GEORGIA HEALTHCARE GROUP

Third Quarter and Nine-Month 2019 Results

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Name of authorised official of issuer responsible for making notification:
Ketevan Kalandarishvili, Head of Investor Relations

An investor/analyst conference call, organised by GHG, will be held on Wednesday, 13 November 2019, at 14:00 UK / 15:00 CET / 09:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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TABLE OF CONTENTS

Forward looking statements

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Healthcare Group PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: business integration risk; compliance risk; recruitment and retention of skilled medical practitioners risk: clinical risk; concentration of revenue and the Universal Healthcare Programme; currency and macroeconomic; information technology and operational risk; regional tensions and political risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports, including the "Principal Risks and Uncertainties" included in Georgia Healthcare Group PLC's Annual Report and Accounts 2018 and in its Half Year 2019 Results announcement. No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Healthcare Group PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Healthcare Group PLC undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

Georgia Healthcare Group PLC ("**GHG**" or the "**Group**" – LSE: GHG LN), announces the Group's third quarter and nine-month 2019 consolidated financial results. Unless otherwise mentioned, comparatives are for the third quarter of 2018. 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 3Q19 and 9M19 consolidated results, reporting 13.0% y-o-y growth in nine-month revenues to GEL 703.3 million (US$238.0 million/GBP 193.7 million) and a 50 basis point improvement in adjusted ROIC[2]. The Group posted nine-month profit of GEL 46.0 million (US$15.6 million/GBP 12.7 million) and adjusted earnings per share[1] ("**EPS**") of GEL 0.27 (US$0.09 per share/GBP 0.07 per share), both excluding IFRS 16 lease accounting impact.

In order to permit meaningful comparisons between reporting periods, in the table below Net Profit, EBITDA, EBITDA margin and EPS data, for GHG as well as for each segment, exclude IFRS 16 financial impact. For the same reason, the discussions throughout this report of 2019 quarterly and nine-month results for the Group and each business line also focus on the numbers excluding the IFRS 16 impact. Each financial table, on the other hand, shows both - the results with and without IFRS 16 impact. We are adopting this convention for 2019 only because 2018 figures have not been restated on an IFRS 16 basis.

GHG - *the market leader in Georgia's healthcare ecosystem*

GEL million; unless otherwise noted	**3Q19**	**3Q18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**
The Group						
Revenue, gross	230.5	202.9	13.6%	703.3	622.4	13.0%
EBITDA *excluding IFRS 16*	36.6	32.7	11.9%	111.4	95.4	16.8%
Net Profit *excluding IFRS 16*	14.7	9.7	52.6%	46.0	38.0	21.0%
EPS adjusted[1], GEL *excluding IFRS 16*	0.08	0.07	23.8%	0.27	0.21	29.7%
ROIC adjusted[2] *(%)*	14.2%	14.0%	0.2ppts	14.3%	13.8%	0.5ppts
Hospitals business						
Revenue, gross	68.7	64.1	7.1%	217.7	196.2	10.9%
EBITDA *excluding IFRS 16*	16.8	16.4	2.6%	54.8	50.9	7.7%
EBITDA margin *(%) excluding IFRS 16*	24.5%	25.6%	-1.1ppts	25.2%	26.0%	-0.8ppts
Net Profit *excluding IFRS 16*	3.1	3.4	-7.6%	13.2	13.8	-4.9%
Clinics business						
Revenue, gross	10.6	8.9	18.6%	32.5	28.3	15.0%
EBITDA *excluding IFRS 16*	1.8	1.2	46.3%	5.8	4.0	45.3%
EBITDA margin *(%) excluding IFRS 16*	16.9%	13.7%	3.2ppts	17.7%	14.0%	3.7ppts
Net Profit *excluding IFRS 16*	(0.7)	(1.0)	-37.4%	(1.2)	(2.6)	-52.2%
Pharmacy and distribution business						
Revenue	146.8	123.3	19.0%	442.0	377.5	17.1%
Gross profit margin *(%)*	25.7%	26.1%	-0.4ppts	25.3%	25.1%	0.2ppts
EBITDA *excluding IFRS 16*	15.2	12.4	22.5%	46.1	37.0	24.7%
EBITDA margin *(%) excluding IFRS 16*	10.4%	10.1%	0.3ppts	10.4%	9.8%	0.6ppts
Net Profit *excluding IFRS 16*	10.0	5.2	91.4%	30.4	24.5	24.1%
Medical insurance business						
Net insurance premiums earned	19.4	14.2	36.5%	55.8	41.2	35.3%
Loss ratio *(%)*	73.4%	64.8%	8.6ppts	80.2%	77.0%	3.2ppts
Combined ratio (%) *excluding IFRS 16*	86.7%	82.4%	4.3ppts	92.8%	93.1%	-0.3ppts
EBITDA *excluding IFRS 16*	2.8	2.7	3.4%	4.6	3.4	34.1%
Net Profit/ (Loss) *excluding IFRS 16*	2.4	2.2	7.2%	3.9	2.5	57.5%

