



GEORGIA  
HEALTHCARE  
GROUP

**Georgia Healthcare Group**

**Investor Presentation**



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*This presentation contains forward-looking statements that are based on current beliefs or expectations, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words similar meaning. Undue reliance should not be placed on any such statement because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and JSC Bank of Georgia and/or the Bank of Georgia Holdings' plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.*

*There are various factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, legal, business and social environment. The forward-looking statements in this presentation speak only as of the date of this presentation. JSC Bank of Georgia and Bank of Georgia Holdings undertake no obligation to revise or update any forward-looking statement contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.*

# A Unique Investment Story Supported by Compelling Themes

GHG's<sup>(1)</sup> market leading position, a unique business model with significant growth potential and highly experienced management team make it a credible investment opportunity

1

## Market and Quality Leader

- ✓ **Largest market share:** 22.5% market share in healthcare services by number of beds, with over 37.0% share in West Georgia;<sup>(2)</sup> Unique “geographic cluster” footprint for hospital services; 36.7% market share in health insurance<sup>(3)</sup>
- ✓ **Widest population coverage:** Network of 38 high quality hospitals and ambulatory clinics<sup>(4)</sup> with modern equipment, providing coverage to over 2/3 of Georgia's 4.5mln population<sup>(5)</sup>
- ✓ **Institutionalizing the industry:** Strong corporate governance, standardized processes, on-going EQS implementation,<sup>(6)</sup> world renowned partners, own personnel training centre

3

## Integrated Synergistic Business Model

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



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## Significant Growth Opportunities

2

- ✓ **Attractive macro:**<sup>(7)</sup> Georgia – one of the fastest growing countries in Eastern Europe, open and easy<sup>(8)</sup> emerging market to do business, with real GDP growing at a CAGR of 5.9% between 2004-13
- ✓ **Favourable healthcare environment:** Supportive government policy including expansion of health insurance, reforms in pharma and encouraging private sector participation
- ✓ **Further expansion:** Opportunities to increase penetration in Tbilisi (largest market), where GHG is scaling up its presence through acquisition and development of hospitals and ambulatory clinics
- ✓ **Non-organic growth opportunity:** Potential for further consolidation in a highly fragmented Georgian healthcare sector

## Strong Management with Proven Track Record

4

- ✓ Valuable international healthcare experience
- ✓ In-depth knowledge of the local market
- ✓ Strong business management team and corporate governance, exceptional in Georgia's healthcare sector
- ✓ Successful M&A track record – acquired and integrated over 20 companies in the past decade, including over 25 healthcare facilities between 2011-14<sup>(4)</sup>
- ✓ Strong and supportive shareholder: Currently, GHG is a 100% subsidiary of Bank of Georgia Holdings PLC, only entity from Georgia listed on the premium segment of the main market of the London Stock Exchange (LSE:BGEO), part of FTSE 250 index

Sources:

- (1) Georgia Healthcare Group to be established in Georgia and the UK
- (2) Market share by number of beds. Source: National Center for Disease Control, data as of December 2012, updated by company to include changes before 30 September 2014
- (3) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 30 September 2014
- (4) GHG internal reporting
- (5) Geostat.ge, data as of 1 January 2014. Coverage refers to geographic areas served by GHG facilities
- (6) EQS are Evex Quality Standards developed at Evex for internal control and quality management (benchmark mainly based on JCI and EU standards) to analyse and improve clinical outcomes of hospital operations
- (7) Euromonitor, World Bank's 2012 “Ease of Doing Business Report”, other public information.
- (8) Ranked #15 (of 189 countries) in World Bank's 2015 “Ease of Doing Business Report”, ahead of all its neighbouring countries and several EU countries.



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

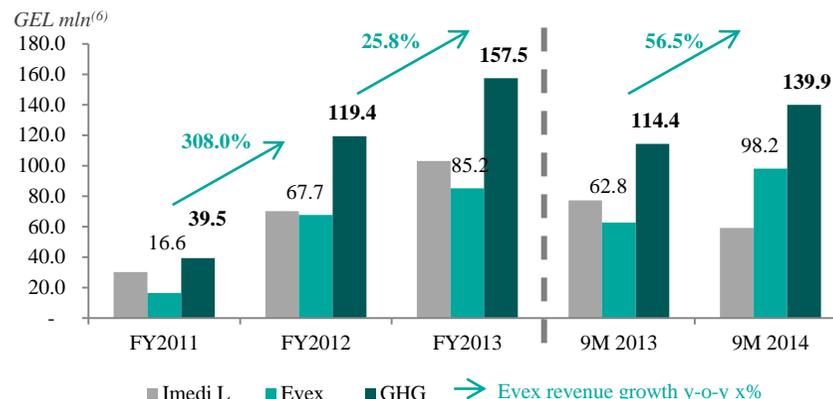
### COMPANY OVERVIEW

- **Largest healthcare service provider in Georgia (JSC Evex Medical Corporation)**
  - 22.5% market share<sup>(1)</sup>, more than 4x the size of the nearest competitor
  - Over 2/3 of population covered<sup>(2)</sup>
  - Operating 33 hospitals and 5 ambulatory clinics<sup>(3)</sup>
  - 2,140 beds<sup>(3)</sup>
- **Leading health insurance business (JSC Insurance Company Imedi L)**
  - 36.7% market share<sup>(4)</sup>, 75% larger by revenue than the nearest competitor
  - Insuring 192 thousand people<sup>(3)</sup>
- c. 8,026 full time employees, including 2,383 doctors<sup>(5)</sup>
- Currently 100% subsidiary of Bank of Georgia Holdings PLC, only entity from Georgia listed on the premium segment of the main market of London Stock Exchange (LSE:BGEO), part of FTSE 250 index

### SETTING NEW STANDARDS IN GEORGIA'S HEALTHCARE

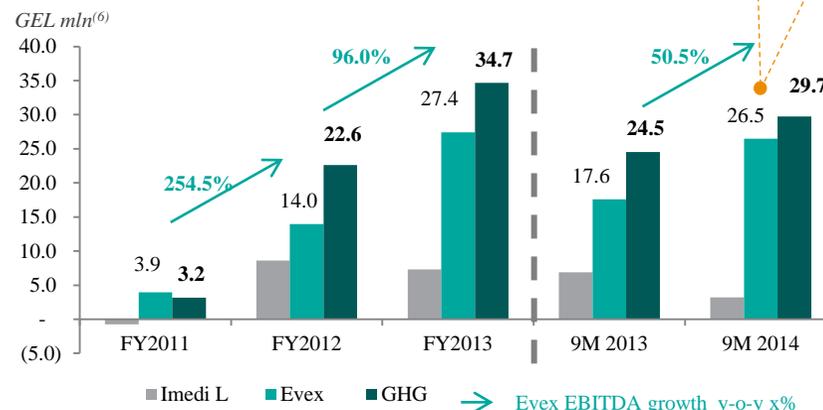
- In-house training centre for doctors and nurses and utilisation of modern equipment
- Ability to attract highly experienced physicians
- Straightforward procedures, efficient claims settlement and flexible premium policy
- Collaborations with Mayo Clinic, Emory School of Medicine, University Research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

### REVENUES



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

### EBITDA



27.0% Evex EBITDA margin

Sources:

(1) Market share by number of companies beds. Source: NCDC, data as of December 2012, updated by company to include new facilities acquired before 30 September 2014

(2) Geostat.ge, data as of 1 January 2014, coverage refers to geographic areas served by GHG

(3) GHG internal reporting: hospital related data as of 30 September 2014; number of insured as of 30 September 2014

