GEORGIA HEALTHCARE GROUP

Third Quarter and Nine-Month 2018 Results

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Georgia Healthcare Group PLC ("**GHG**" or the "**Group**" – LSE: GHG LN), announces the Group's third quarter and 9-month 2018 consolidated financial results. Unless otherwise mentioned, comparatives are for the third quarter of 2017. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted in the European Union ("**EU**"), are unaudited and extracted from management accounts.

FINANCIAL PERFORMANCE HIGHLIGHTS

GHG announces today the Group's 3Q18 and 9M18 consolidated results, reporting a nine-month profit of GEL 38.0 million (US$14.5 million/GBP 11.1 million) and earnings per share ("**EPS**") of GEL 0.19 (US$0.07 per share/GBP 0.06 per share).

GEL million; unless otherwise noted	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
GHG *– the leading integrated player in the Georgian healthcare ecosystem*						
Revenue, gross	202.9	179.1	13.3%	622.4	550.1	13.1%
EBITDA	32.7	26.1	25.4%	95.4	77.3	23.4%
Net Profit	9.7	9.7	-0.9%	38.0	34.0	12.0%
EPS, GEL	0.05	0.05	0.4%	0.19	0.17	14.7%
ROIC *(%)*	10.6%	5.3%	+5.3 ppts	10.5%	6.0%	+4.5 ppts
ROIC adjusted[1] *(%)*	14.0%	10.0%	+4.1 ppts	13.8%	11.5%	+2.3 ppts
Healthcare services business						
Revenue, gross	72.7	64.0	13.5%	223.7	197.0	13.6%
Gross profit	30.5	26.7	14.1%	94.2	82.9	13.5%
EBITDA	17.6	16.6	6.1%	55.0	51.7	6.3%
EBITDA margin *(%)*	24.3%	26.0%	-1.7 ppts	24.6%	26.3%	-1.7 ppts
Net Profit	2.2	5.9	-62.5%	11.1	21.0	-47.2%
Pharmacy and distribution business						
Revenue	123.3	106.6	15.7%	377.5	328.9	14.8%
Revenue from retail sales	91.0	78.0	16.7%	279.4	245.7	13.7%
Gross profit	32.2	26.4	22.0%	94.9	79.5	19.5%
Gross profit margin *(%)*	26.1%	24.7%	+1.3 ppts	25.1%	24.2%	+1.0 ppts
EBITDA	12.4	8.8	40.8%	37.0	26.4	39.9%
EBITDA margin *(%)*	10.1%	8.3%	+1.8 ppts	9.8%	8.0%	+1.9 ppts
Net Profit	5.2	3.6	44.2%	24.5	15.3	59.8%
Medical insurance business						
Net insurance premiums earned	14.2	14.0	2.0%	41.2	41.3	-0.2%
Loss ratio *(%)*	64.8%	80.0%	-15.1 ppts	77.0%	84.5%	-7.5 ppts
Expense ratio *(%)*	17.6%	16.7%	+0.9 ppts	16.2%	18.5%	-2.3 ppts
Combined ratio *(%)*	82.4%	96.7%	-14.3 ppts	93.1%	103.0%	-9.8 ppts
EBITDA	2.7	0.7	294.4%	3.4	(0.5)	NMF
Net Profit/ (Loss)	2.2	0.2	NMF	2.5	(2.3)	NMF

[1] Return on invested capital ("ROIC") adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase

OPERATING HIGHLIGHTS & DEVELOPMENTS

Healthcare services business

- We continue to launch new services at our referral hospitals to fill medical service gaps in Georgia. During 3Q18, we launched 10 new services such as gynaecological mini-invasive surgery and electromyography, in seven different referral hospitals. In total, we launched 18 new services in 9M18 and the process will continue throughout the year.

- The number of registered patients in Tbilisi polyclinics reached c.126,000 as of September 2018, up from c.43,000 a year ago. We plan to further grow our polyclinic business both organically and through further acquisitions and reach c.200,000 registered patients by early 2019.

- The construction of the largest laboratory in Georgia, as well as in the entire Caucasus region, is being completed and Mega Lab will become operational within a month. The multi-profile laboratory will be equipped with the most up-to-date infrastructure and high-capacity automated systems. The laboratory will cover basic as well as sophisticated tests such as: clinical microbiology, immunology, bacteriology, pathology and molecular genetics. We aim to get Joint Commission International ("JCI") accreditation for Mega Lab. In 3Q18 we spent a total of GEL 8.1 million on capital expenditures ("capex"), of which maintenance capex was GEL 2.6 million. With the opening of the Mega Lab, the Group will complete its intensive capital expenditure phase.

- Our adjusted referral hospital bed occupancy rate[2] was almost flat y-o-y at 58.5% in 3Q18 (58.7% in 3Q17).

- The average length of stay at referral hospitals[3] was 5.4 days in 3Q18, flat y-o-y.

Pharmacy and distribution business

- We opened 12 pharmacies in the first nine months of the year, bringing the country-wide network to 267 pharmacies. We have 21 pharmacies located in our hospitals and clinics.

- In 3Q18, the pharmacy and distribution business had:
  - c.2.2 million retail customer interactions per month
  - c.0.5 million loyalty card members
  - Average bill size of GEL 13.2

Medical insurance business

- The number of persons insured was approximately 158,000 as of September 2018, up from 155,000 in January 2018.
- Our medical insurance market share was 26.9% based on net insurance premium revenue, as at 30 June 2018 (27.2% as at March 31, 2018).
- Our insurance renewal rate was 76.8% in 3Q18 (71.8% in 3Q17).

[2] Adjusted to exclude the Tbilisi Referral Hospital and Regional Hospital; the calculation also excludes emergency beds
[3] Adjusted to exclude the Tbilisi Referral Hospital and Regional Hospital; the calculation also excludes emergency beds

CHIEF EXECUTIVE OFFICER's STATEMENT

In the first nine months of 2018, the Group has continued to deliver its key strategic priorities, with mid-teens revenue growth in both the healthcare services and pharmacy and distribution businesses, whilst largely completing the Group's significant three-year investment programme.

Gross revenues totalled GEL 622 million for the first nine months of the year, an increase of 13% y-o-y. EBITDA of GEL 95 million represented a 23% increase year on year, and profit before tax increased by 13% over the same period, to GEL 39 million. In the seasonally quiet third quarter of 2018, Group EBITDA totalled GEL 33 million, an increase of 25% year-on-year and 5% quarter-on-quarter.

Results were good across all three of our businesses. Our pharmacy and distribution business performed particularly well with double-digit revenue growth and EBITDA margin in excess of 10% in the third quarter. Results in the healthcare services business are consistently improving and the medical insurance business delivered a strong third quarter, with moderate revenue growth and a significant improvement in the loss ratio leading to a profit before tax of GEL 2.6 million in the quarter.

<u>Healthcare services.</u> In the first nine months, healthcare services revenue grew 14% to GEL 224 million. EBITDA increased 6% y-o-y to GEL 55 million, and the EBITDA margin was 24.6% (the EBITDA margin for referral hospitals and community clinics stood at 28.2% excluding the roll-out impact). In the two new showcase facilities of our healthcare services business, Regional Hospital and Tbilisi Referral Hospital we are seeing steep improvements in utilisation as the facilities are now both fully on line. Despite having only opened in March 2018, occupancy at our 306-bed Regional Hospital reached 22% and the hospital has already started to generate positive EBITDA in the seasonally quiet third quarter. The occupancy rate at Tbilisi Referral Hospital (fully opened in December 2017) was around 40%, whilst also becoming EBITDA positive from 1Q18. In our referral hospitals we have also continued to launch new services. This year we have already added 17 new medical services in our referral hospitals plus home care service. We are the only provider in the Georgian healthcare market to offer an organised home care service – which enables our qualified nurses to provide professional healthcare assistance at home.

Until recently, medical tourism in Georgia has been un-developed and ad-hoc. The significant recent investments in upgrading our hospital infrastructure and building our clinical and customer service quality have enabled the Group to make progress in recapturing domestic patients' business that would historically have travelled abroad for treatment. We are now increasingly starting to focus on developing medical tourism into Georgia, and our initial priority will be in post-Soviet neighbouring counties. As I discussed at the Georgia Investor Day in London last month, we already raising awareness of our medical facilities throughout the region, capturing GEL 1.7 million of inbound medical tourism revenues in the first nine months of the year. We are investing in what we are confident will become an important growth area for the healthcare services business.

Our polyclinic network has continued to expand (revenue up 19% y-o-y in the third quarter). These polyclinics now clearly stand out from their competition as new, modern facilities that provide a diverse range of high-quality services in one location. The number of registered patients in GHG's Tbilisi polyclinics has almost tripled in last 12 months and reached c.126,000 in 3Q18, from c.43,000 a year ago. Through a combination of further organic growth together with some acquisitions, we are targeting to reach c.200,000 registered patients by early 2019.

