <i>GEL thousands; unless otherwise noted</i> |                            |           |                  |           |                  |               |           |                  |           |                  |                          |           |                  |           |                  |
| <b>Assets:</b>                               |                            |           |                  |           |                  |               |           |                  |           |                  |                          |           |                  |           |                  |
| Cash and bank deposits                       | 25,894                     | 34,699    | -25.4%           | 21,741    | 19.1%            | 7,423         | 1,109     | 569.3%           | 5,548     | 33.8%            | 9,474                    | 12,259    | -22.7%           | 9,763     | -3.0%            |
| Property and equipment                       | 606,492                    | 527,358   | 15.0%            | 582,437   | 4.1%             | 24,955        | 8,155     | 206.0%           | 23,746    | 5.1%             | 5,881                    | 5,693     | 3.3%             | 5,976     | -1.6%            |
| Inventory                                    | 19,119                     | 12,889    | 48.3%            | 14,787    | 29.3%            | 97,754        | 36,439    | 168.3%           | 92,167    | 6.1%             | 237                      | 162       | 46.3%            | 215       | 10.2%            |
| <b>Liabilities:</b>                          |                            |           |                  |           |                  |               |           |                  |           |                  |                          |           |                  |           |                  |
| Borrowed Funds                               | 232,002                    | 172,568   | 34.4%            | 189,600   | 22.4%            | 88,263        | 20,022    | 340.8%           | 81,764    | 7.9%             | 8,935                    | 10,144    | -11.9%           | 9,120     | -2.0%            |
| Accounts payable                             | 33,407                     | 24,709    | 35.2%            | 34,616    | -3.5%            | 64,497        | 33,224    | 94.1%            | 58,015    | 11.2%            | -                        | -         | -                | -         | -                |

## Selected Balance Sheet items

|  | <u>Consolidation and eliminations</u> |           |           | <u>GHG</u> |           |                  |           |                  |
|--|---------------------------------------|-----------|-----------|------------|-----------|------------------|-----------|------------------|
|  | 30-Sep-17                             | 30-Sep-16 | 30-Jun-17 | 30-Sep-17  | 30-Sep-16 | Change,<br>Y-o-Y | 30-Jun-17 | Change,<br>Q-o-Q |
| <i>GEL thousands; unless otherwise noted</i> |                                       |           |           |            |           |                  |           |                  |
| <b>Assets</b>                                |                                       |           |           |            |           |                  |           |                  |
| Cash and bank deposits                       | -                                     | -         | -         | 42,790     | 48,067    | -11.0%           | 37,052    | 15.5%            |
| Property and equipment                       | -                                     | -         | -         | 637,328    | 541,206   | 17.8%            | 612,159   | 4.1%             |
| Inventory                                    | -                                     | -         | -         | 117,111    | 49,490    | 136.6%           | 107,169   | 9.3%             |
| <b>Liabilities:</b>                          |                                       |           |           |            |           |                  |           |                  |
| Borrowed Funds                               | -                                     | (7,546)   | -         | 329,199    | 195,188   | 68.7%            | 280,483   | 17.4%            |
| Accounts payable                             | (5,308)                               | (3,754)   | (4,939)   | 92,597     | 54,179    | 70.9%            | 87,691    | 5.6%             |