(4) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 30 September 2014

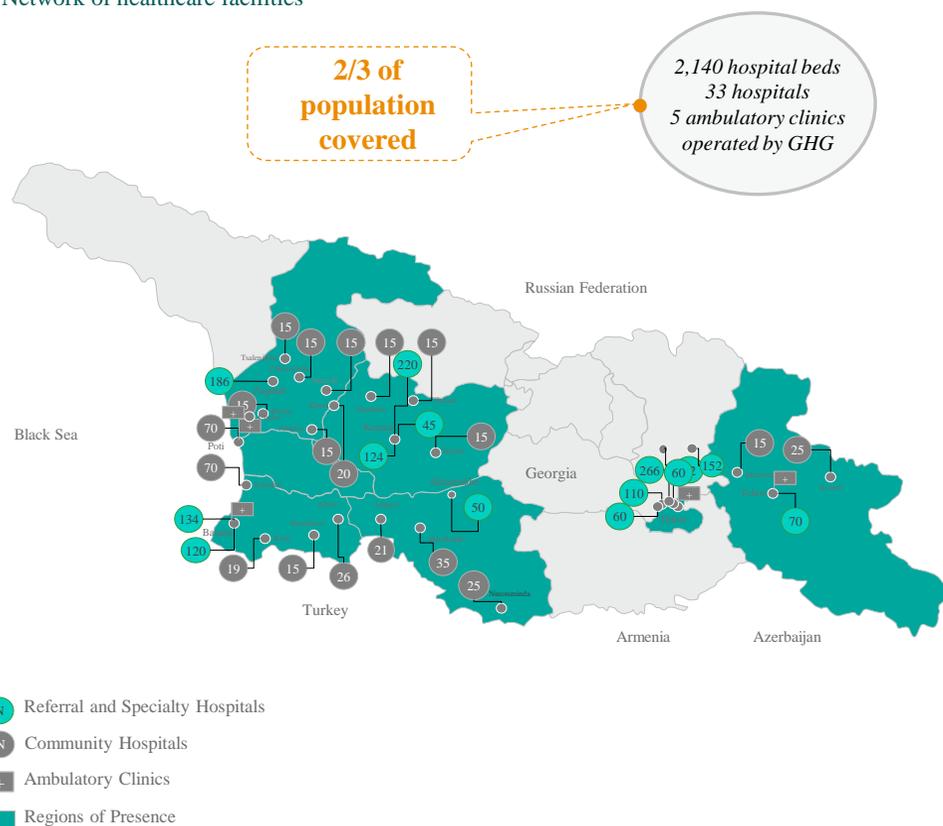
(5) As of 30 September 2014; number of full time employees including Traumatology clinic acquired in 3Q 2014

(6) GEL to USD exchange rate is 1.7646 as of 15 November 2014. Source: nbq.gov.ge

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

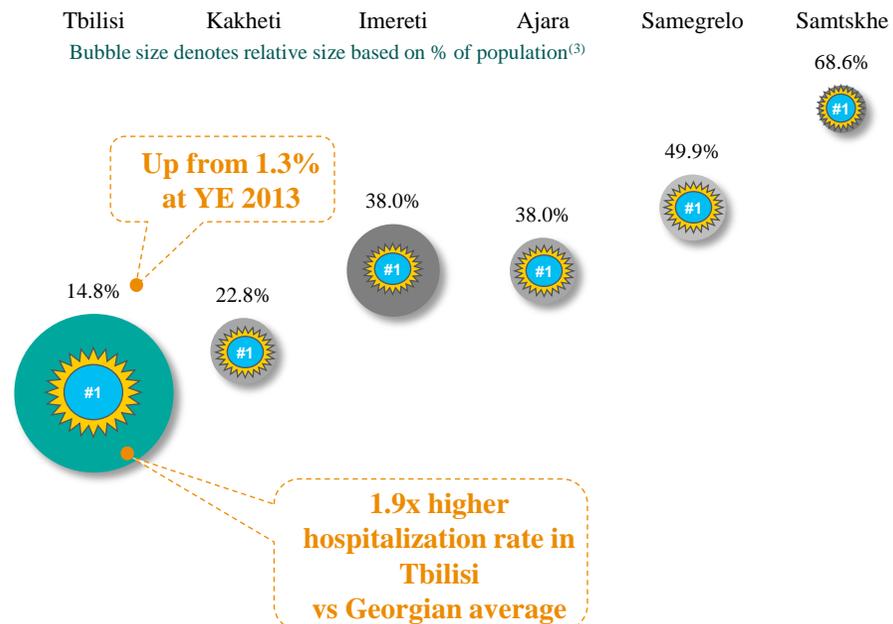
### Extensive Geographic Coverage<sup>(1)</sup>

Network of healthcare facilities



### Geographically Diversified Network

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



Sources:

(1) GHG internal reporting – data as of 30 September 2014

(2) Market share by number of beds. Source: NCDC, data as of December 2012, updated by company to include changes before 30 September 2014. Market shares by beds are as of 30 September 2014

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

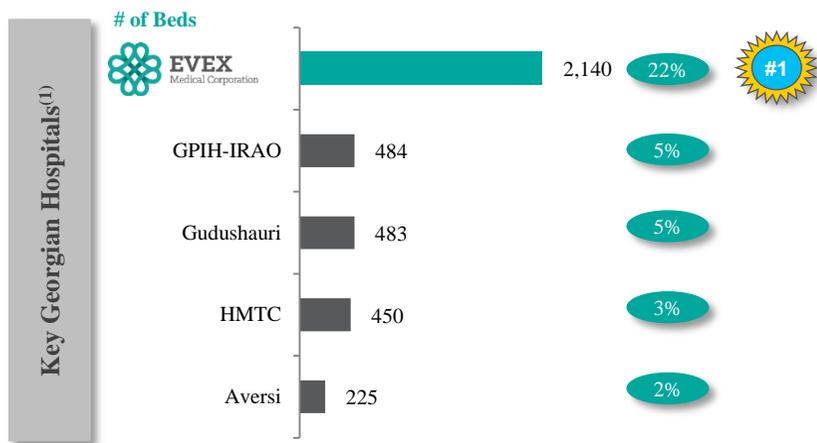
# CLEAR MARKET LEADER (3/3) in a Fragmented Competitive Landscape

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



## Healthcare Services

## Health Insurance



Market share

Sources:  
 (1) Market share by number of beds. Source: NCDC, data as of December 2012, updated by company to include changes before 30 September 2014  
 (2) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 30 September 2014



# SIGNIFICANT GROWTH PROSPECTS

## Attractive Macroeconomic Landscape

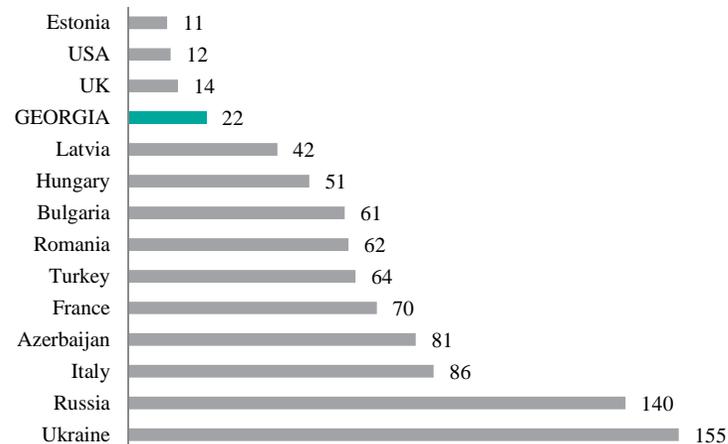
**GEORGIA - No 1 Reformer**  
2005-2012  
(WB-IFC Doing Business Report)

### c. 6% real GDP growth in 2004-2013

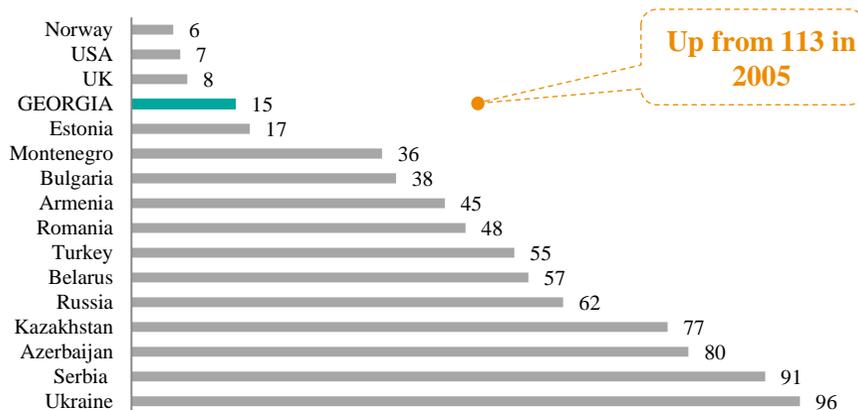
Real GDP average growth rate (2004-2013): Georgia vs. EM Countries