[1] Adjusted for non-recurring items and foreign currency losses
[2] Return on invested capital ("ROIC") adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase

Diagnostic						
Revenue	1.1	0.7	66.2%	3.4	2.1	66.0%
Gross profit margin *(%)*	30.6%	21.2%	9.4ppts	30.0%	21.6%	8.4ppts
EBITDA *excluding IFRS 16*	0.0	0.0	NMF	0.1	0.1	51.3%
EBITDA margin (%) *excluding IFRS 16*	1.6%	0.1%	NMF	3.4%	3.7%	NMF
Net Profit/ (Loss) *excluding IFRS 16*	(0.1)	(0.1)	NMF	(0.2)	(0.2)	NMF

CHIEF EXECUTIVE OFFICER'S STATEMENT

During the first nine months of 2019, the Group maintained focus on our key strategic objectives and made solid progress in delivering earnings momentum, improved cash generation and return on capital invested. The recent completion of our major three-year capital expenditure programme has reduced investment requirements and allowed us to stabilise debt levels. The result is growth in net profit and EPS which now significantly exceed the double-digit growth in our revenue and EBITDA.

Going forward, as we continue to make progress in delivering the strategy of each of our businesses and leveraging the strength of our franchise, we expect to continue to grow our revenue by double-digits without significant further capital spending. As we announced at our recent Investor Day in June, the Group will continue to build out a number of profitable new growth opportunities. These include developing medical tourism, creating new retail laboratory diagnostic services, expanding the outpatient clinics and dental services, and adding new pharmacies and new products such as private label personal care products. These initiatives, together with the continued organic development we expect in our core operations, position us well to grow the business over the medium-term at good returns on capital, increase operating cash flows and further reduce debt.

As explained elsewhere, for comparison purposes, my comments here are on the results excluding the impact of IFRS 16.

The Group. In the first nine months of 2019, the Group gross revenues totalled GEL 703 million, up by 13% on the back of double-digit revenue growth in each of our businesses. EBITDA of GEL 111 million represented a 17% increase year on year, and net profit increased by 21% over the same period, to GEL 46 million. Having largely completed the Group's significant three-year investment programme, we are now seeing the benefits being translated into even stronger net profit and earnings per share growth, with the latter being up 23% y-o-y. Our return on invested capital, adjusted to exclude the roll-out effect of new hospitals and polyclinics, has also increased, from 13.8% to 14.3%, over the last twelve months.

Performance was good across all five of our business segments. Our pharmacy and distribution business performed particularly well with 17% revenue growth (12% growth net of the newly added centralised procurement entity) and an EBITDA margin in excess of 10%. Our clinics business posted 45% EBITDA growth. Results in the hospitals business are consistently improving as we continue to roll-out our two new flagship hospitals. The medical insurance business delivered robust revenue growth and a significant improvement in the combined ratio leading to a pre-tax income of GEL 4.6 million in the first nine months of the year, an increase of 59%.

In the seasonally quiet third quarter revenues increased by 14% to GEL 230 million. The stabilised depreciation and lower interest expense that have resulted from the completion of our major capital expenditure programme meant that the 12% EBITDA growth translated into 53% increase in net profit and EPS.

With inflation in Georgia above its target rate, National Bank of Georgia ("NBG") tightened the monetary policy and increased the refinancing rate by a total of 200 bps in September and October 2019. This will affect the Group's interest expense going forward, as 75% of GHG borrowings carry a floating interest rate. Our group-wide exercise to reduce borrowing costs will partly offset this. Most notably, the hospitals segment re-financed existing more expensive debt by issuing GEL 50 million local currency denominated bonds, with the lowest ever margin (310 bps above the base rate) of any corporation in Georgia.