We are also finalising preparations to launch a dental treatment programme in a number of our polyclinics. We expect to launch the programme in December 2018, with dental facilities introduced in 10 polyclinics, 6 in Tbilisi and 4 in major cities in other regions. We expect this to be the beginning of another strong area of revenue growth over the next few years.

<u>Pharmacy and distribution.</u> Our pharmacy and distribution business posted record revenues of GEL 378 million, with 15% year-on-year growth supported by sales initiatives implemented across our two combined pharmacy chains. We have expanded the number of pharmacies to 267 in major cities, and plan to further expand to over 300 pharmacies over the next couple of years. Our wholesale distribution business also delivered 18% revenue growth.

The Pharma and distribution business EBITDA increased 40% year-on-year to GEL 37 million, and its EBITDA margin increased 180 basis points to 9.8% in the first nine months of the year, substantially above our targeted "more than 8%" margin. In the third quarter of 2018, the EBITDA margin exceeded 10%. The business posted 61% growth in profit before tax, totalling GEL 25 million in the first nine months of the year, reflecting a combination of strong revenue growth and improved margins, together with focused cost management.

Medical insurance. Having stabilised its earnings, following the exiting of several loss-making contracts during 2017, our medical insurance business delivered a solid performance in the seasonally strong third quarter of 2018. Quarter on quarter revenues increased by 4%, and the combined ratio improved significantly to 82.4%, compared to 96.7% in the third quarter of last year. As a result, the business delivered positive EBITDA of GEL 2.7 million in the third quarter, compared to GEL 0.7 million in the same period last year, and a profit before tax of GEL 2.6 million, compared to GEL 0.2 million last year.

Investing in human capital. We continue various training programmes for our employees to help them contribute to better business performance through personal and professional development. In 9M18 we spent a total of GEL 1.3 million on talent development programmes designated for our medical and non-medical staff. Our "GHG leadership programme" continuous to be one of the most popular leadership courses among our employees and currently 110 middle level managers are engaged in the programme to improve their leadership and managerial skills. Since the launch, 5 teams have completed the course and due to the high demand, the leadership programme will continue in 2019. In our residency programme, which improves the quality of postgraduate preparation and facilitates an increase in the number of qualified doctors in the country, currently 204 talented residents are involved. We are pleased that next year we will have the first graduates from the programme.

In total this year around 1,000 doctors completed training programmes in seven different specialties and 540 nurses in four different specialties, and these development programmes will remain a key corporate priority in the coming years.

Capex & ROIC. From a capital expenditure perspective, we have now completed all of our significant development projects except for our Mega Lab project, which will become operational this month. Accordingly, we are now focusing on improving our return on invested capital in each business which, at the Group level and adjusted to exclude the newly launched hospitals and polyclinics, was 14.0% in the third quarter of 2018, an improvement of 4.0 percentage points over the last twelve months. Improving both our return on capital and the generation of free cash flow are focal points for the Group and these objectives form an integral part of the Group's future performance objectives.

Accordingly, the board of directors is reviewing the expected cash generation of the company, risks and the implications for capital structure and the portfolio of growth opportunities available to the Group. It anticipates finalisation over the coming months of an appropriate framework for capital allocation, which we will communicate in Q1 2019.

* * *

In what remains the seasonally quiet quarter of the year, our businesses have continued to deliver on key priorities and the significant investment programme of the last few years is now beginning to be reflected in business performance. The Group's performance in the first nine months of the year has demonstrated this, and we are well positioned to continue this progress during the remainder of 2018 and beyond.

Nikoloz Gamkrelidze,

CEO of Georgia Healthcare Group PLC

DISCUSSION OF GROUP RESULTS

Georgia Healthcare Group PLC is the UK incorporated holding company of the largest integrated player in the fast-growing predominantly privately-owned Georgia Healthcare ecosystem of GEL 3.5 billion aggregated value. GHG comprises three main business lines: healthcare services business, pharmacy and distribution business and medical insurance business.

GHG is the single largest market participant in the healthcare services industry in Georgia*, accounting for 24.9% of the country's total hospital bed capacity, as of 30 September 2018. Our healthcare services business offers the most comprehensive range of inpatient and outpatient services targeting virtually all segments of the Georgian market, through its vertically integrated network of hospitals and clinics. In 3Q18 we operated:*

- *16 referral hospitals with a total of 2,825 beds, which provide secondary or tertiary level healthcare services*
- *21 community clinics with a total of 495 beds, which provide outpatient and basic inpatient healthcare services*
- *16 district polyclinics, which provide outpatient diagnostic and treatment services. Polyclinics are located in Tbilisi and major regional cities.*

GHG is the largest pharmaceuticals retailer and wholesaler in Georgia*, with a 30% market share by revenue. Our pharmacy and distribution business consists of a retail pharmacy chain and a wholesale business selling pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain operates under two separate brand names,* ***Pharmadepot*** *and* ***GPC****, with a total of 267 pharmacies, of which 21 are located within our healthcare facilities. The pharmacy and distribution business is the country's largest retailer in terms of both revenue and number of bills issued.*

GHG is also the second largest provider of medical insurance in Georgia *with a 26.9% market share based on 2Q18 net insurance premiums. Our medical insurance business consists of private medical insurance operations in Georgia. We have a wide distribution network and offer a variety of medical insurance products primarily to the Georgian corporate sector and also to retail clients. We have approximately 158,000 persons insured as of 30 September 2018. The medical insurance business plays an important role in our business model, as it is a significant feeder for our pharmacy and distribution business and healthcare services business, particularly for the polyclinics, and we believe that role will grow in the future as we roll out our polyclinic growth strategy.*

Income statement, GHG consolidated

GEL thousands; unless otherwise noted	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Revenue, gross	**202,926**	**179,065**	**13.3%**	**622,406**	**550,113**	**13.1%**
Corrections & rebates	(672)	(407)	65.1%	(2,452)	(1,690)	45.1%
Revenue, net	**202,254**	**178,658**	**13.2%**	**619,954**	**548,423**	**13.0%**
Revenue from healthcare services	72,004	63,598	13.2%	221,248	195,263	13.3%
Revenue from pharma	123,341	106,607	15.7%	377,532	328,948	14.8%
Net insurance premiums earned	14,237	13,959	2.0%	41,242	41,334	-0.2%
Eliminations	(7,328)	(5,506)	33.1%	(20,068)	(17,122)	17.2%
Costs of services	**(135,884)**	**(123,467)**	**10.1%**	**(424,731)**	**(383,460)**	**10.8%**
Cost of healthcare services	(41,549)	(36,916)	12.6%	(127,098)	(112,345)	13.1%
Cost of pharma	(91,174)	(80,237)	13.6%	(282,586)	(249,467)	13.3%
Cost of insurance services	(10,007)	(11,968)	-16.4%	(33,799)	(37,420)	-9.7%
Eliminations	6,846	5,653	21.1%	18,752	15,771	18.9%
Gross profit	**66,370**	**55,191**	**20.3%**	**195,223**	**164,963**	**18.3%**
Salaries and other employee benefits	(21,056)	(18,759)	12.2%	(62,288)	(54,911)	13.4%
General and administrative expenses	(13,233)	(11,600)	14.1%	(39,435)	(36,352)	8.5%
Impairment of receivables	(1,034)	(918)	12.6%	(3,435)	(3,042)	12.9%
Other operating income	1,691	2,200	-23.1%	5,304	6,611	-19.8%
EBITDA	**32,738**	**26,114**	**25.4%**	**95,369**	**77,269**	**23.4%**
Depreciation and amortisation	(8,687)	(6,384)	36.1%	(25,249)	(18,737)	34.8%
Net interest expense	(10,377)	(7,691)	34.9%	(28,527)	(22,638)	26.0%
Net gains/(losses) from foreign currencies	(3,579)	(1,336)	167.9%	(1,329)	2,428	NMF
Net non-recurring income/(expense)	(52)	(872)	-94.0%	(1,714)	(4,142)	-58.6%
Profit before income tax expense	**10,043**	**9,831**	**2.2%**	**38,550**	**34,180**	**12.8%**
Income tax benefit/(expense)	(388)	(92)	321.7%	(505)	(199)	153.8%
Profit for the period	**9,655**	**9,739**	**-0.9%**	**38,045**	**33,981**	**12.0%**
Attributable to:						
- shareholders of the Company	6,320	6,261	0.9%	24,509	21,265	15.3%
- non-controlling interests	3,335	3,478	-4.1%	13,536	12,716	6.4%

Gross Revenue. Quarterly and 9-month revenue were both up double digits y-o-y. In both periods revenue growth was driven by double-digit growth in both the pharmacy and distribution and healthcare services businesses.

In 9M18, 59% of our revenues came from the pharmacy and distribution business, 34% from the healthcare services business, and the remaining 7% from the medical insurance business. By payor mix, 54% of Group's total revenue was from out-of-pocket payments[4]; 24% from Universal Healthcare Programme ("**UHC**") payments; and 22% from other sources.