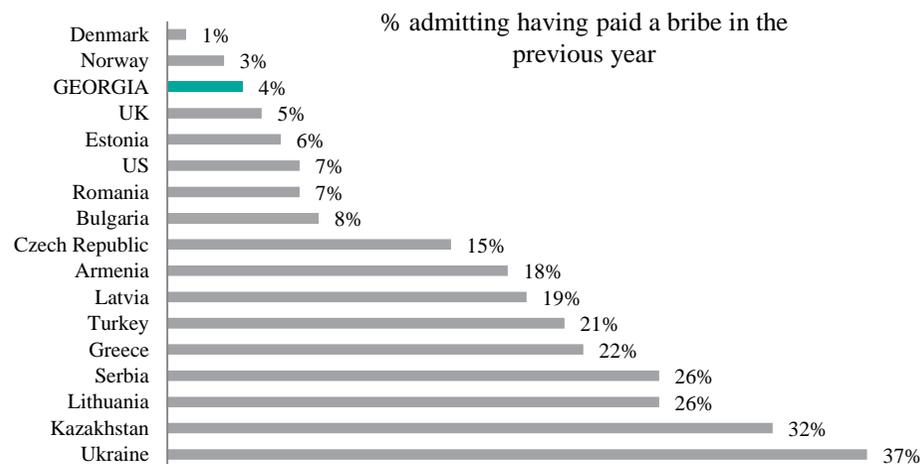
### Economic Freedom Index, 2014 (Heritage Foundation)



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



### TI 2013 Global Corruption Barometer





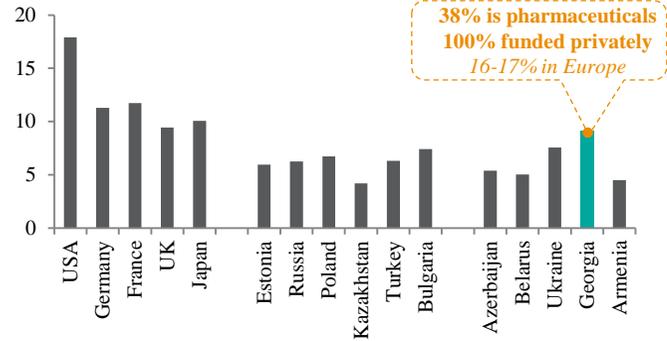
# SIGNIFICANT GROWTH PROSPECTS

## Growth Oriented Reforms

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

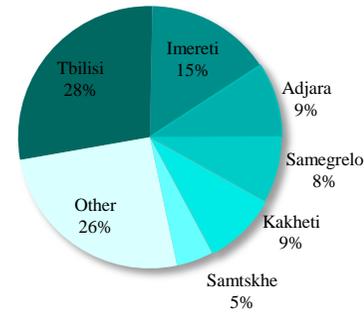
#### High relative expenditure on healthcare<sup>(1)</sup>

Health expenditure % of GDP

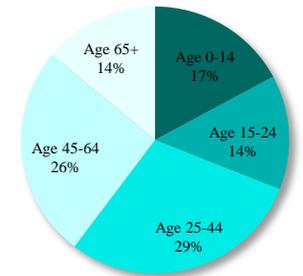


#### With demand driven by an ageing population in increasing need of healthcare<sup>(2)</sup>

Population split by regions

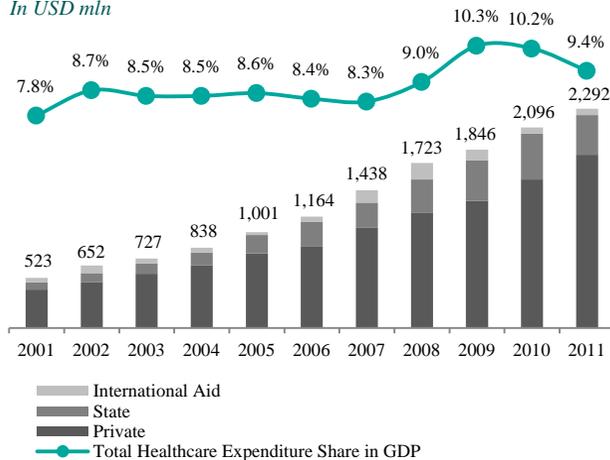


Population split by age group

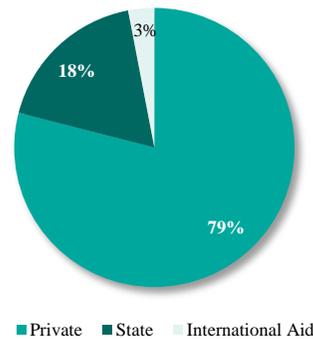


#### Healthcare spending grew at 15.9% CAGR between 2001 - 2011<sup>(3)</sup>

In USD mln

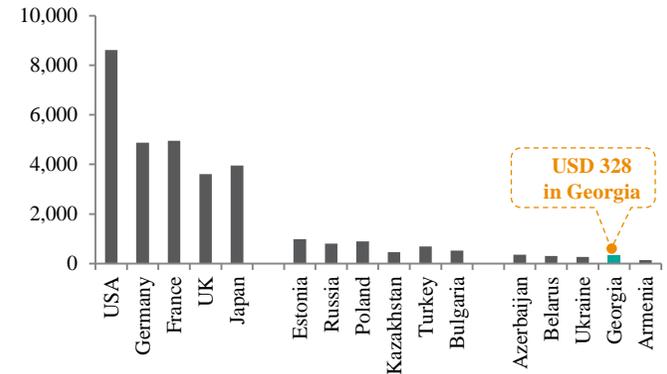


#### High private spending share of 79%<sup>(3)</sup>



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

current prices, USD



Sources:

- (1) World Bank | 2012; MOH, HSPA 2013
- (2) Geostat.ge, data as of 1 January 2014
- (3) moh.gov.ge, NHA 2013, WHO, 2013
- (4) World Bank | 2012

## 2 SIGNIFICANT GROWTH PROSPECTS

### *Favorable Government Healthcare Policy (1/2)*

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

*Before 2014*

**Patients**



**2mln people (c. 45% of population) without healthcare coverage**

- **2mln people (c. 45% of population) covered by state funded insurance program** (since 2007), managed by private insurance companies who received insurance premium from state
- **Provider choice: limited for patients** with private insurance companies using preferred list of providers to manage patient flow
- **0.5mln privately insured people**

**Healthcare reform**

*After 2014*



● No healthcare coverage  
● State coverage of healthcare  
● Private insurance  
● = 0.5 million patients

**4mln people receive basic coverage of healthcare needs from state**

- with **substantial co-payments** from patients newly covered by state
- **Any private or public licensed hospital in Georgia is eligible to participate**
- **Reform consolidates administration** of all government funded healthcare programmes under state
- and patient has **free choice of provider**
- **0.5mln privately insured people** continue to hold their policies

Sources:

(1) World Bank – UNICO Studies Series No. 16, Georgia's Medical Insurance Program

(2) IMF Georgia: IMF Country Report No. 13/264

(3) GHG internal reporting

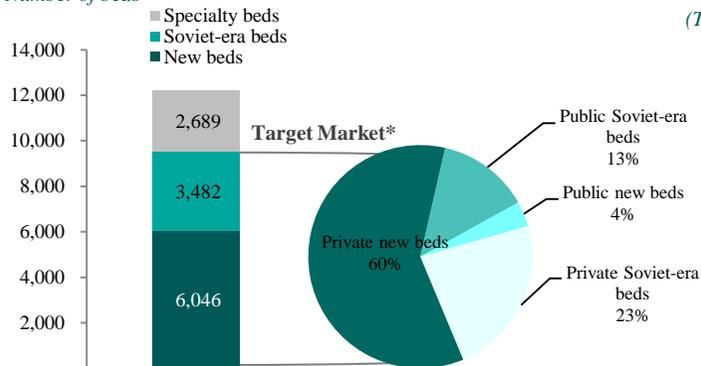
# 2 SIGNIFICANT GROWTH PROSPECTS

## Favorable Government Healthcare Policy(2/2)

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

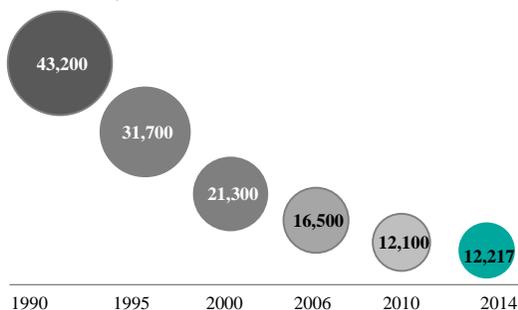
#### Bed capacity close to levels in the United States and Europe ...<sup>(1)</sup>