Hospitals business. In the first nine months, our hospitals business revenues grew 11% to GEL 218 million. EBITDA increased 8% y-o-y to GEL 55 million and the EBITDA margin was 25.2%, despite our two new flagship hospitals being in their roll-out phase and the cost impact of the new Georgian pension system introduced in 2019 (explained in more details on page 9) and which mostly affected our hospitals business as a service provider. Excluding the roll-out impact of our two new flagship hospitals, the EBITDA margin was 27.9%. The revenue growth was supported by the strong growth in our two newly launched hospitals, particularly at Regional Hospital, which has now been rebranded as Caucasus Medical Center ("CMC"). In the first nine months, both of these new flagship hospitals delivered double-digit EBITDA margin, with occupancy rates of 35.8% for CMC and 46.5% for Tbilisi Referral Hospital. The business is also making progress on its medical tourism strategy. Active marketing campaigns and other development initiatives implemented in our target country markets led to drove a 37% y-o-y increase in the number of international patients, which led to 9M19 revenue of a GEL 3.5 million (up 43% y-o-y) from medical tourism.

Clinics business. Our polyclinic network continues to grow, and the Evex polyclinics clearly stand out from the competition as new, modern facilities that provide a diverse range of high-quality services in one location. The number of registered patients in Tbilisi has grown to c.183,000 (up 57,000 y-o-y). Revenues in the first nine months increased by 15%, with polyclinics growing at 22% and community clinics at 10%. The EBITDA margin increased from 14.0% to 17.7% over the same period. We will continue to pursue our polyclinics strategy of increasing the client base, supported by the further roll-out of dental clinics, which will allow us to consolidate our position as the largest competitor in this highly fragmented market.

Pharmacy and Distribution business. Our pharmacy chain and distribution business delivered record revenues in 9M19 of GEL 442 million, up 17% y-o-y. The business posted 12% organic revenue growth, supported by double-digit organic growth in both the retail and distribution businesses. The balance of the overall revenue growth was contributed by our centralised medicine procurement entity, which was transferred to the GHG pharmacy and distribution business in 2019. Our gross profit margin increase was mainly driven by the scale benefit and increased sales of personal care and beauty products. We have also introduced private label para-pharmacy products under the brand name "Attirance", which within the five months of product launch posted GEL 0.5 million revenue. The business achieved operating leverage of 4.4 ppts which supported 25% growth in EBITDA and an EBITDA margin that continues to exceed expectations, increasing by 60 basis points year-on-year to 10.4%. This is an extremely strong performance and substantially above our targeted "more than 9%" margin.

In October 2019, we signed a franchise agreement with The Body Shop a leading British cosmetics, skin care and perfume company. The pharmacy and distribution business will operate The Body Shop in Georgia for an initial term of 10 years. In the first year of operations we will develop up to three standalone flagship The Body Shop stores in the capital and large cities, and will also operate a shop in shop model, developing The Body Shop stands in our high-end retail pharmacy chain – GPC. The business is planning to operate the shop in shop model in c.50 GPC pharmacies, gradually increasing the number to c.100 over the next few years. Adding The Body Shop brand in the portfolio will upgrade the business' range of personal care products and further contribute to its growth.

Medical insurance business. Our medical insurance business has made substantial progress over the last 12 months to increase its client base and is now contributing to the profitability of the Group. Net insurance premiums earned increased by 35% in the first nine months of the year, supported by the addition of a large state client in the first quarter. The combined ratio improved by 30 basis points to 92.8%, translating into 34% EBITDA and 58% net profit growth of the business. More importantly, we continue to improve the level of medical insurance claims retained within the Group and, in the first nine months of 2019, 42% of medical expense claims were retained within the Group and 43% in the third quarter. We expect this ratio to continue to improve over the next few years.

Diagnostics business. In December 2018, we completed the construction and opened Mega Lab, the largest diagnostics laboratory in Georgia and the Caucasus region. The diagnostics business is already delivering break-even EBITDA, with costs of our lab services at Group's healthcare facilities having been maintained at the same level. Over 550,000 tests were performed in the first nine months of the year, from over 214,000 patients – a significant achievement.