Gross Profit. We delivered increasing gross profit up 20.3% y-o-y in 3Q18 and 18.3% y-o-y in 9M18. The Group's gross margin improved y-o-y in 3Q18 and in 9M18, up 190 bps and 140 bps respectively. The pharmacy and distribution business contributed to both periods' growth, partly as a result of successful ongoing negotiations with manufacturers, GHG is by far the largest purchaser of pharmaceuticals in the country. The healthcare services business gross margin was well controlled in 9M18 in the range of 42%, despite the impact of the flagship hospital roll-out costs and the Government's changes to the UHC in May 2017. The healthcare services gross margin improved in 3Q18 by 20 bps y-o-y. This was achieved by the monthly progress made by our newly opened facilities towards its ramp-up phase as well as continuous implementation of cost improvement measures across the healthcare facilities, that resulted in decreased salary and materials rate. The medical insurance business continues to successfully improve its performance, further decreasing its loss ratio from 80.0% in 3Q17 to 64.8% in 3Q18 and from 84.5% in 9M17 to 77.0% in 9M18.

EBITDA. EBITDA was up y-o-y 25.4% in 3Q18 and 23.4% in 9M18. The healthcare services business was the main contributor to the Group's 3Q18 EBITDA, contributing 54% in total, with a 24.3% EBITDA margin. The next largest contributor was the pharmacy and distribution business with 38% share, while posting its record EBITDA margin – 10.1%. Our medical insurance business contributed 8% to the Group's 3Q18 EBITDA.

Depreciation and amortisation. This year's depreciation and amortisation expense now fully reflects the Group's recent investment in sizeable development projects in our healthcare business. Depreciation expense remained broadly flat q-o-q, down 1.8%.

Net interest expense. The y-o-y increase in net interest expense was in line with the increased balance of borrowed funds to finance planned capital expenditure. The q-o-q increase in net interest expense, up 8.2%, is a result of slight increase in average balance of borrowed funds. The pharmacy and distribution business sourced local currency denominated borrowing, of GEL 20 million, to repay part of its foreign currency denominated payables, due to the expected GEL devaluation. Borrowed funds were slightly up, 2.6% q-o-q, in the healthcare services business to finance the finalisation works of the Mega Laboratory ("**Mega Lab**"), the only large project remaining in the Group's capital expenditure pipeline, the completion and launch of which is planned this month. Starting from 2019 we expect the Group's leverage to decrease gradually in line with the debt principal repayment schedule, reducing interest expense respectively.

Loss from foreign currencies: About 70% of inventory purchases in the pharmacy and distribution business are denominated in foreign currency: c.40% in EUR and c.30% in USD. In 3Q18, local currency devalued by more than 6% against USD and EUR, mainly coming from Turkey and due to some other external factors, which resulted in an increased quarterly FX loss from revaluation of accounts payable balances.

Profit. Profit was down 0.9% y-o-y in 3Q18 and up 12.0% y-o-y for 9M18. The pharmacy and distribution business was the main driver of the 3Q18 Group profit, contributing GEL 5.2 million, followed by the healthcare services and the medical insurance businesses, each contributing GEL 2.2 million.

[4] Includes: healthcare services out-of-pocket revenue, pharma and medical insurance businesses' revenue from retail

Selected balance sheet items, GHG consolidated

GEL thousands; unless otherwise noted	**30-Sep-18**	**31-Jun-18**	**Change, Q-o-Q**
Total assets, of which:	**1,201,050**	**1,180,979**	**1.7%**
Cash and bank deposits	31,900	26,695	19.5%
Receivables from healthcare services	112,438	107,608	4.5%
Receivables from sale of pharmaceuticals	20,737	18,844	10.0%
Insurance premiums receivable	30,061	31,271	-3.9%
Property and equipment	685,750	681,667	0.6%
Goodwill and other intangible assets	150,362	147,520	1.9%
Inventory	115,664	114,182	1.3%
Prepayments	21,162	21,843	-3.1%
Other assets	32,976	31,349	5.2%
Total liabilities, of which:	**637,087**	**622,869**	**2.3%**
Borrowed funds	384,684	363,361	5.9%
Accounts payable	76,809	83,307	-7.8%
Insurance contract liabilities	31,276	31,228	0.2%
Other liabilities	144,318	144,973	-0.5%
Total shareholders' equity attributable to:	**563,963**	**558,110**	**1.0%**
Shareholders of the Company	*498,704*	*491,189*	*1.5%*
Non-controlling interest	*65,258*	*66,921*	*-2.5%*

Our asset base has grown substantially over the last few years, reaching GEL 1.2 billion as of 30 September 2018. It reflects investment in the renovation of hospitals, elective care services and new polyclinic roll-outs.

Our balance sheet remained flat q-o-q. The slight increase in the balance of borrowed funds is explained earlier in this report, on page 8.

Going forward our focus remains on the successful roll-out of newly launched hospitals and services, improving return on invested capital through improved quality, productivity and better utilisation of our people and facilities. We will also capture more of the value of synergies across the Group.

DISCUSSION OF SEGMENT RESULTS

The segment results discussion is presented for the healthcare services, pharmacy and distribution, and medical insurance businesses.

Discussion of Healthcare Services Business Results

Income Statement, healthcare services business

GEL thousands; unless otherwise noted	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Healthcare service revenue, gross	**72,676**	**64,005**	**13.5%**	**223,700**	**196,953**	**13.6%**
Corrections & rebates	(672)	(407)	65.1%	(2,452)	(1,690)	45.1%
Healthcare services revenue, net	**72,004**	**63,598**	**13.2%**	**221,248**	**195,263**	**13.3%**
Costs of healthcare services	**(41,549)**	**(36,916)**	**12.6%**	**(127,098)**	**(112,345)**	**13.1%**
Gross profit	**30,455**	**26,682**	**14.1%**	**94,150**	**82,918**	**13.5%**
Salaries and other employee benefits	(8,807)	(7,881)	11.7%	(26,254)	(23,056)	13.9%
General and administrative expenses	(4,252)	(4,071)	4.4%	(13,427)	(12,307)	9.1%
Impairment of receivables	(1,052)	(979)	7.5%	(3,553)	(2,992)	18.8%
Other operating income	1,290	2,865	-55.0%	4,072	7,167	-43.2%
EBITDA	**17,634**	**16,616**	**6.1%**	**54,988**	**51,730**	**6.3%**
EBITDA margin	***24.3%***	***26.0%***		***24.6%***	***26.3%***	
Depreciation and amortisation	(7,903)	(5,691)	38.9%	(22,950)	(16,404)	39.9%
Net interest income (expense)	(7,382)	(4,474)	65.0%	(19,892)	(13,025)	52.7%
Net gains/(losses) from foreign currencies	(154)	(209)	-26.3%	(121)	1,604	NMF
Net non-recurring income/(expense)	-	(381)	NMF	(877)	(2,912)	-69.9%
Profit before income tax expense	**2,195**	**5,861**	**-62.5%**	**11,148**	**20,993**	**-46.9%**
Income tax benefit/(expense)	-	-	-	(73)	(11)	NMF
Profit for the period	**2,195**	**5,861**	**-62.5%**	**11,075**	**20,982**	**-47.2%**
Attributable to:						
- shareholders of the Company	1,603	4,965	-67.7%	8,314	16,365	-49.2%
- non-controlling interests	592	896	-33.9%	2,761	4,617	-40.2%

Revenue, healthcare services business

We enjoyed double digit growth in y-o-y both for the nine months and for Q3. The following discussion analyses revenue growth by type of healthcare facility and source of payment.

Revenue by types of healthcare facilities

(GEL thousands, unless otherwise noted)	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Healthcare services revenue, net	**72,004**	**63,598**	**13.2%**	**221,248**	**195,263**	**13.3%**
Referral hospitals	61,151	53,604	14.1%	187,800	167,408	12.2%
Clinics:	10,853	9,994	8.6%	33,448	27,855	20.1%
Community	6,026	*5,943*	*1.4%*	*18,236*	*16,480*	*10.7%*
Polyclinics	4,826	*4,051*	*19.1%*	*15,212*	*11,375*	*33.7%*

In 3Q18, **referral hospitals** contributed 85% of the total revenue from our healthcare services. The y-o-y revenue growth in referral hospitals is mainly a result of a successful ramp-up of the newly launched hospitals. Apart from the contribution from our newly-opened hospitals, the y-o-y revenue increase is attributable to the demand for current services at our existing facilities where we are continuously adding new services.

We continue to focus on the successful roll out of the newly launched Regional Hospital and Tbilisi Referral Hospital.

Tbilisi Referral Hospital **–** opened in April 2017 with newly renovated 220 beds. In December 2017 additional capacity – 112 beds - was added and the hospital was fully launched. The hospital's occupancy rate stands at around 40%.

Revenue dynamics of Tbilisi Referral Hospital

GEL millions	**3Q18**	**2Q18**	**1Q18**
Gross Revenue	4.1	4.1	3.7
Change Q-o-Q	*-0.6%*	*10.6%*	

3Q18 was flat q-o-q due to the seasonally quiet third quarter in healthcare services business. The hospital has started to generate positive EBITDA since 1Q18.