Number of beds



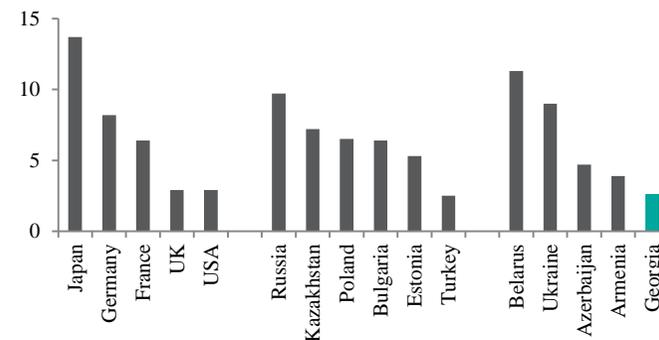
Note: (\*) Target market bed capacity = Total market bed capacity of 12,217 beds - 2,689 specialty beds at penitentiary, TB and psychiatric clinics

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



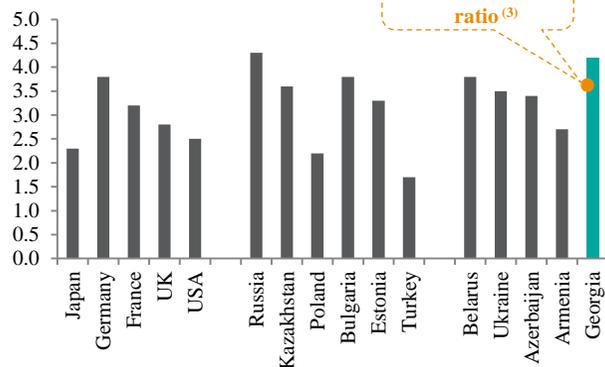
#### Capacity-wise Georgia stands alongside US, UK and Turkey<sup>(2)</sup>

Beds per 1,000 people



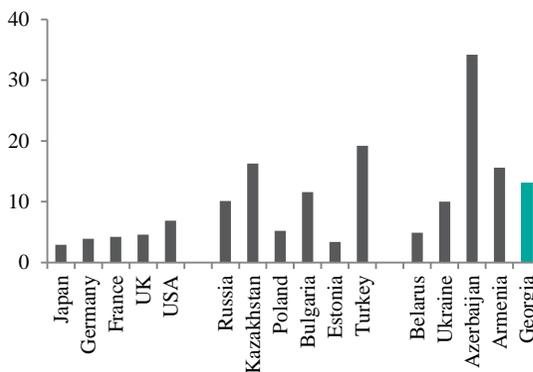
#### However, physician overcapacity yet to be addressed<sup>(2)</sup>

Number of physicians per 1,000 people

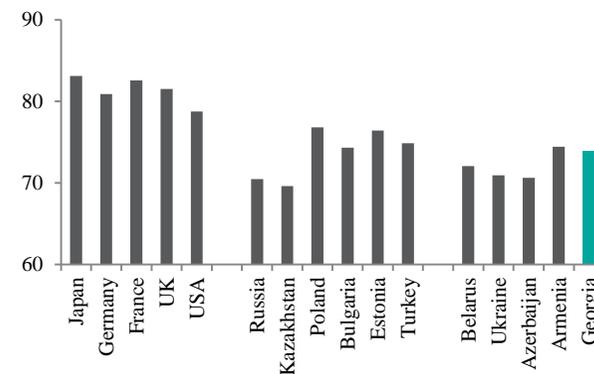


#### With significant room for optimization in terms of service quality, as indicated by: under 5 mortality rate...<sup>(2)</sup> ... and life expectancy at birth<sup>(2)</sup>

Under 5 mortality per 1,000 live births



Total (years)



Source::

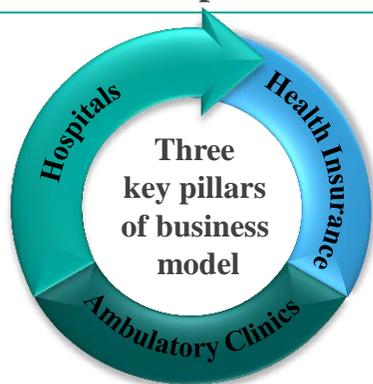
(1) GHG internal reporting, Market share by bed capacity. NCDC, data as of December 2012, updated by company to include changes before 30 September 2014; NCDC, 2013 on 2011 and 2012 data

(2) World Bank | 2012, 2013

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

# 3 INTEGRATED SYNERGISTIC BUSINESS MODEL (1/2)

Well established hospital network allows a seamless patient treatment pathway from local doctors to multi-profile or specialised hospitals whilst the insurance business plays a feeder role in originating and directing patients



GHG operates a highly integrated patient capture business model



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

Referral & Specialty Hospitals

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

Community Hospitals

**5** ambulatory clinics provide primary outpatient healthcare services

Ambulatory Clinics

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

Patients

**17.3** mln GEL Evex revenue driven by health insurance division in 9M 2014<sup>(2)</sup>



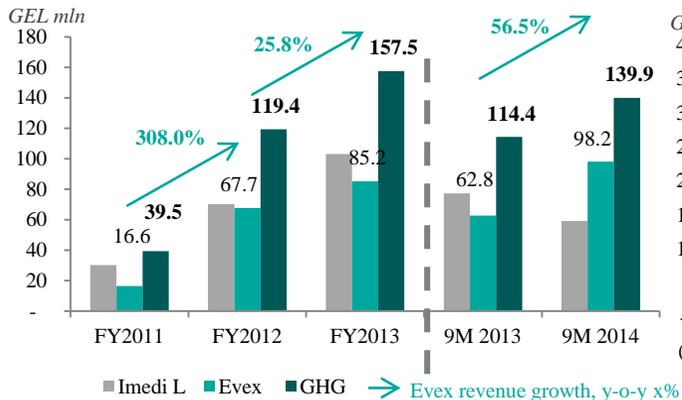
A vertically integrated care pathway

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

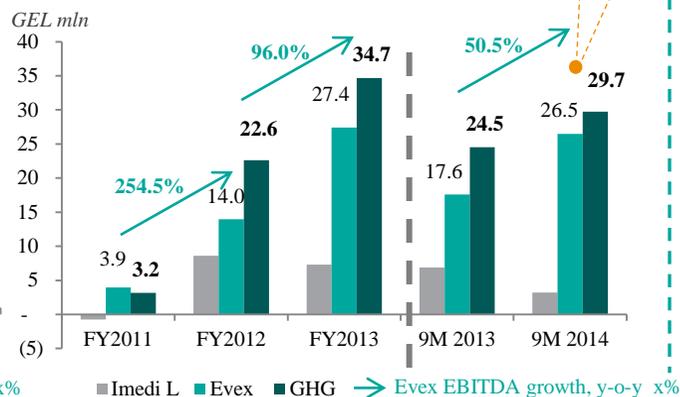
## Improving margins with the increasing scale of business <sup>(1)</sup>