We have already opened seven blood collection points in our GPC pharmacies, serving c.1,300 customers and performing c.2,500 tests, with the plan to have c.50 over the next few years. The business will also work on additional external contracts, serving healthcare facilities outside the Group.

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Quality and IT development. Our focus remains on quality and IT development projects that are crucial to our patient/customer experience, the performance of our businesses and synergies across the Group. Recently established clinical boards and clinical KPI monitoring systems are further enhancing quality standards in our healthcare facilities, towards international benchmarks. We have successfully implemented software development projects inside the company and made strong progress in developing an integrated digital healthcare ecosystem serving patients across the whole country. After launching a comprehensive electronic medical records system (EMR) in all polyclinics and community clinics, substituting 100% of paperwork, we have also successfully implemented medical ordering system in all our referral hospitals (representing c. 60% of full EMR functionality). Further, our innovative new digital consumer health platform "EKIMO" is complete and will be launched by the year-end. Version 1.0 already consolidates the entire vertical spectrum of primary care in the country (primary care doctors and clinics, diagnostics, pharmacies, medical insurance and more) and is open to any local healthcare provider. With this initiative we are well on the way to achieving the Group's mission of building and providing a consolidated customer journey for the country's entire healthcare ecosystem, thereby improving the quality of healthcare and the value proposition for our patients and customers.

The Georgian macroeconomic environment. The Georgian economy continued its strong economic growth, with preliminary 5.0% real GDP growth in 9M19. Despite the cancellation by Russia of direct flights between Russia and Georgia, the tourism sector continued to grow, with the number of tourists increasing by 6% y-o-y in 9M19. The current account deficit shrank and reached its historic low of 4.6% of GDP in 1H19 on the back of the improved goods trade balance. At the same time that National Bank of Georgia increased the refinancing rate due to higher than targeted inflation as mentioned above, it also lowered the minimum reserve requirement for funds attracted in foreign currency and sold $72.8 million on foreign exchange auctions to provide liquidity to the markets. Following the earlier Fitch rating upgrade, in October 2019 S&P upgraded Georgia’s sovereign credit rating from BB- to BB with stable outlook, on the back of improved resilience towards negative external shocks and the strengthened external balance.

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. We have also made strong progress in our balance sheet management objectives to improve cash flows, pay down debt to reduce interest costs, and therefore grow earnings more strongly than EBITDA. The Group’s performance in the first nine months of the year has demonstrated progress against these objectives, and we are well positioned to continue this progress during the remainder of 2019 and beyond.

Nikoloz Gamkrelidze,

CEO of Georgia Healthcare Group PLC

DISCUSSION OF GROUP RESULTS

GHG overview

Georgia Healthcare Group is the largest and the only fully integrated healthcare provider in the fast-growing, predominantly privately-owned Georgian healthcare ecosystem with an aggregate annual value of c.GEL 3.8 billion. Georgia Healthcare Group PLC is the UK incorporated holding company of the Group and is listed on the premium segment of the London Stock Exchange.

Starting from 2019 the Group has updated its business structure and the healthcare services business was divided into the following two segments: **clinics**, which include polyclinics and community clinics, and **hospitals**, which include referral hospitals. Now GHG comprises five business lines: hospitals, clinics, pharmacy and distribution, medical insurance and diagnostics. Each business line has its own chief operating officer reporting to the Group CEO, pursuing value creation through revenue growth, profit growth and asset productivity (ROIC).

GHG is the single largest market participant in the healthcare services industry in Georgia, accounting for more than 23% of the country's total hospital bed capacity, as of 30 September 2019. Through its vertically integrated network of hospitals and clinics, our healthcare services business offers the most comprehensive range of inpatient and outpatient services targeting virtually all segments of the Georgian market.

Currently:

- **hospitals business** operates 18 referral hospitals with a total of 2,967 beds, providing secondary or tertiary level healthcare services, located in Tbilisi and major regional cities.
- **clinics business** operates 34 healthcare facilities, out of which:
  - 19 are community clinics with a total of 353 beds, providing outpatient and basic inpatient healthcare services, located in regional towns and municipalities.
  - 15 are district polyclinics, providing outpatient diagnostic and treatment services, located in Tbilisi and major regional cities.