Regional Hospital **–** the diagnostic part opened in 3Q16 and inpatient part in March 2018. The hospital operates with 306 beds and the occupancy stood at 22% in 3Q18, after six months of its opening.

Revenue dynamics of Regional Hospital

GEL millions	**3Q18**	**2Q18**	**1Q18**
Gross Revenue	6.1	5.3	1.2
Q-o-Q change%	*15.6%*	*340.9%*	

The hospital achieved a 15.6% q-o-q revenue increase despite the unfavourable seasonality. In line with our plan, more than 65% of its revenue comes from elective care services and more than 45% of revenue is paid out-of-pocket. In 3Q18 the hospital began to generate positive EBITDA.

In 3Q18, **clinics** contributed 15% of the total revenue from healthcare services, out of which 7% came from polyclinics and 8% from community clinics.

The growth in revenue from polyclinics in 3Q18 (up 19.1% y-o-y) as well as in 9M18 (up 33.7% y-o-y) has been driven by our ongoing expansion strategy, we have added three new polyclinics in the last 12 months, to consolidate our position as the largest player in the highly fragmented outpatient market in Georgia. The number of registered patients also increased and reached c.126,000 in 3Q18 (up from c.43,000 in 3Q17) further supporting revenue growth.

The y-o-y increase in revenue from community clinics was mainly organic. These clinics play a feeder role for the referral hospitals, so we expect their revenue growth to be slower going forward compared to the growth of referral hospital revenue.

Revenue by sources of payment

(GEL thousands, unless otherwise noted)	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Healthcare services revenue, net	**72,004**	**63,598**	**13.2%**	**221,248**	**195,263**	**13.3%**
Government-funded healthcare programmes	48,084	42,535	13.0%	147,058	131,893	11.5%
Out-of-pocket payments by patients	19,200	16,461	16.6%	57,826	47,817	20.9%
Private medical insurance companies, *of which*	4,720	4,602	2.6%	16,364	15,553	5.2%
GHG medical insurance	2,403	*2,133*	*12.7%*	*7,864*	*7,536*	*4.4%*

All payment sources contributed to our revenue growth. Government-funded healthcare programmes increased y-o-y as well as q-o-q and it remains the main contributor to our healthcare services revenues. Notwithstanding this, in line with our strategy, the share of Government financing in the healthcare services business revenue decreased to 66.5% in 9M18 from 67.5% in 9M17.

The goal to diversify our earnings is furthered by growing out-of-pocket payments by patients (up 16.6% y-o-y in 3Q18 and up 20.9% y-o-y in 9M18). This is driven both by growth in the number of elective services we provide in our hospitals as well as by the enhanced footprint of our polyclinics, which are partially or fully funded out of pocket. The recent launch of Regional Hospital (the main focus of which is on providing a higher level of elective care services) and the continued expansion of our polyclinics business will continue to increase the share of out-of-pocket revenue in the overall mix.

Gross profit, healthcare services business

(GEL thousands, unless otherwise noted)	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Cost of healthcare services	**(41,549)**	**(36,916)**	**12.6%**	**(127,098)**	**(112,345)**	**13.1%**
Cost of salaries and other employee benefits	(26,734)	(23,777)	12.4%	(80,293)	(71,215)	12.7%
Cost of materials and supplies	(10,819)	(9,817)	10.2%	(34,368)	(30,524)	12.6%
Cost of medical service providers	(894)	(651)	37.3%	(2,435)	(1,457)	67.1%
Cost of utilities and other	(3,102)	(2,671)	16.1%	(10,002)	(9,149)	9.3%
Gross profit	**30,455**	**26,682**	**14.1%**	**94,150**	**82,918**	**13.5%**
Gross margin	***41.9%***	***41.7%***		***42.1%***	***42.1%***	
Cost of healthcare services as % of revenue						
Direct salary rate	36.8%	37.1%		35.9%	36.2%	
Materials rate	14.9%	15.3%		15.4%	15.5%	

The recent launches of hospitals naturally increased our cost base. Despite the fact that some healthcare facilities are in their early roll-out phase, as a result of focused efficiency initiatives, the healthcare services cost growth rate favourably lagged behind the respective revenue growth. Both the direct salary rate and the materials rate were down 30 bps and down 40 bps in 3Q18, respectively.

As we continue our focus to drive efficiencies across our healthcare facilities and improve our margins, we expect the direct salary rate to improve further as we complete the ramp-up phase of the newly launched healthcare facilities and services.

EBITDA, healthcare services business

(GEL thousands, unless otherwise noted)	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Operating expenses	**(12,821)**	**(10,066)**	**27.4%**	**(39,162)**	**(31,188)**	**25.6%**
Salaries and other employee benefits	(8,807)	(7,881)	11.7%	(26,254)	(23,056)	13.9%
General and administrative expenses	(4,252)	(4,071)	4.4%	(13,427)	(12,307)	9.1%
Impairment of receivables	(1,052)	(979)	7.5%	(3,553)	(2,992)	18.8%
Other operating income	1,290	2,865	-55.0%	4,072	7,167	-43.2%
EBITDA	**17,634**	**16,616**	**6.1%**	**54,988**	**51,730**	**6.3%**
EBITDA margin	***24.3%***	***26.0%***		***24.6%***	***26.3%***	

Excluding other operating income, the healthcare services business had positive operating leverage y-o-y, which is a result of cost control measures introduced in 2018. Going forward we expect further optimisation of our expenses.

The decrease in other operating income reflects the accounting impact of the call option on the pharmacy and distribution business' minority share acquisition in 2017.

As noted above, the healthy increases in quarterly and nine months EBITDA partly reflect the EBITDA contributions of our two new flagship hospitals and polyclinics. Margins, however, were lower mainly due to the roll-out of these facilities. Another reason for the margin reduction is the Government's UHC changes which reduced our revenue from May 2017 and that have full effect in 2018. The EBITDA margin for referral hospitals and community clinics was 25.3% in 3Q18 (26.9% in 3Q17) and 25.5% in 9M18 (27.0% in 9M17). Excluding the dilutive effect of roll-outs, the EBITDA margin was 27.8% in 3Q18 and 28.2% in 9M18. The EBITDA margin of our polyclinics, due to the roll-outs and seasonality, was 9.6% in 3Q18. Despite the weak seasonal 3Q compared to preceding quarter, the healthcare services EBITDA margin remained flat q-o-q due to the progress made by the newly launched hospitals. The referral hospitals and community clinics EBITDA margin was up 40 bps q-o-q, from 24.9% in 2Q18 to 25.3% in 3Q18.

With the gradual ramp-up of the newly opened healthcare facilities we expect the healthcare services EBITDA margin to improve over the next few quarters.

Profit for the period, healthcare services business

(GEL thousands, unless otherwise noted)	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Depreciation and amortisation	(7,903)	(5,691)	38.9%	(22,950)	(16,404)	39.9%
Net interest income (expense)	(7,382)	(4,474)	65.0%	(19,892)	(13,025)	52.7%
Net gains/(losses) from foreign currencies	(154)	(209)	-26.3%	(121)	1,604	NMF
Net non-recurring income/(expense)	-	(381)	NMF	(877)	(2,912)	-69.9%
Profit before income tax expense	**2,195**	**5,861**	**-62.5%**	**11,148**	**20,993**	**-46.9%**
Income tax benefit/(expense)	-	-	-	(73)	(11)	NMF
Profit for the period	**2,195**	**5,861**	**-62.5%**	**11,075**	**20,982**	**-47.2%**

The accounting impact on the Group's depreciation and amortisation expense from these investments, since the launch of Regional Hospital (March 2018), is now fully reflected in our results. Going forward we expect only modest increases in depreciation and amortisation reflecting the completion of our Mega Lab and smaller investments in new equipment mainly in connection with the roll-out of new services.

The increase in net interest expense reflects the increase in our total borrowing balance to finance planned capital expenditure. Interest expense is expected to decline over the next few years, as we reduce our debt balance.