### Revenue growth & profitability

#### Revenue growth, annual

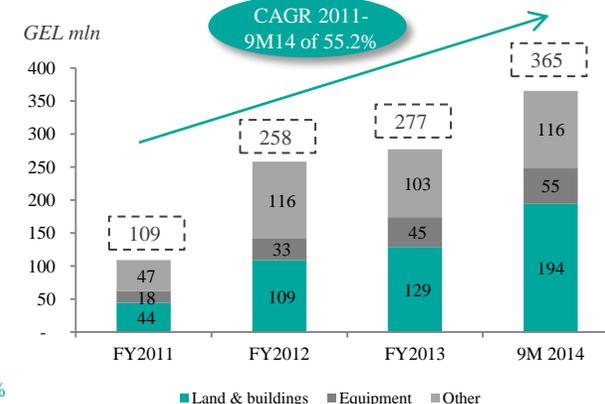


#### EBITDA growth, annual



### Investing in growth

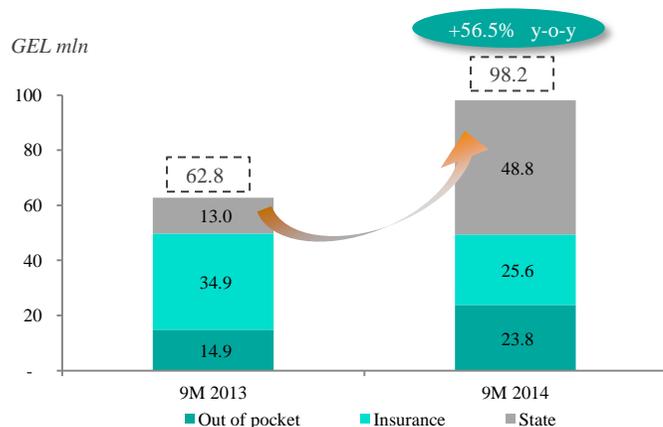
#### Total assets



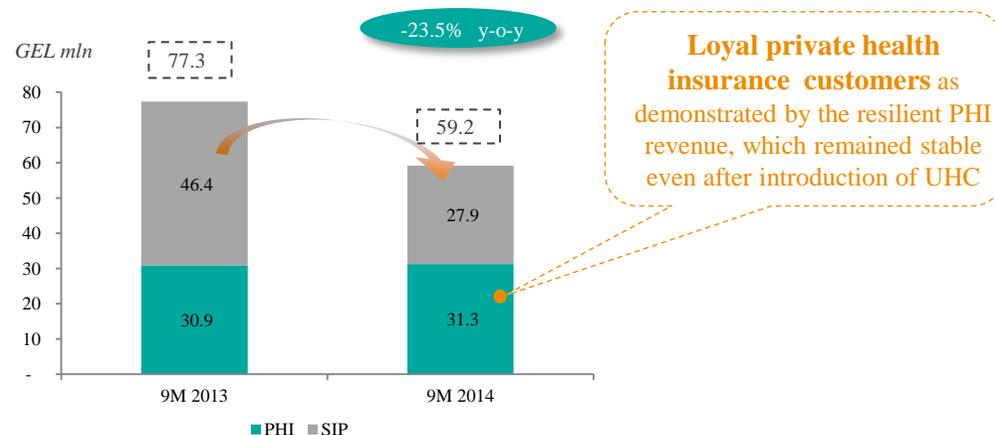
Note: Evex and Imedi L revenues do not add up to GHG revenues due to intercompany eliminations

## Capturing growth driven by the recent healthcare reform

### Healthcare service revenue by sources, 9M 2014



### Health insurance revenue by sources, 9M 2014



(1) Note: all amounts are for GHG, unless otherwise indicated, Source: GHG internal reporting



## Board of directors (*expected*)

7 **non-executive** supervisory board members;

6 **independent members**, including the Chairman and Vice Chairman

- ❁ **Neil Janin** | Chairman of the supervisory board, Independent Director | Experience: formerly was director at McKinsey & Company in Paris and held previous roles as Co-Chairman of the commission of the French Institute of Directors (IFA); Chase Manhattan Bank (now JP Morgan Chase) in New York and Paris; and Procter & Gamble in Toronto; currently also BGH Chairman
- ❁ **David Morrison** | Vice Chairman of the supervisory board, Independent Director | Experience: senior partner at Sullivan & Cromwell LLP prior to retirement; currently also BGH board member
- ❁ **Irakli Gilauri** | Director | Experience: currently BGH CEO; formerly EBRD banker; MS in banking from CASS Business School, London; BBS from University of Limerick, Ireland
- ❁ **Allan Hirst** | Independent Director | Experience: Held various senior roles over his 25 year career at Citibank, including CEO of Citibank Russia; former BGH board member for seven years
- ❁ **Ingeborg Oie** | Independent Director | Experience: Currently a VP of investor relations at Smith & Nephew plc, formerly senior research analyst covering medical technology and healthcare Services sector at Jefferies; analyst in the medtech research team at Goldman Sachs.
- ❁ **Tim Elsigood** | Independent Director | Experience: Former VP for Business Development at Capio AB and CEO of Capio UK. Extensive international healthcare management experience including time in Greece, Romania, Ukraine and Russia.
- ❁ **Mike Anderson** | Independent Director | Experience: Currently a Medical Director at Chelsea and Westminster hospital, and an Honorary Clinical Senior Lecturer of Imperial College of Science, Technology and Medicine and a member of the British Society of Gastroenterology and British Association for the Study of the Liver
- ❁ **Nikoloz Gamkrelidze** | Director, CEO at GHG | Experience: previously BGH Group CFO, CEO of Aldagi BCI and JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School

Non-BGH members

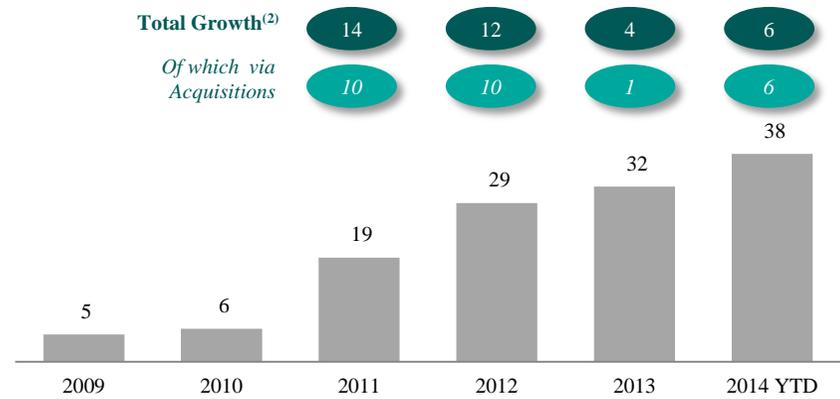
## Management

- ❁ **Nikoloz Gamkrelidze** | Director, CEO at GHG | Experience: previously BGH Group CFO, CEO of Aldagi BCI and JSC My Family Clinic; World Bank Health Development Project; Masters degree in International Health Management from Imperial College London, Tanaka Business School
- ❁ **Giorgi Mindiashvili** | CEO, EVEX; formerly CFO of JSC Insurance Company Aldagi, formerly supervisory board member of JSC My Family Clinic
- ❁ **Nutsa Koguashvili** | CEO, Imedi L; 11 years of experience in insurance, formerly deputy CEO (retail & marketing) at JSC Insurance Company Aldagi
- ❁ **Irakli Gogia** | In charge of finance and operations functions at GHG, formerly Deputy CEO at JSC Insurance Company Aldagi, CFO at Liberty Consumer, 4 years of experience at Ernst & Young and Deloitte & Touche
- ❁ **Nino Kortua** | Head of legal; 14 years experience in insurance field, formerly head of Aldagi Legal Department
- ❁ **Manana Khurtsilava** | Head of internal audit; various managerial positions within BGH Group
- ❁ **Ekaterina (Eka) Shavgulidze** | In charge of investor relations at GHG, supervisory board member at JSC Evex Medical Corporation and JSC Imedi L; formerly CEO of JSC My Family Clinic (currently Evex), associate finance director at AstraZeneca UK; MBA from Wharton School

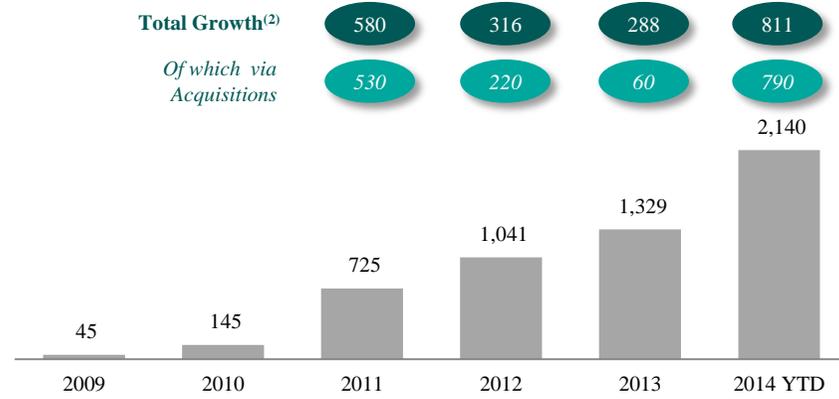
# Highly Experienced Management with Proven Track Record (1/2)