GHG is the largest pharmaceuticals retailer and wholesaler in Georgia, with a c.32% market share by revenue. Our **pharmacy and distribution business** consists of a retail pharmacy chain and a wholesale business which sells pharmaceuticals and medical supplies to hospitals inside and outside the Group and to pharmacies outside the Group. The pharmacy chain operates under two separate brand names, **Pharmadepot** and **GPC**, with a total of 285 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 largest provider of medical insurance in Georgia, with a 31.9% market share based on 2Q19 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 Georgian corporate and state entities and also to retail clients. We have c.230,000 persons insured as at September 2019. The medical insurance business plays an important role in our business model, as it is a significant feeder for our polyclinics, pharmacies and hospitals.

GHG recently opened the largest diagnostics laboratory in Georgia and the entire Caucasus region. In December 2018, we added **diagnostics business** under GHG, an important new business line for the Group, by opening Mega Laboratory ("**Mega Lab**"). The multi-disciplinary laboratory, equipped with latest infrastructure and state-of-the-art equipment, covers 7,500 square metres. High-capacity automated systems enable GHG to provide accurate, high-quality results to the entire population of the country. In addition to basic laboratory tests, the new laboratory allows us to offer complex tests for oncology and a molecular lab. Some of the lab tests offered by Mega Lab have never been available in Georgia - in the past blood samples had to be sent abroad.

Significant events, accounting change and legislative developments

- **Changes in UHC.** On November 5, 2019, the Georgian Government introduced changes to the Universal Healthcare Programme (“UHC”) reimbursement mechanism, effective from 21 November 2019. The changes mainly cover the Tbilisi and Kutaisi regions, which have recently developed an oversupply of beds as a result of the addition of a number of small hospitals in recent years. According to the new initiative, the Government has reduced certain tariffs on intensive care and cardiac services to equate them with tariffs set for the rest of the regions. We estimate that the revised level of reimbursement for these services may lead to a reduction in our hospital business revenues by approximately GEL 12 million and gross profit by GEL 7 million in 2020. The change may drive more rapid market consolidation in Tbilisi and Kutaisi, improving efficiency and quality of service in the country.

- **New pension reform.** In January 2019, a new pension system became mandatory in Georgia. Participation is mandatory for employees under the age of 40 and optional for employees older than 40. Each employee contributes 2% of their income to an individual retirement account, which then benefits from further 2% contributions from both the employer, and (subject to ceilings based on income) the Government. The group participates in this programme, and the total anticipated cost to the Group in 2019 is approximately GEL 4.5 million.

- **Lari currency depreciation.** After depreciation of Georgian Lari by more than 6% against both the US dollar and the Euro in 2Q19, in 3Q19 Lari appreciated against Euro by 1.1% but depreciated by a further 3.0% against US dollar.
  The Lari depreciation led to foreign currency exchange loss in the second and third quarters which (excluding the IFRS 16 effect), was mainly due to the revaluation of foreign currency denominated payable balances of pharmacy and distribution business. Exchange rate remained flat during October and November.

- **IFRS 16 impact.** The Group adopted IFRS 16 “Leases” from 1 January 2019. The key change arising from IFRS 16 is that rent expense is reclassified from operating expense to interest and depreciation expense. IFRS 16 impact on Group’s EBITDA was GEL 5.2 million in 3Q19 and GEL 15.5 million in 9M19, out of which the pharmacy and distribution business accounted for GEL 4.6 million and GEL 13.8 million, respectively. The negative impact on the Group’s net profit was GEL 2.7 million in 3Q19 and GEL 8.9 million in 9M19, out of which GEL 1.7 million and GEL 6.4 million respectively, resulted from foreign exchange loss on the revaluation of the finance lease liabilities balance. About 85% of the finance lease liabilities balance or about GEL 76 million as of September 2019 represents foreign currency denominated leases the value of which increased in line with the depreciation of the national currency at the end of third quarter. As this negative impact is solely the result of the accounting change, we do not comment on it further in this report although the full effects are reflected in the accounts.