Discussion of Pharmacy and Distribution Business Results

Income Statement, pharmacy and distribution business

GEL thousands; unless otherwise noted	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Pharma revenue	**123,341**	**106,607**	**15.7%**	**377,532**	**328,948**	**14.8%**
Costs of pharma	**(91,174)**	**(80,237)**	**13.6%**	**(282,586)**	**(249,467)**	**13.3%**
Gross profit	**32,167**	**26,370**	**22.0%**	**94,946**	**79,481**	**19.5%**
Salaries and other employee benefits	(11,234)	(10,350)	8.5%	(33,727)	(29,650)	13.8%
General and administrative expenses	(8,681)	(7,192)	20.7%	(25,404)	(23,183)	9.6%
Impairment of receivables	(2)	92	NMF	(27)	(39)	-30.8%
Other operating income	168	(103)	NMF	1,191	(185)	NMF
EBITDA	**12,418**	**8,817**	**40.8%**	**36,979**	**26,424**	**39.9%**
EBITDA margin	***10.1%***	***8.3%***		***9.8%***	***8.0%***	
Depreciation and amortisation	(600)	(475)	26.3%	(1,724)	(1,651)	4.4%
Net interest income (expense)	(3,036)	(3,015)	0.7%	(8,551)	(8,995)	-4.9%
Net gains/(losses) from foreign currencies	(3,487)	(1,109)	214.4%	(1,358)	806	NMF
Net non-recurring income/(expense)	(52)	(489)	-89.4%	(837)	(1,371)	-38.9%
Profit before income tax expense	**5,243**	**3,729**	**40.6%**	**24,509**	**15,213**	**61.1%**
Income tax benefit/(expense)	-	(92)	NMF	-	122	NMF
Profit for the period	**5,243**	**3,637**	**44.2%**	**24,509**	**15,335**	**59.8%**

Revenue and gross profit, pharmacy and distribution business

We enjoyed strong revenue growth in both our retail and distribution businesses as shown in the table below.

Revenue by types at Pharma

(GEL thousands, unless otherwise noted)	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Pharmacy and distribution revenue	**123,341**	**106,607**	**15.7%**	**377,532**	**328,948**	**14.8%**
Revenue from Retail	91,002	78,010	16.7%	279,391	245,712	13.7%
Revenue from Distribution	32,339	28,597	13.1%	98,141	83,236	17.9%
Pharma business revenue from Retail % of total revenue	*73.8%*	*73.2%*		*74.0%*	*74.7%*	

The increase in y-o-y revenues from retail is attributable to the expansion and organic sales growth of the business. Over the last year we have added 17 new pharmacies in our chain and the number of pharmacies as of September 2018 reached 267. Due to active marketing campaigns, promotions and other sales initiatives that our business has continued to implement throughout the year, the business posted strong y-o-y same-store growth, 10.1% in 3Q18 and 8.5% in 9M18. As a result, the number of number of bills issued in our pharmacies increased by 8.1% in 3Q18 and by 6.6% in 9M18, y-o-y. Average bill size remains at GEL 13.2. The share of para-pharmacy sales in retail revenue stood at 32.2% in 3Q18 and 30.3% in 9M18.

Acquiring new corporate accounts and actively engaging in state programmes have resulted in the growth of revenue from distribution (up 13.1% in 3Q18 y-o-y and up 17.9% in 9M18, y-o-y).

Gross profit in the pharmacy and distribution business improved y-o-y as the business continues to extract procurement synergies through ongoing negotiations with manufacturers for price discounts. Quarterly costs of pharma also slightly benefited from realising previously purchased inventory at a lower foreign currency exchange rate. Though increased FX rates in 3Q18 increased our payable balances for these inventories, resulted in loss from foreign currencies in the same period.

Our gross profit margins also benefit from the increased sales of private label products. Currently, 36 private label medicines are presented in our pharmacies, with revenue contribution of GEL 3.4 million in 9M18, up 21% y-o-y. Within several months, private label personal care products will also be introduced in our pharmacies under the brand name “Attirance”. It will include wide range of personal care products and will further enhance our position as the market leader in this segment.

As a result of the above, our gross profit margin has improved to 26.1% in 3Q18 (up 140 bps y-o-y) and to 25.1% in 9M18 (up 90 bps y-o-y).

EBITDA, pharmacy and distribution business

(GEL thousands, unless otherwise noted)	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Operating expenses	**(19,749)**	**(17,553)**	**12.5%**	**(57,967)**	**(53,057)**	**9.3%**
Salaries and other employee benefits	(11,234)	(10,350)	8.5%	(33,727)	(29,650)	13.8%
General and administrative expenses	(8,681)	(7,192)	20.7%	(25,404)	(23,183)	9.6%
Impairment of receivables	(2)	92	NMF	(27)	(39)	-30.8%
Other operating income	168	(103)	NMF	1,191	(185)	NMF
EBITDA	**12,418**	**8,817**	**40.8%**	**36,979**	**26,424**	**39.9%**
EBITDA margin	***10.1%***	***8.3%***		***9.8%***	***8.0%***	

The business posted y-o-y positive operating leverage of 9.5 ppts and 10.2 ppts in 3Q18 and in 9M18, respectively.

Salaries and other employee benefits favourably lagged behind revenue growth. The increase in general and administrative expenses in 3Q18 is mainly attributable to marketing activities to support revenue in the seasonally quiet 3Q.

Our quarterly and 9M18 EBITDA margins, both substantially exceeded our “more than 8%” medium term target.

Profit for the period, pharmacy and distribution business

(GEL thousands, unless otherwise noted)	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Depreciation and amortisation	(600)	(475)	26.3%	(1,724)	(1,651)	4.4%
Net interest income (expense)	(3,036)	(3,015)	0.7%	(8,551)	(8,995)	-4.9%
Net gains/(losses) from foreign currencies	(3,487)	(1,109)	214.4%	(1,358)	806	NMF
Net non-recurring income/(expense)	(52)	(489)	-89.4%	(837)	(1,371)	-38.9%
Profit before income tax expense	**5,243**	**3,729**	**40.6%**	**24,509**	**15,213**	**61.1%**
Income tax benefit/(expense)	-	(92)	NMF	-	122	NMF
Profit for the period	**5,243**	**3,637**	**44.2%**	**24,509**	**15,335**	**59.8%**

In 9M18 interest expense included GEL 0.9 million on the mark to market of the Pharmadepot put option, compared to GEL 1.4 million in 9M17, which is a non-cash expense. The q-o-q increase in interest expense is due to obtaining a new loan, explained in more detail on page 8.

The foreign currency loss reflects the increase in the GEL value of US Dollar and EUR denominated payables to suppliers due to the depreciation of GEL in 3Q18, also explained in more details on page 8.

Discussion of Medical Insurance Business Results

Income Statement, medical insurance business

GEL thousands; unless otherwise noted	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Net insurance premiums earned	**14,237**	**13,959**	**2.0%**	**41,242**	**41,334**	**-0.2%**
Cost of insurance services	**(10,007)**	**(11,968)**	**-16.4%**	**(33,799)**	**(37,420)**	**-9.7%**
Gross profit	**4,230**	**1,991**	**112.5%**	**7,443**	**3,914**	**90.2%**
Salaries and other employee benefits	(1,375)	(834)	64.9%	(3,221)	(2,854)	12.9%
General and administrative expenses	(342)	(369)	-7.3%	(1,024)	(1,242)	-17.6%
Impairment of receivables	(100)	(138)	-27.5%	(259)	(368)	-29.6%
Other operating income	273	31	NMF	463	6	NMF
EBITDA	**2,686**	**681**	**294.4%**	**3,402**	**(544)**	**NMF**
EBITDA margin	***18.9%***	***4.9%***		***8.2%***	***-1.3%***	
Depreciation and amortisation	(184)	(219)	-16.0%	(575)	(683)	-15.8%
Net interest income/ (expense)	41	(202)	NMF	(84)	(618)	-86.4%
Net gains/(losses) from foreign currencies	62	(18)	NMF	150	18	NMF
Net non-recurring income/(expense)	-	(2)	NMF	-	(200)	NMF
Profit before income tax expense	**2,605**	**240**	**NMF**	**2,893**	**(2,027)**	**NMF**
Income tax benefit/(expense)	(388)	-	NMF	(432)	(310)	39.4%
Profit / (Loss) for the period	**2,217**	**240**	**NMF**	**2,461**	**(2,337)**	**NMF**

A seasonally strong third quarter for medical insurance business combined with the positive effect of the recently repriced portfolio, resulted in a strong 3Q18. Negotiating better terms with healthcare services providers and pharmacies, further contributed in business' solid performance. The result was a solid contribution both to Group EBITDA and profit.

Revenue, Medical insurance business

After changes implemented since 2Q17 to adjust prices or terminate contracts that had become loss-making as a result of changes implemented by the Government in UHC, the business started to attract new clients with adjusted pricing, that resulted in quarterly y-o-y and q-o-q revenue growth.

Gross profit, medical insurance business

(GEL thousands, unless otherwise noted)	3Q18	3Q17	Change, Y-o-Y	9M18	9M17	Change, Y-o-Y
Cost of insurance services	**(10,007)**	**(11,968)**	**-16.4%**	**(33,799)**	**(37,420)**	**-9.7%**
Net insurance claims incurred	(9,229)	(11,162)	-17.3%	(31,741)	(34,910)	-9.1%
Agents, brokers and employee commissions	(778)	(806)	-3.5%	(2,058)	(2,510)	-18.0%
Gross profit	**4,230**	**1,991**	112.5%	**7,443**	**3,914**	90.2%
Loss ratio	**64.8%**	**80.0%**		**77.0%**	**84.5%**	

In 3Q18 the loss ratio reduced to 64.8%, down 15.2 ppts y-o-y. The loss ratio in 9M18 also stood below our targeted level (c.80%), down 7.5 ppts y-o-y.