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

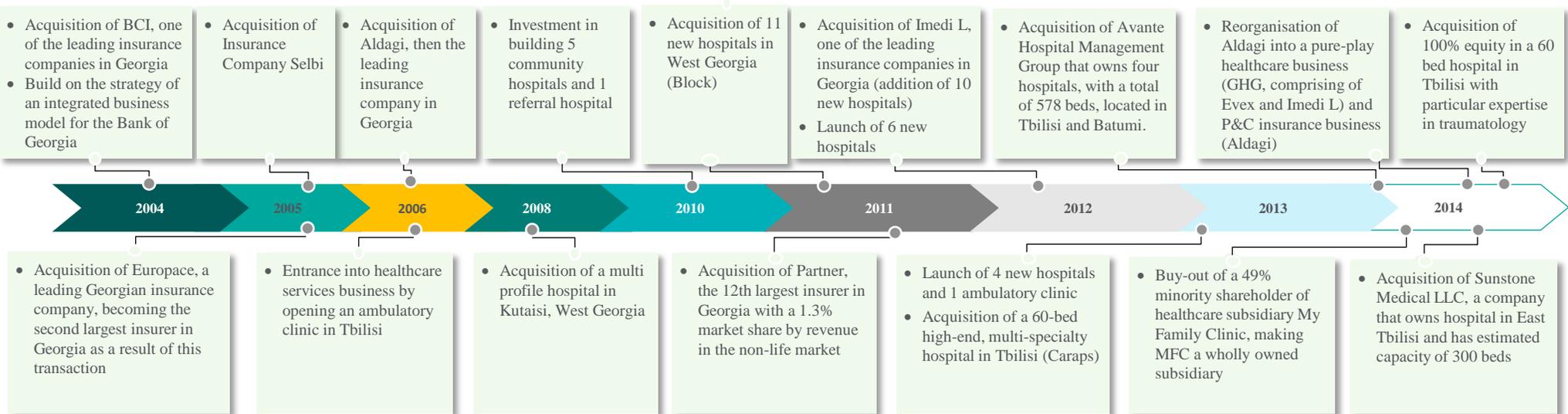
## Growth in # of Clinics<sup>(1)</sup>



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



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



Sources:  
 (1) GHG internal reporting  
 (2) Figures do not add to total number of beds (2,140) and total number of clinics (38) shown on other slides, as some of the clinics were consolidated or divested

### Recent acquisitions

**Caraps** is a 60 bed hospital specialising in plastic surgery.

**Acquisition rationale:** reaching new customer base in healthcare through Caraps high-end customer segment.

**Avante** includes 4 mono profile hospitals, operating 578 beds, that serve as a main referral for mother and child care services.

**Acquisition rationale:** Increase market share and bed capacity by acquiring the largest service providers for mother and child care in the country, employing the best qualified medical staff for these services.

**Sunstone** is a long-established general hospital in Tbilisi, rented out by previous owners and largely underutilised for several years.

**Acquisition rationale:** Attractive location and an opportunity to develop hospital with over 300 bed capacity in an untapped region, covering sizable new market with 300k population in East Tbilisi.

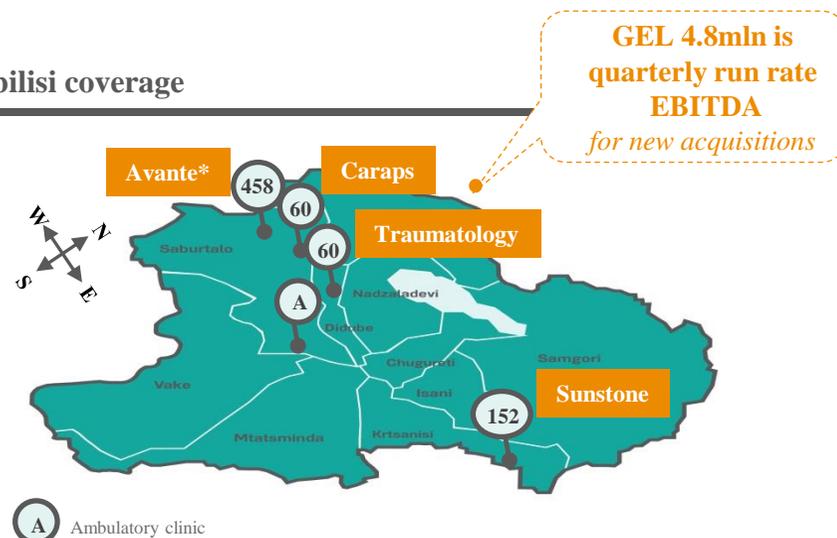
**Traumatology** is a 60 bed long established hospital, providing a wide-range of in-patient and out-patient services with particular expertise in traumatology.

**Acquisition rationale:** Increasing market share and bed capacity in Tbilisi

**Block Georgia:** a buy-out of a 49% minority shareholder of healthcare subsidiary JSC My Family Clinic (predecessor to Evex).

**Transaction rationale:** buy-out gave GHG flexibility in executing growth strategy and an opportunity to expand regional footprint through investments into development projects via My Family Clinic (MFC).

### Tbilisi coverage



(A) Ambulatory clinic

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

*GHG's strategy is focused on growing market share while consistently increasing profitability*



**Market Leader with Unique Business Model**      **Supported by Compelling Macro Themes**      **...And a Highly Experienced Management with a Proven Track Record**

- ❖ **Largest healthcare service provider in Georgia**
  - 22.5% market share<sup>(1)</sup>, more than 4x the size of the nearest competitor
  - Over 2/3 of population covered<sup>(3)</sup>
  - Operating 33 hospitals, 5 ambulatory clinics<sup>(4)</sup> and 2,140 beds<sup>(4)</sup>
- ❖ **Leading health insurance business**
  - 36.7% market share<sup>(2)</sup>, 75% larger by revenue than the nearest competitor
  - Insuring 192 thousand people<sup>(4)</sup>
- ❖ c. 8,026 full time employees, including 2,383 doctors<sup>(5)</sup>
- ❖ Currently 100% subsidiary of Bank of Georgia Holdings PLC, only entity from Georgia listed on the premium segment of the main market of the London Stock Exchange (LSE:BGEO), part of FTSE 250 index

**Increasingly favorable healthcare environment**

- Real GDP growth rate ~ 6% in 2004-2014
- 9.2% spend on healthcare services in 2012 and growing
- Favorable healthcare reform

**GHG's current position as the market leader in scale and quality**

- ❖ In-depth knowledge of the local market
- ❖ Valuable international healthcare experience
- ❖ Successful M&A track record – acquired and integrated over 20 companies in the past decade, including over 25 healthcare facilities between 2011-14<sup>(3)</sup>

Sources:  
 (1) Market share by number of beds. Source: National Center for Disease Control, data as of December 2012, updated by company to include changes before 30 September 2014  
 (2) Market share by gross revenue; Insurance State Supervision Service Agency of Georgia as of 30 September 2014  
 (3) Geostat.ge, data as of 1 January 2014  
 (4) GHG internal reporting: hospital related data as of 30 September 2014; number of insured as of 30 September 2014  
 (5) As of 30 September 2014; number of full time employees including Traumatology clinic acquired in 3Q 2014



- 1. Country overview**
- 2. Georgia's key economic drivers**
- 3. Positive economic outlook**
- 4. Georgia's disease profile**
- 5. Infrastructure reform**
- 6. 9M 2014 financial results**

- Area: 69,700 sq km
- Population (2012): 4.5 mln
- Life expectancy: 77 years
- Official language: Georgian
- Literacy: 100%
- Capital: Tbilisi
- Currency (code): Lari (GEL)
- GDP (Geostat): 2013E GEL 26.8 bn (US\$16.1bn)
- GDP growth rate 2011: 7.2%, 2012 : 6.2%, 2013E: 3.2%
- GDP growth rate Q1 2014E: 7.1%, Q2 2014E: 5.2%, Q3 2014E: 5.5% (9M 2014E 5.9%)
- Real GDP average 10 yr growth rate: 6.0%
- GDP per capita 2014F (PPP) per IMF: US\$7,665.6
- Inflation rate (e-o-p) 2013 2.4%
- External public debt to GDP 2013E: 27.0%
- Sovereign ratings:

<b>S&amp;P</b>	BB-/B/Stable, affirmed in May 2014
<b>Moody's</b>	Ba3/NP/Positive, affirmed in September 2014 with upgraded outlook
<b>Fitch</b>	BB-/B/Positive, affirmed in October 2014 with upgraded outlook