# Selected ratios and KPIs

## Selected ratios and KPIs

|  | 3Q17         | 3Q16         | 2Q17         | 9M17          | 9M16              |
|--|--------------|--------------|--------------|---------------|-------------------|
| <b>GHG</b>   |              |              |              |               |                   |
| EPS, GEL   | 0.05         | 0.06         | 0.05         | 0.17          | 0.18 <sup>1</sup> |
| ROAE   | 5.3%         | 10.3%        | 5.3%         | 6.0%          | 15.2%             |
| ROAE, normalised <sup>2</sup>  | 10.0%        | 12.0%        | 9.7%         | 11.5%         | 12.4%             |
| Group rent expenditure   | 4,564        | 3,586        | 4,728        | 14,311        | 5,851             |
| <i>of which, Pharma</i>  | <i>4,036</i> | <i>2,596</i> | <i>4,216</i> | <i>12,738</i> | <i>4,237</i>      |
| Group capex (maintenance)  | 2,307        | 2,375        | 2,586        | 7,523         | 6,965             |
| Group capex (growth)   | 25,104       | 30,311       | 21,071       | 64,041        | 74,563            |
| Number of employees  | 15,151       | 12,478       | 14,759       | 15,151        | 12,478            |
| Number of physicians   | 3,505        | 3,140        | 3,352        | 3,505         | 3,140             |
| Number of nurses   | 3,224        | 2,840        | 3,101        | 3,224         | 2,840             |
| Nurse to doctor ratio, referral hospitals                            | 0.93         | 0.93         | 0.93         | 0.93          | 0.93              |
| Total number of shares   | 131,681,820  | 131,681,820  | 131,681,820  | 131,681,820   | 131,681,820       |
| Less: Treasury shares  | (3,379,629)  | (3,727,835)  | (3,452,534)  | (3,379,629)   | (3,727,835)       |
| Shares outstanding   | 128,302,191  | 127,953,985  | 128,229,286  | 128,302,191   | 127,953,985       |
| <i>Of which:</i>   |              |              |              |               |                   |
| Total free float   | 53,183,688   | 42,322,165   | 53,110,783   | 53,183,688    | 42,322,165        |
| Shares held by BGEO GROUP PLC  | 75,118,503   | 85,631,820   | 75,118,503   | 75,118,503    | 85,631,820        |
| <b>Healthcare services</b>   |              |              |              |               |                   |
| EBITDA margin of healthcare services                                 | 26.0%        | 30.0%        | 27.5%        | 26.3%         | 29.6%             |
| Direct salary rate (direct salary as % of revenue)                   | 37.1%        | 33.3%        | 36.6%        | 36.2%         | 33.2%             |
| Materials rate (direct materials as % of revenue)                    | 15.3%        | 14.5%        | 15.4%        | 15.5%         | 15.4%             |
| Administrative salary rate (administrative salaries as % of revenue) | 12.3%        | 10.1%        | 12.0%        | 11.7%         | 9.7%              |
| SG&A rate (SG&A expenses as % of revenue)                            | 6.4%         | 5.7%         | 6.2%         | 6.2%          | 5.0%              |
| Number of hospitals  | 37           | 35           | 35           | 37            | 35                |
| Number of Polyclinics  | 14           | 11           | 13           | 14            | 11                |
| Number of express outpatient clinics                                 | 24           | 28           | 24           | 24            | 28                |
| Number of beds   | 2,893        | 2,474        | 2,731        | 2,893         | 2,474             |
| Number of referral hospital beds                                     | 2,398        | 2,012        | 2,266        | 2,398         | 2,012             |
| Bed occupancy rate   | 49.7%        | 56.8%        | 55.6%        | 55.7%         | 58.1%             |
| <i>Bed occupancy rate, referral hospitals</i>                        | <i>55.4%</i> | <i>63.7%</i> | <i>62.2%</i> | <i>62.1%</i>  | <i>66.4%</i>      |
| <i>Bed occupancy rate, community hospitals</i>                       | <i>21.3%</i> | <i>24.5%</i> | <i>23.5%</i> | <i>24.6%</i>  | <i>25.2%</i>      |
| Average length of stay (days)  | 5.2          | 4.9          | 5.3          | 5.3           | 4.8               |
| <i>Average length of stay (days), referral hospitals</i>             | <i>5.4</i>   | <i>5.1</i>   | <i>5.5</i>   | <i>5.5</i>    | <i>5.0</i>        |
| <i>Average length of stay (days), community hospitals</i>            | <i>3.5</i>   | <i>3.4</i>   | <i>4.0</i>   | <i>3.8</i>    | <i>3.5</i>        |

## Selected ratios and KPIs

|  | 3Q17        | 3Q16        | 2Q17        | 9M17        | 9M16        |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Pharma</b>  |             |             |             |             |             |
| EBITDA margin  | 8.3%        | 3.9%        | 8.0%        | 8.0%        | 3.1%        |
|  |             |             |             | 18.71m      |             |
| Number of bills issued   | 6.03mln     | 2.84mln     | 6,29mln     | ln          | 4.76mln     |
| Average bill size  | 13.2        | 12.0        | 13.3        | 13.1        | 12.4        |
| Revenue from wholesale as a percentage of total revenue from pharma      | 26.8%       | 26.0%       | 25.7%       | 25.3%       | 25.5%       |
| Revenue from retail as a percentage of total revenue from pharma         | 73.2%       | 74.0%       | 74.3%       | 74.7%       | 74.5%       |
| Revenue from para-pharmacy as a percentage of retail revenue from pharma | 32.8%       | 35.0%       | 28.2%       | 30.3%       | 34.0%       |
| Number of pharmacies   | 251         | 112         | 247         | 251         | 112         |
| <b>Medical insurance</b>   |             |             |             |             |             |
| Loss ratio   | 80.0%       | 79.9%       | 89.0%       | 84.5%       | 83.6%       |
| Expense ratio, <i>of which</i>   | 16.7%       | 20.5%       | 18.6%       | 18.5%       | 20.8%       |
| <i>Commission ratio</i>  | <i>5.8%</i> | <i>6.9%</i> | <i>5.8%</i> | <i>6.1%</i> | <i>6.6%</i> |
| Combined ratio   | 96.7%       | 100.4%      | 107.6%      | 103.0%      | 104.4%      |
| Renewal rate   | 71.8%       | 78.1%       | 73.4%       | 74.5%       | 77.4%       |

Sources: GHG Internal Reporting

(1) Comparison on a normalised basis – 9M16 (EPS) is calculated on adjusted net profit, with 9M16 net profit normalised for the one-off non-recurring gain due to deferred tax adjustments (in the amount of GEL 29.3 million for GHG, which was fully attributable to the Group's healthcare services business) and adjusted for a one-off currency translation loss in June ("translation loss") (in the amount of GEL 2.1 million), which resulted from the settlement of the US Dollar denominated payable for the acquisition of GPC, the Group's pharma business - divided by weighted average number of shares outstanding during the same period.

(2) Normalised ROAE is calculated as net profit for the period attributable to shareholders, net of non-recurring items, divided by average equity attributable to shareholders for the same period net of unutilised portion of IPO proceeds.



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