Our insurance business plays a feeder role in originating and directing patients to our healthcare facilities, mainly to polyclinics and to pharmacies. In 3Q18, our medical insurance claims expense was GEL 9.2 million, of which GEL 3.6 million (38.5% of total) was inpatient, GEL 3.6 million (39.5% of total) was outpatient and GEL 2.0 million (22.0% of total) accounted for drugs. In 3Q18, GEL 3.7 million, or 39.8% (35.2% in 3Q17) of our total medical insurance claims were retained within the Group, of which GEL 2.4 million and GEL 1.3 million were retained in the healthcare services and pharmacy and distribution businesses, respectively. The feeder role of our medical insurance business is particularly important for the Group's outpatient services. In 3Q18, GEL 1.5 million, or 39.8% (32.6% in 3Q17), of our medical insurance claims on outpatient services were retained within the Group.

Due to the new flagship hospital launches in Tbilisi, where our medical insurance business has the highest concentration of its insured clients, more of our medical insurance customers will be utilising our inpatient services. At the same time, with our polyclinics expansion strategy, we expect the retention rate to improve further in the future, on a larger base, providing a significant revenue boost for our healthcare services business. Our facilities are increasingly favoured by these customers over competitor facilities due to the quality and convenience of our service, access to one-stop-shop style polyclinics and the ease of claim reimbursement procedures.

EBITDA and profit, medical insurance business

(GEL thousands, unless otherwise noted)	**3Q18**	**3Q17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**
Operating expenses	**(1,544)**	**(1,310)**	**17.9%**	**(4,041)**	**(4,458)**	**-9.4%**
Salaries and other employee benefits	(1,375)	(834)	64.9%	(3,221)	(2,854)	12.9%
General and administrative expenses	(342)	(369)	-7.3%	(1,024)	(1,242)	-17.6%
Impairment of receivables	(100)	(138)	-27.5%	(259)	(368)	-29.6%
Other operating income	273	31	NMF	463	6	NMF
EBITDA	**2,686**	**681**	**294.4%**	**3,402**	**(544)**	**NMF**
Expense ratio	**17.6%**	**16.7%**		**16.2%**	**18.5%**	
Combined ratio	**82.4%**	**96.7%**		**93.1%**	**103.0%**	

The increase in salaries and other employee benefits is related to staff bonuses for delivering business strategic priorities and outstanding performance.

Optimisation of operating expenses drove general and administrative expenses down y-o-y both in 3Q18 and 9M18.

In line with our strategy to create new revenue sources, the medical insurance business began participating in the Compulsory Motor Third Party Liability Insurance Programme, effective in the country from 1 March 2018. The profit from this is shown in other operating income.

As a result, the expense ratio was up 90 bps in 3Q18 y-o-y, while it improved in 9M18 by 230 bps y-o-y. Consequently, the y-o-y combined ratio was down 14.3 ppts in 3Q18 and 9.9 ppts in 9M18.

After refinancing a foreign currency denominated loan by sourcing less expensive funding from a local commercial bank, and due to efficient allocation of cash resources, our medical insurance business posted net interest income in 3Q18.

SELECTED FINANCIAL INFORMATION

Income Statement, *YTD*	**Healthcare services**			**Pharma**			**Medical insurance**			**Eliminations**		**GHG**		
GEL thousands; unless otherwise noted	**9M18**	**9M17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**	**9M18**	**9M17**	**Change, Y-o-Y**	**9M18**	**9M18**	**9M18**	**9M17**	**Change, Y-o-Y**
Revenue, gross	**223,700**	**196,953**	**13.6%**	**377,532**	**328,948**	**14.8%**	***41,242***	***41,334***	***-0.2%***	**(20,068)**	**(17,122)**	**622,406**	**550,113**	**13.1%**
Corrections & rebates	(2,452)	(1,690)	45.1%	-	-	-	-	-	-	-	-	(2,452)	(1,690)	45.1%
Revenue, net	**221,248**	**195,263**	**13.3%**	**377,532**	**328,948**	**14.8%**	***41,242***	***41,334***	***-0.2%***	**(20,068)**	**(17,122)**	**619,954**	**548,423**	**13.0%**
Costs of services	**(127,098)**	**(112,345)**	**13.1%**	**(282,586)**	**(249,467)**	**13.3%**	***(33,799)***	***(37,420)***	***-9.7%***	**18,752**	**15,771**	**(424,731)**	**(383,460)**	**10.8%**
Cost of salaries and other employee benefits	(80,293)	(71,215)	12.7%	-	-	-	-	-	-	2,898	2,582	(77,395)	(68,632)	12.8%
Cost of materials and supplies	(34,368)	(30,524)	12.6%	-	-	-	-	-	-	8,174	4,866	(26,194)	(25,658)	2.1%
Cost of medical service providers	(2,435)	(1,457)	67.1%	-	-	-	-	-	-	88	53	(2,347)	(1,404)	67.2%
Cost of utilities and other	(10,002)	(9,149)	9.3%	-	-	-	-	-	-	361	332	(9,641)	(8,817)	9.3%
Net insurance claims incurred	-	-	-	-	-	-	*(31,741)*	*(34,910)*	*-9.1%*	7,231	7,938	(24,510)	(26,972)	-9.1%
Agents, brokers and employee commissions	-	-	-	-	-	-	*(2,058)*	*(2,510)*	*-18.0%*	-	-	(2,058)	(2,510)	-18.0%
Cost of pharma - wholesale	-	-	-	(80,103)	(68,656)	16.7%	-	-	-	-	-	(80,103)	(68,656)	16.7%
Cost of pharma - retail	-	-	-	(202,483)	(180,811)	12.0%	-	-	-	-	-	(202,483)	(180,811)	12.0%
Gross profit	**94,150**	**82,918**	**13.5%**	**94,946**	**79,481**	**19.5%**	***7,443***	***3,914***	***90.2%***	**(1,316)**	**(1,351)**	**195,223**	**164,963**	**18.3%**
Salaries and other employee benefits	(26,254)	(23,056)	13.9%	(33,727)	(29,650)	13.8%	*(3,221)*	*(2,854)*	*12.9%*	914	649	(62,288)	(54,911)	13.4%
General and administrative expenses	(13,427)	(12,307)	9.1%	(25,404)	(23,183)	9.6%	*(1,024)*	*(1,242)*	*-17.6%*	420	380	(39,435)	(36,352)	8.5%
Impairment of receivables	(3,553)	(2,992)	18.8%	(27)	(39)	-30.8%	*(259)*	*(368)*	*-29.6%*	404	358	(3,435)	(3,042)	12.9%
Other operating income	4,072	7,167	-43.2%	1,191	(185)	NMF	*463*	*6*	*NMF*	(422)	(377)	5,304	6,611	-19.8%
EBITDA	**54,988**	**51,730**	**6.3%**	**36,979**	**26,424**	**39.9%**	***3,402***	***(544)***	***NMF***	**-**	**(341)**	**95,369**	**77,269**	**23.4%**
EBITDA margin	***24.6%***	***26.3%***		***9.8%***	***8.0%***		***8.2%***	***-1.3%***				***15.3%***	***14.0%***	
Depreciation and amortisation	(22,950)	(16,404)	39.9%	(1,724)	(1,651)	4.4%	*(575)*	*(683)*	*-15.8%*	-	-	(25,249)	(18,737)	34.8%
Net interest income (expense)	(19,892)	(13,025)	52.7%	(8,551)	(8,995)	-4.9%	*(84)*	*(618)*	*-86.4%*	-	-	(28,527)	(22,638)	26.0%
Net gains/(losses) from foreign currencies	(121)	1,604	NMF	(1,358)	806	NMF	*150*	*18*	NMF	-	-	(1,329)	2,428	NMF
Net non-recurring income/(expense)	(877)	(2,912)	-69.9%	(837)	(1,371)	-38.9%	-	*(200)*	*NMF*	-	341	(1,714)	(4,142)	-58.6%
Profit before income tax expense	**11,148**	**20,993**	**-46.9%**	**24,509**	**15,213**	**61.1%**	***2,893***	***(2,027)***	***NMF***	**-**	**-**	**38,550**	**34,180**	**12.8%**
Income tax benefit/(expense)	(73)	(11)	NMF	-	122	NMF	*(432)*	*(310)*	*39.4%*	-	-	(505)	(199)	153.8%
Profit for the period	**11,075**	**20,982**	**-47.2%**	**24,509**	**15,335**	**59.8%**	***2,461***	***(2,337)***	***NMF***	**-**	**-**	**38,045**	**33,981**	**12.0%**
Attributable to:														
- shareholders of the Company	8,314	16,365	-49.2%	13,734	7,235	89.8%	*2,461*	*(2,337)*	*NMF*	-	-	24,509	21,265	15.3%
- non-controlling interests	2,761	4,617	-40.2%	10,775	8,100	33.0%	-	-	-	-	-	13,536	12,716	6.4%