## Liberal economic policy

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

## Regional logistics and tourism hub

- ⊗ Proceeds from foreign tourism estimated at US\$1,720 mln in 2013 up 22% y-o-y, 5.4 million visitors in 2013, up 22% y-o-y; 4.2 million visitors in 9M '14, up 2% y-o-y
- ⊗ Regional energy transit corridor with approx. 1.6% of world's oil production and diversified gas supply passing through the country

## Strong FDI

- ⊗ Strong FDI inflows diversified across different sectors (2013: US\$942 mln, 2012: US\$912, 2011: US\$1,117 mln), US\$265 mln in Q1 2014 and US\$151 in Q2 2014
- ⊗ Net remittances of US\$1,322 mln in 2013, up 8% y-o-y; US\$955 mln in 9M 2014
- ⊗ FDI averaged 10% of GDP in 2003-2013

## Support from international community

- ⊗ Georgia and the EU signed an Association Agreement in June 2014 and Georgia's parliament ratified the agreement in July 2014. The deal includes a Deep and Comprehensive Free Trade Agreement (DCFTA), which is the major vehicle for Georgia's economic integration with the EU
- ⊗ Discussions commenced with the USA to drive inward investments and exports
- ⊗ Strong political support from NATO, EU, US, UN and member of WTO since 2000
- ⊗ Substantial support from DFIs, the US and EU
- ⊗ Diversified trade structure across countries and products

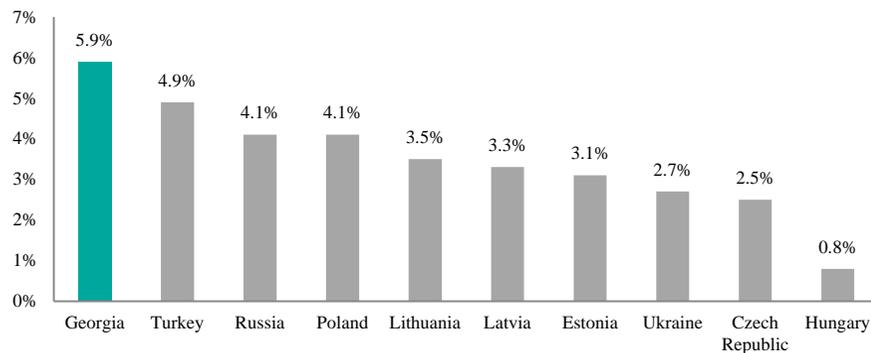
## Cheap electricity

- ⊗ Only 18% of hydropower capacity utilized; 40 hydropower stations are being built/developed
- ⊗ Net electricity exporter from 2007-2011 (net importer in 2012 and 2013 due to low precipitation), net electricity importer for more than a decade before 2007
- ⊗ Significantly boosted transmission capacity in recent years, having rehabilitated a 500kV line to Azerbaijan and built a 500/400 kV line to Turkey. Another 500 kV line to Armenia is under construction and Georgia's transmission capacity to Russia is expected to rise 1.7x to 1,480 MW by 2016 after a new 500 kV line becomes operational

## Political environment stabilised

- ⊗ Healthy operating environment for business and low tax regime
- ⊗ Parliamentary elections in 2012 led to a democratic transition of power giving victory to Georgian Dream coalition and the subsequent presidential elections in October 2013 gave victory to the candidate of the ruling Georgian Dream coalition
- ⊗ New constitution amendments passed in 2013 to enhance governing responsibility of Parliament and reduce the powers of the Presidency
- ⊗ Continued economic relationship with Russia
  - Russia began issuing visas to Georgians in March 2009; Georgia abolished visa requirements for Russians
  - Direct flights between the two countries resumed in January 2010
  - Member of WTO since 2000, allowed Russia's access to WTO
  - In 2013 trade restored with Russia

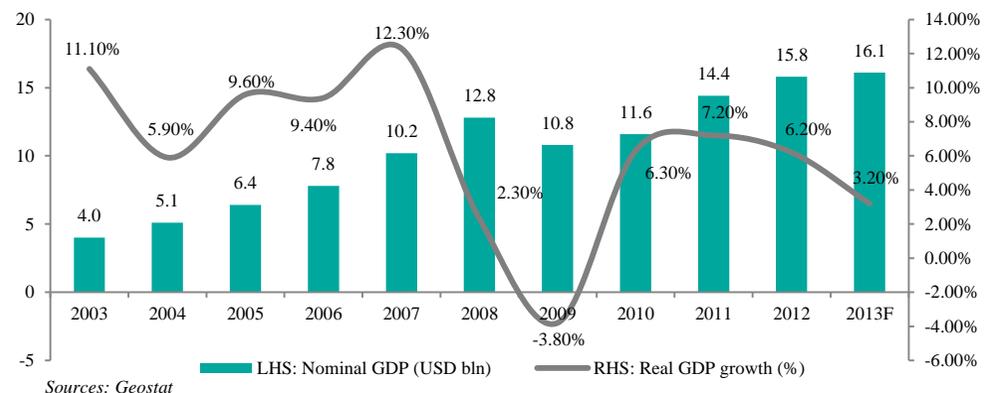
## Real GDP average growth rates, % (2004-2013)



Sources: Geostat, IMF

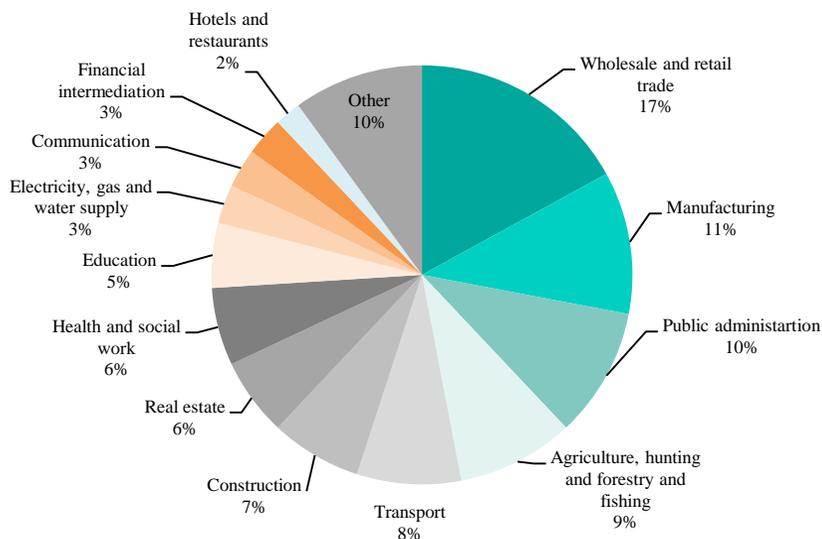
## Gross domestic product

Real GDP growth rate of 5.9% in 9M 2014



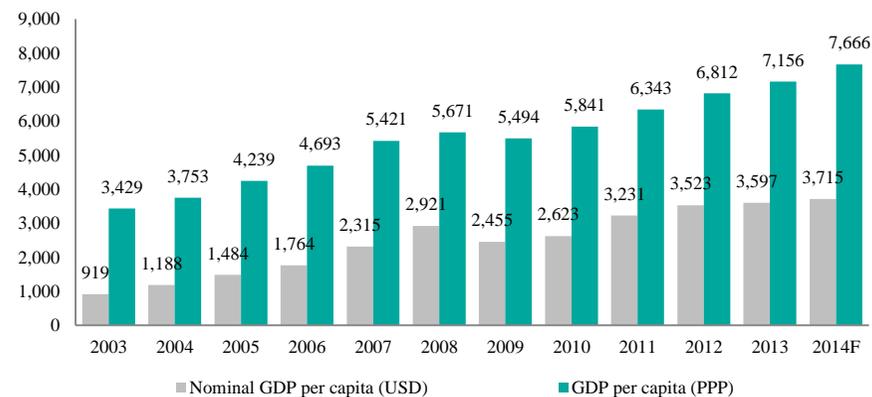
Sources: Geostat

## GDP composition, FY 2013



Sources: Geostat

## GDP per capita



Sources: IMF

## Top 10 prevalent diseases

*rate per 100,000 population, Georgia, 2012*

1 Acute upper respiratory infections	7,924	20%
2 Hypertensive diseases	5,815	15%
3 Diseases of genitourinary system	4,422	11%
4 Endocrine, nutritional and metabolic diseases	4,161	11%
5 Diseases of the eye and adnexa	3,544	9%
6 Diseases of the nervous system	3,492	9%
7 Diseases of the muscular & skeletal system	2,832	7%
8 Ischemic heart diseases	2,581	7%
9 Infectious and parasitic diseases	2,221	6%
10 Diabetes mellitus	2,060	5%