  According to the Group’s preliminary calculation, IFRS 16 annual positive impact on the Group’s 2019 EBITDA will be around GEL 20 million, of which the pharmacy and distribution business will account for c.GEL 18 million. Excluding FX movement of foreign currency denominated finance lease liabilities, the negative impact on the Group’s 2019 net profit is estimated around GEL 2.5 million; however, this negative impact on net profit is just a timing difference that decreases over time and eventually reaches a net effect of zero. Assets and liabilities also increased by the amount of discounted cash flows of future rent payments. Below in this report, to allow for comparisons, the numbers are disclosed with and excluding IFRS 16.

- **New Bonds.** On November 6, 2019, hospitals business has completed the public placement of GEL 50 million unsecured local bonds due 2024 (the “Bonds”) on the Georgian market. The Bonds bear interest at a floating rate of 310 basis points above the National Bank of Georgia refinancing rate. This is the historically lowest margin floating rate corporate bond issued on the Georgian market. The proceeds will be used to refinance higher margin borrowings, and will partially offset the increase in NBG’s refinancing rate described on page 5 (in the CEO statement).

Income statement, GHG consolidated

GEL thousands; unless otherwise noted	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Revenue, gross	**230,478**	**202,926**	**13.6%**	**703,350**	**622,406**	**13.0%**
Corrections & rebates	(899)	(672)	33.8%	(2,063)	(2,452)	-15.9%
Revenue, net	**229,579**	**202,254**	**13.5%**	**701,287**	**619,954**	**13.1%**
Costs of services	**(154,854)**	**(135,884)**	**14.0%**	**(476,514)**	**(424,732)**	**12.2%**
Gross profit	**74,725**	**66,370**	**12.6%**	**224,773**	**195,222**	**15.1%**
Salaries and other employee benefits	(23,678)	(21,056)	12.5%	(70,995)	(62,290)	14.0%
General and administrative expenses *excluding IFRS 16 impact*	(15,543)	(13,233)	17.5%	(45,640)	(39,435)	15.7%
Impairment of receivables	(829)	(1,034)	-19.8%	(3,141)	(3,435)	-8.6%
Other operating income	1,952	1,691	15.4%	6,406	5,305	20.8%
EBITDA excluding IFRS 16	**36,627**	**32,738**	**11.9%**	**111,403**	**95,367**	**16.8%**
IFRS 16 impact on EBITDA[3]	5,158	-	NMF	15,545	-	NMF
Depreciation and amortization excluding IFRS 16	*(9,211)*	*(8,687)*	*6.0%*	*(26,865)*	*(25,250)*	*6.4%*
Depreciation and amortisation	(13,901)	(8,687)	60.0%	(40,710)	(25,250)	61.2%
Net interest income (expense) excluding IFRS 16	*(10,546)*	*(10,377)*	*1.6%*	*(31,248)*	*(28,528)*	*9.5%*
Net interest income (expense)	(12,051)	(10,377)	16.1%	(35,404)	(28,528)	24.1%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(1,042)*	*(3,579)*	*-70.9%*	*(5,286)*	*(1,329)*	*297.7%*
Net gains/(losses) from foreign currencies	(2,729)	(3,579)	-23.7%	(11,724)	(1,329)	NMF
Net non-recurring income/(expense)	(183)	(52)	251.1%	(710)	(1,714)	-58.6%
Profit before income tax expense	**12,921**	**10,043**	**28.7%**	**38,400**	**38,546**	**-0.4%**
Income tax benefit/(expense)	(915)	(388)	NMF	(1,272)	(505)	151.9%
Profit for the period excluding IFRS 16	**14,730**	**9,655**	**52.6%**	**46,022**	**38,041**	**21.0%**
Profit for the period	**12,006**	**9,655**	**24.4%**	**37,128**	**38,041**	**-2.4%**

Gross Revenue. We delivered double digit revenue growth in both reporting periods. In both periods, revenue growth was mainly driven by double-digit growth in the pharmacy and distribution business, followed by all other GHG segments.

In 9M19, the Group's revenue diversification across its segments was: 59% from pharmacy and distribution, 28% from the hospitals, 8% from medical insurance, 4% from clinics, and the remaining 1% from the newly added diagnostics business. By payor mix, 53% of the Group's total revenue was from out-of-pocket payments[4]; 24% from UHC payments; and 23% from other sources.