Income Statement, ***Quarterly***	**Healthcare services**					**Pharma**					**Medical insurance**					**Eliminations**			**GHG**				
GEL thousands; unless otherwise noted	**3Q18**	**3Q17**	**Change, Y-o-Y**	**2Q18**	**Change, Q-o-Q**	**3Q18**	**3Q17**	**Change, Y-o-Y**	**2Q18**	**Change, Q-o-Q**	**3Q18**	**3Q17**	**Change, Y-o-Y**	**2Q18**	**Change, Q-o-Q**	**3Q18**	**3Q17**	**2Q18**	**3Q18**	**3Q17**	**Change, Y-o-Y**	**2Q18**	**Change, Q-o-Q**
Revenue, gross	**72,676**	**64,005**	**13.5%**	**77,476**	**-6.2%**	**123,341**	**106,607**	**15.7%**	**127,323**	**-3.1%**	**14,237**	**13,959**	**2.0%**	**13,703**	**3.9%**	**(7,328)**	**(5,506)**	**(6,711)**	**202,926**	**179,065**	**13.3%**	**211,791**	**-4.2%**
Corrections & rebates	(672)	(407)	65.1%	(1,087)	-38.2%	-	-	-	-	-	-	-	-	-	-	-	-	-	(672)	(407)	65.1%	(1,087)	-38.2%
Revenue, net	**72,004**	**63,598**	**13.2%**	**76,389**	**-5.7%**	**123,341**	**106,607**	**15.7%**	**127,323**	**-3.1%**	**14,237**	**13,959**	**2.0%**	**13,703**	**3.9%**	**(7,328)**	**(5,506)**	**(6,711)**	**202,254**	**178,658**	**13.2%**	**210,704**	**-4.0%**
Costs of services	**(41,549)**	**(36,916)**	**12.6%**	**(44,002)**	**-5.6%**	**(91,174)**	**(80,237)**	**13.6%**	**(95,862)**	**-4.9%**	**(10,007)**	**(11,968)**	**-16.4%**	**(11,898)**	**-15.9%**	**6,846**	**5,653**	**6,068**	**(135,884)**	**(123,467)**	**10.1%**	**(145,694)**	**-6.7%**
Cost of salaries and other employee benefits	(26,734)	(23,777)	12.4%	(27,920)	-4.2%	-	-	-	-	-	-	-	-	-	-	883	798	1,078	(25,851)	(22,979)	12.5%	(26,842)	-3.7%
Cost of materials and supplies	(10,819)	(9,817)	10.2%	(12,108)	-10.6%	-	-	-	-	-	-	-	-	-	-	3,448	1,921	2,622	(7,371)	(7,896)	-6.6%	(9,486)	-22.3%
Cost of medical service providers	(894)	(651)	37.3%	(780)	14.6%	-	-	-	-	-	-	-	-	-	-	30	22	30	(864)	(629)	37.4%	(750)	15.2%
Cost of utilities and other	(3,102)	(2,671)	16.1%	(3,194)	-2.9%	-	-	-	-	-	-	-	-	-	-	101	88	124	(3,001)	(2,583)	16.2%	(3,070)	-2.2%
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	(9,229)	(11,162)	-17.3%	(11,294)	-18.3%	2,384	2,824	2,214	(6,845)	(8,338)	-17.9%	(9,080)	-24.6%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	(778)	(806)	-3.5%	(604)	28.8%	-	-	-	(778)	(806)	-3.5%	(604)	28.8%
Cost of pharma - wholesale	-	-	-	-	-	(26,800)	(23,171)	15.7%	(27,206)	-1.5%	-	-	-	-	-	-	-	-	(26,800)	(23,171)	15.7%	(27,206)	-1.5%
Cost of pharma - retail	-	-	-	-	-	(64,374)	(57,066)	12.8%	(68,656)	-6.2%	-	-	-	-	-	-	-	-	(64,374)	(57,066)	12.8%	(68,656)	-6.2%
Gross profit	**30,455**	**26,682**	**14.1%**	**32,387**	**-6.0%**	**32,167**	**26,370**	**22.0%**	**31,461**	**2.2%**	**4,230**	**1,991**	**112.5%**	**1,805**	**134.3%**	**(482)**	**147**	**(643)**	**66,370**	**55,191**	**20.3%**	**65,010**	**2.1%**
Salaries and other employee benefits	(8,807)	(7,881)	11.7%	(8,927)	-1.3%	(11,234)	(10,350)	8.5%	(11,299)	-0.6%	(1,375)	(834)	64.9%	(1,063)	29.4%	360	306	496	(21,056)	(18,759)	12.2%	(20,793)	1.3%
General and administrative expenses	(4,252)	(4,071)	4.4%	(4,890)	-13.0%	(8,681)	(7,192)	20.7%	(8,473)	2.5%	(342)	(369)	-7.3%	(332)	3.0%	42	32	130	(13,233)	(11,600)	14.1%	(13,565)	-2.4%
Impairment of other receivables	(1,052)	(979)	7.5%	(1,299)	-19.0%	(2)	92	NMF	(5)	-60.0%	(100)	(138)	-27.5%	(61)	63.9%	120	108	152	(1,034)	(918)	12.6%	(1,213)	-14.8%
Other operating income	1,290	2,865	-55.0%	1,532	-15.8%	168	(103)	NMF	233	-27.9%	273	31	NMF	163	67.5%	(40)	(593)	(135)	1,691	2,200	-23.1%	1,793	-5.7%
EBITDA	**17,634**	**16,616**	**6.1%**	**18,803**	**-6.2%**	**12,418**	**8,817**	**40.8%**	**11,917**	**4.2%**	**2,686**	**681**	**294.4%**	**512**	**NMF**	**-**	**-**	**-**	**32,738**	**26,114**	**25.4%**	**31,232**	**4.8%**
EBITDA margin	***24.3%***	***26.0%***		***24.3%***		***10.1%***	***8.3%***		***9.4%***		***18.9%***	***4.9%***		***3.7%***					***16.1%***	***14.6%***		***14.7%***	
Depreciation and amortisation	(7,903)	(5,691)	38.9%	(8,084)	-2.2%	(600)	(475)	26.3%	(576)	4.2%	(184)	(219)	-16.0%	(187)	-1.6%	-	-	-	(8,687)	(6,384)	36.1%	(8,847)	-1.8%
Net interest income (expense)	(7,382)	(4,474)	65.0%	(6,818)	8.3%	(3,036)	(3,015)	0.7%	(2,758)	10.1%	41	(202)	NMF	(11)	NMF	-	-	-	(10,377)	(7,691)	34.9%	(9,587)	8.2%
Net gains/(losses) from foreign currencies	(154)	(209)	-26.3%	58	NMF	(3,487)	(1,109)	214.4%	243	NMF	62	(18)	NMF	50	24.0%	-	-	-	(3,579)	(1,336)	167.9%	351	NMF
Net non-recurring income/(expense)	-	(381)	NMF	(282)	NMF	(52)	(489)	-89.4%	(374)	-86.1%	-	(2)	NMF	-	-	-	-	-	(52)	(872)	-94.0%	(656)	-92.1%
Profit before income tax expense	**2,195**	**5,861**	**-62.5%**	**3,677**	**-40.3%**	**5,243**	**3,729**	**40.6%**	**8,452**	**-38.0%**	**2,605**	**240**	**NMF**	**364**	**NMF**	**-**	**-**	**-**	**10,043**	**9,831**	**2.2%**	**12,493**	**-19.6%**
Income tax benefit/(expense)	-	-	-	(72)	NMF	-	(92)	NMF	-	-	(388)	-	NMF	(43)	NMF	-	-	-	(388)	(92)	NMF	(115)	237.4%
Profit for the period	**2,195**	**5,861**	**-62.5%**	**3,605**	**-39.1%**	**5,243**	**3,637**	**44.2%**	**8,452**	**-38.0%**	**2,217**	**240**	**NMF**	**321**	**NMF**	**-**	**-**	**-**	**9,655**	**9,739**	**-0.9%**	**12,378**	**-22.0%**
Attributable to:																							
- shareholders of the Company	1,603	4,965	-67.7%	2,826	-43.3%	2,500	1,054	137.2%	4,500	-44.4%	2,217	240	NMF	321	NMF	-	-	-	6,320	6,261	0.9%	7,647	-17.4%
- non-controlling interests	592	896	-33.9%	779	-24.0%	2,743	2,583	6.2%	3,952	-30.6%	-	-	-	-	-	-	-	-	3,335	3,478	-4.1%	4,731	-29.5%