## NCDs are estimated to account for 91% of all deaths

*% share in total deaths, all ages, Georgia 2012*

1 Diseases of the circulatory system	71.0%
2 Neoplasms	12.0%
3 Injuries	3.5%
4 Endocrine, nutritional and metabolic diseases	2.5%
5 Diseases of the digestive system	2.4%
6 Diseases of the respiratory system	2.1%
7 Diseases of the nervous system	1.2%
8 Certain infectious and parasitic diseases	1.0%
9 Certain conditions originating in the perinatal period	0.9%
10 Other reasons (total of 10, none more than 0.9%)	3.4%

## Before



## After







## Income Statement

GEL thousands, unless otherwise noted	Nine months ended										
	Healthcare Services	30 Sep 2014		30 Sep 2013			Change, Y-o-Y			Consolidated Healthcare Business	
	Health Insurance	Eliminations	Consolidated Healthcare Business	Healthcare Services	Health Insurance	Eliminations	Consolidated Healthcare Business	Healthcare Services	Health Insurance	Consolidated Healthcare Business	
<b>Revenue</b>	<b>98,220</b>	<b>59,171</b>	<b>(17,481)</b>	<b>139,910</b>	<b>62,775</b>	<b>77,472</b>	<b>(25,805)</b>	<b>114,442</b>	<b>56.5%</b>	<b>-23.6%</b>	<b>22.3%</b>
<b>COGS, insurance claims expense</b>	<b>(55,815)</b>	<b>(50,271)</b>	<b>17,262</b>	<b>(88,824)</b>	<b>(36,786)</b>	<b>(64,035)</b>	<b>25,552</b>	<b>(75,269)</b>	<b>51.7%</b>	<b>-21.5%</b>	<b>18.0%</b>
<b>Gross profit</b>	<b>42,405</b>	<b>8,900</b>	<b>(219)</b>	<b>51,086</b>	<b>25,989</b>	<b>13,437</b>	<b>(253)</b>	<b>39,173</b>	<b>63.2%</b>	<b>-33.8%</b>	<b>30.4%</b>
Selling, general and administrative	(17,229)	(5,784)	219	(22,794)	(9,890)	(6,561)	253	(16,198)	74.2%	-11.8%	40.7%
Other operating income	1,318	117	-	1,435	1,507	41	-	1,548	-12.5%	185.4%	-7.3%
<b>EBITDA</b>	<b>26,494</b>	<b>3,233</b>	<b>-</b>	<b>29,727</b>	<b>17,606</b>	<b>6,917</b>	<b>-</b>	<b>24,523</b>	<b>50.5%</b>	<b>-53.3%</b>	<b>21.2%</b>
Depreciation	(5,185)	(475)	-	(5,660)	(3,766)	(442)	-	(4,208)	37.7%	7.5%	34.5%
Net interest income (expense)	(9,505)	261	-	(9,244)	(9,350)	2,096	-	(7,254)	1.7%	-87.5%	27.4%
(Losses) gains on currency exchange	(2,654)	150	-	(2,504)	(829)	(77)	-	(906)	220.1%	-294.8%	176.4%
Net non-recurring items	1,369	(31)	-	1,338	912	(119)	-	793	50.1%	-73.9%	68.7%
<b>Profit before income tax</b>	<b>10,519</b>	<b>3,138</b>	<b>-</b>	<b>13,657</b>	<b>4,573</b>	<b>8,375</b>	<b>-</b>	<b>12,948</b>	<b>130.0%</b>	<b>-62.5%</b>	<b>5.5%</b>
Income tax expense	(855)	(482)	-	(1,337)	(378)	(1,295)	-	(1,673)	126.2%	-62.8%	-20.1%
<b>Profit</b>	<b>9,664</b>	<b>2,656</b>	<b>-</b>	<b>12,320</b>	<b>4,195</b>	<b>7,080</b>	<b>-</b>	<b>11,275</b>	<b>130.4%</b>	<b>-62.5%</b>	<b>9.3%</b>
<b>Attributable to:</b>											
- shareholders of the Company	7,444	2,656	-	10,100	962	7,080	-	8,042			
- minority interest	2,220	-	-	2,220	3,233	-	-	3,233			

## Selected Balance Sheet items

GEL thousands, unless otherwise noted	Nine months ended		Change
	30 Sep 2014	31 Dec 2013	YTD
<b>Total assets, of which:</b>	<b>365,441</b>	<b>276,521</b>	<b>32.2%</b>
Premises and equipment, net	249,229	173,767	43.4%
<b>Total liabilities, of which:</b>	<b>222,808</b>	<b>176,266</b>	<b>26.4%</b>
Borrowed funds	140,413	105,242	33.4%
<b>Total shareholders' equity, of which:</b>	<b>142,633</b>	<b>100,255</b>	<b>42.3%</b>

## Revenue by business lines

<i>GEL thousands, unless otherwise noted</i>	Nine months ended		Change, <u>Y-o-Y</u>
	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>	
<b>Healthcare Business revenue</b>	<b>139,910</b>	<b>114,442</b>	<b>22.3%</b>
<b>Revenue from healthcare services rendered, of which:</b>	<b>98,220</b>	<b>62,775</b>	<b>56.5%</b>
<i>Referral and specialty hospitals</i>	82,515	41,960	96.7%
<i>Community hospitals</i>	9,388	8,534	10.0%
<i>Ambulatory clinics</i>	3,455	3,600	-4.0%
<i>Ambulance and rural primary care</i>	2,862	8,681	-67.0%
<b>Revenue from health insurance, of which:</b>	<b>59,171</b>	<b>77,472</b>	<b>-23.6%</b>
<i>Government funded health insurance products</i>	27,909	46,390	-39.8%
<i>Private health insurance products</i>	31,262	31,082	0.6%
<b>Intercompany eliminations</b>	<b>(17,481)</b>	<b>(25,805)</b>	<b>-32.3%</b>

## Revenue by sources of payment

<i>GEL thousands, unless otherwise noted</i>	Nine months ended		Change <u>Y-o-Y</u>
	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>	
Private insurance companies, of which:	26,326	35,776	-26.4%
<i>Imedi L health insurance</i>	17,262	25,552	-32.4%
Government-funded healthcare programmes	50,081	13,321	276.0%
Out-of-pocket payments by patients	23,757	14,852	60.0%
Impairment of revenues from healthcare services rendered	(1,944)	(1,174)	65.6%
<b>Total</b>	<b>98,220</b>	<b>62,775</b>	<b>56.5%</b>

## COGS and claims expenses

<i>GEL thousands, unless otherwise noted</i>	Nine months ended		Change <u>Y-o-Y</u>
	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>	
<b>Gross profit</b>	<b>51,086</b>	<b>39,173</b>	<b>30.4%</b>
<b>Healthcare Business COGS and claims expense</b>	<b>88,824</b>	<b>75,269</b>	<b>18.0%</b>
<b>COGS for healthcare services rendered, of which:</b>	<b>55,815</b>	<b>36,786</b>	<b>51.7%</b>
<i>Direct salary</i>	38,420	24,686	55.6%
<i>Materials, including medicines and medical disposables</i>	12,582	8,224	53.0%
<i>Utilities and other expenses</i>	4,813	3,876	24.2%
<b>Health insurance claims expense</b>	<b>50,271</b>	<b>64,035</b>	<b>-21.5%</b>
<b>Intercompany eliminations</b>	<b>(17,262)</b>	<b>(25,552)</b>	<b>-32.4%</b>

## SG&A expenses

<i>GEL thousands, unless otherwise noted</i>	Nine months ended		Change <u>Y-o-Y</u>
	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>	
<b>Healthcare Business SG&amp;A expenses, of which:</b>	<b>22,794</b>	<b>16,198</b>	<b>40.7%</b>
Salaries and other employee benefits	14,478	10,146	42.7%
Rent	1,268	980	29.4%
Impairment Charge	1,673	1,813	-7.7%
Marketing and advertising	805	101	697.0%
Stationery and office supplies	1,126	945	19.2%
Communications	638	468	36.3%
Other	2,806	1,745	60.8%