Selected Balance Sheet items	Healthcare services					Pharma					Medical insurance				
GEL thousands; unless otherwise noted	**30-Sep-18**	**30-Sep -17**	**Change, Y-o-Y**	**30-Jun-18**	**Change, Q-o-Q**	**30-Sep-18**	**30-Sep -17**	**Change, Y-o-Y**	**30-Jun-18**	**Change, Q-o-Q**	**30-Sep-18**	**30-Sep -17**	**Change, Y-o-Y**	**30-Jun-18**	**Change, Q-o-Q**
Assets:															
Cash and bank deposits	9,303	25,893	-64.1%	11,142	-16.5%	10,626	7,423	43.1%	5,210	104.0%	11,971	9,474	26.4%	10,343	15.7%
Property and equipment	644,907	606,492	6.3%	641,574	0.5%	28,549	24,955	14.4%	27,800	2.7%	15,022	5,881	155.4%	15,021	0.0%
Inventory	16,824	19,119	-12.0%	15,974	5.3%	98,840	97,754	1.1%	98,208	0.6%	-	237	NMF	-	-
Liabilities:															
Borrowed Funds	280,739	294,497	-4.7%	273,604	2.6%	96,988	25,768	276.4%	81,476	19.0%	6,957	8,935	-22.1%	8,281	-16.0%
Accounts payable	33,274	33,407	-0.4%	31,176	6.7%	52,014	64,497	-19.4%	60,042	-13.4%	-	-	-	-	-

Selected Balance Sheet items	Consolidation and eliminations			GHG				
GEL thousands; unless otherwise noted	**30-Sep-18**	**30-Sep -17**	**31-Jun-18**	**30-Sep-18**	**30-Sep -17**	**Change, Y-o-Y**	**31-Jun-18**	**Change, Q-o-Q**
Assets								
Cash and bank deposits	-	-	-	31,900	42,790	-25.4%	26,695	*19.5%*
Property and equipment	(2,728)	-	(2,728)	685,750	637,328	7.6%	681,667	*0.6%*
Inventory	-	-	-	115,664	117,111	-1.2%	114,182	*1.3%*
Liabilities:								
Borrowed Funds	-	-	-	384,684	329,199	16.9%	363,361	*5.9%*
Accounts payable	(8,479)	(5,308)	(7,911)	76,809	92,597	-17.1%	83,307	*-7.8%*

Selected ratios and KPIs

	3Q18	3Q17	2Q18	9M18	9M17
GHG					
EPS, GEL	0.05	0.05	0.06	0.19	0.17
ROIC *(%)*	10.6%	5.3%	10.2%	10.5%	6.0%
ROIC adjusted[5] *(%)*	14.0%	10.0%	13.8%	13.8%	11.5%
Group rent expenditure	4,866	4,564	4,754	14,344	14,311
of which, Pharma	*3,868*	*4,036*	*4,474*	*12,397*	*12,738*
Group capex (maintenance)	2,601	2,307	2,145	7,041	7,523
Group capex (growth)	5,498	25,104	13,555	41,558	64,041
Number of employees	15,643	15,151	15,544	15,643	15,151
Number of physicians	3,592	3,505	3,578	3,592	3,505
Number of nurses	3,313	3,224	3,323	3,313	3,224
Nurse to doctor ratio, referral hospitals	0.92	0.92	0.93	0.92	0.92
Number of pharmacists	2,859	2,634	2,762	2,859	2,634
Total number of shares	131,681,820	131,681,820	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(2,763,916)	(3,379,629)	(2,763,916)	(2,763,916)	(3,379,629)
Shares outstanding	128,917,904	128,302,191	128,917,904	128,917,904	128,302,191
Of which:					
Total free float	53,799,401	53,183,688	53,799,401	53,799,401	53,183,688
Shares held by Georgia Capital PLC	75,118,503	75,118,503	75,118,503	75,118,503	75,118,503
Healthcare services					
EBITDA margin of healthcare services	24.3%	26.0%	24.3%	24.6%	26.3%
Direct salary rate (direct salary as % of revenue)	36.8%	37.1%	36.0%	35.9%	36.2%
Materials rate (direct materials as % of revenue)	14.9%	15.3%	15.6%	15.4%	15.5%
Administrative salary rate (administrative salaries as % of revenue)	12.1%	12.3%	11.5%	11.7%	11.7%
SG&A rate (SG&A expenses as % of revenue)	5.9%	6.4%	6.3%	6.0%	6.2%
Number of hospitals	37	37	37	37	37
Number of polyclinics	16	14	17	16	14
Number of beds	3,320	2,893	3,320	3,320	2,893
Number of referral hospital beds	2,825	2,398	2,825	2,825	2,398
Bed occupancy rate, referral hospitals[6]	51.7%	55.4%	54.8%	55.7%	62.1%
Bed occupancy rate, referral hospitals excluding Tbilisi Referral Hospital and Regional Hospital beds[6]	58.5%	58.7%	63.4%	63.3%	64.9%
Average length of stay (days), referral hospitals[7]	5.4	5.4	5.4	5.5	5.5
Pharmacy and distribution					
EBITDA margin	10.1%	8.3%	9.4%	9.8%	8.0%
Number of bills issued	6.52mln	6.03mln	6.74mln	19.95mln	18.71mln
Average bill size	13.2	13.2	13.0	13.2	13.1
Revenue from wholesale as a percentage of total revenue from pharma	26.2%	26.8%	26.7%	26.0%	25.3%
Revenue from retail as a percentage of total revenue from pharma	73.8%	73.2%	73.3%	74.0%	74.7%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	32.2%	32.8%	30.1%	30.3%	30.3%
Number of pharmacies	267	250	259	267	250
Medical insurance					
Loss ratio	64.8%	80.0%	82.4%	77.0%	84.5%
Expense ratio, *of which*	17.6%	16.7%	15.2%	16.2%	18.5%
Commission ratio	*5.5%*	*5.8%*	*4.4%*	*5.0%*	*6.1%*
Combined ratio	82.4%	96.7%	97.6%	93.1%	103.0%
Renewal rate	76.8%	71.8%	70.1%	73.3%	74.5%

[5] Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase
[6] Excluding emergency beds
[7] Excludes data for the emergency beds

ANNEX

- Corrections and rebates are corrections of invoices due to errors or faults by third parties
- Eliminations are intercompany transactions between medical insurance and healthcare services
- Gross margin – Gross margin equals gross profit divided by gross revenue excluding corrections and rebates
- Materials rate equals cost of materials and supplies divided by gross revenue excluding corrections and rebates
- Direct salary rate equals cost of salaries and other employee benefits divided by gross revenue excluding corrections and rebates
- Admin salary rate equals administrative Salaries and other employee benefits divided by gross revenue excluding corrections and rebates
- Selling, general and administrative expenses rate (SG&A rate) equals General and administrative expenses divided by gross revenue excluding corrections and rebates
- Other operating expenses are operating expenses which are not included in cost of sales and administrative expenses, which primarily include the cost of medicines sold, any losses from the sale of property and equipment, expenses on factoring, write-offs of fixed assets and other
- Operating leverage is calculated as the difference between percentage increase in gross profit and percentage increase in total operating costs and other operating incomes
- Organic growth – percentage increase in healthcare service revenue, excluding growth derived from any acquisitions during a given period
- EBITDA is defined as earnings before interest, taxes, depreciation and amortisation and is derived as the Group's Profit before income tax expense but excluding the following line items: depreciation and amortisation, interest income, interest expense, net losses from foreign currencies and net non-recurring (expense)/income
- EBITDA margin equals EBITDA divided by gross revenue excluding corrections and rebates
- The Group's rent expense comprises of operating lease contracts
- The Group's maintenance capital expenditure are short-term expenditures
- The Group's expansion capital expenditures are longer term by nature and include acquisition of properties with longer useful lives
- Net Debt to EBITDA equals Borrowings less Cash and bank deposits divided by EBITDA
- Earnings per share (EPS) equals profit for the period / net profit attributable to shareholders of the Company divided by weighted average number of shares outstanding during the same period
- Bed occupancy rate is calculated by dividing the number of total inpatient nights by the number of bed days (number of days multiplied by number of beds, excluding emergency beds) available during the year
- Average length of stay is calculated as number of inpatient days divided by number of patients. This calculation excludes data for the emergency department
- Renewal rate is calculated by dividing number of clients who renewed insurance contracts during given period by total number of clients
- Commission ratio equals agents, brokers and employee commissions divided by net insurance premiums earned
- Loss ratio is defined as net insurance claims divided by net insurance revenue
- Expense ratio is defined as operating expenses excluding interest expense divided by net insurance revenue
- Combined ratio is the sum of loss ratio and expense ratio
- Day's sales outstanding ratio ("**DSO**") equals receivables from sales of pharmaceuticals divided by wholesale revenue of pharmacy and distribution, multiplied by number of days in a given period
- Revenue cash conversion equals revenue received from all business lines divided by net revenue.
- EBITDA cash conversion cycle equals Net cash flows from / (used in) operating activities before income tax divided by EBITDA
- Other operating income is presented on a net basis and is derived from financial statements after subtracting other operating expense
- Net interest income (expense) and cost of currency derivatives includes interest expense as well as cost of currency derivatives as presented in the financial statements
- ROIC is calculated as EBITDA minus depreciation, plus interest income divided by aggregate amount of total equity and borrowed funds.

COMPANY INFORMATION

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