Gross Profit. The Group continued to deliver increasing gross profit and improved its gross margin by 60 bps y-o-y, reaching 32.0% in 9M19. The pharmacy and distribution business, excluding the effect of intercompany sales which are eliminated upon consolidation, contributed a major part of the growth, followed by the clinics business, which improved its margin by 110 pbs y-o-y in 9M19. The slight reduction in the Group's quarterly gross margin, down 30 bps y-o-y to 32.4%, is mainly due to the hospitals business where the two newly launched facilities, which remain in their roll-out phase, subdued the margin.

Pension reform increased the Group's salary expenses by GEL c.1.1 million in 3Q19 and by c.3.2 million in 9M19. Despite this, as a result of well-managed efficiency and cost control measures, the Group posted positive operating leverage of 1.6 ppts in 9M19. Quarterly 0.7 ppts negative operating leverage was mainly due to the increase of pharmacy and distribution business share in the Group's EBITDA.

EBITDA *excluding IFRS 16*. The Group delivered strong quarterly and nine-month EBITDA growth, up 11.9% and 16.8% y-o-y, respectively. The hospitals business was the main contributor to the Group's 9M19 EBITDA, contributing 49% in total, with a 25.2% EBITDA margin. The next largest contributor was the pharmacy and distribution business, with a 42% share, posting a strong double-digit EBITDA margin of 10.4%. Our clinics and medical insurance businesses contributed 5% and 4% to the Group's 9M19 EBITDA respectively.

Depreciation and amortisation and Net interest expense *excluding IFRS 16*. After completing a number of sizeable development projects, the Group depreciation and interest expense started to stabilise. Slight y-o-y and q-o-q movements in depreciation expense mainly relate to small investments by all segments in different capital expenditure projects. The slight q-o-q increase in interest expense (up 2%) is due to the 100 bps increase in NBG's refinancing rate (to 7.5%) in September 2019, as around 75% of Group's borrowings bear interest at a floating rate. Due to continuing inflationary pressure, in October 2019 NBG further tightened monetary policy and increased the refinancing rate by another 100 bps, to 8.5%.

Loss from foreign currencies *excluding IFRS 16*. The loss from foreign currency is mainly attributable to the pharmacy and distribution business. About 70% of inventory purchases in the pharmacy and distribution business are denominated in

[3] Represents IFRS 16 impact on General and administrative expenses
[4] Includes: hospitals and clinics out-of-pocket revenue, pharmacy and distribution, medical insurance and diagnostics businesses' revenue from retail

foreign currency: c.40% in EUR and c.30% in USD. In 3Q19, local currency devalued by 3.0% against USD and appreciated by 1.1% against EUR, net effect of which resulted in quarterly FX loss of GEL 0.8 million from the revaluation of accounts payable balances (as discussed on page 9 above, the loss including IFRS 16 is also attributable mainly to pharma).

Profit *excluding IFRS 16.* The Group posted 52.6% quarterly increase in profit and 21.0% increase in nine-month profit, despite a much higher FX loss than in 9M18.

Selected balance sheet items, GHG consolidated

GEL thousands; unless otherwise noted	**30-Sep-19**	**30-Jun-19**	**Change, Q-o-Q**
Total assets, of which:	**1,346,087**	**1,345,810**	**0.0%**
Cash and bank deposits	24,700	27,207	-9.2%
Receivables from healthcare services	120,179	124,050	-3.1%
Receivables from sale of pharmaceuticals	20,540	18,808	9.2%
Insurance premiums receivable	37,559	44,737	-16.0%
Property and equipment, *of which*	774,815	769,092	0.7%
IFRS 16 impact	*82,297*	*79,908*	*3.0%*
Goodwill and other intangible assets	154,692	156,042	-0.9%
Inventory	160,121	157,132	1.9%
Prepayments	14,786	14,156	4.5%
Other assets	38,695	34,586	11.9%
Total liabilities, of which:	**750,126**	**757,709**	**-1.0%**
Borrowed funds	387,487	368,895	5.0%
Accounts payable	99,522	119,784	-16.9%
Insurance contract liabilities	29,945	43,160	-30.6%
Finance lease liabilities	90,295	85,942	5.1%
IFRS 16 impact	*81,619*	*77,266*	*5.6%*
Other liabilities	142,877	139,928	2.1%
Total shareholders' equity attributable to:	**595,961**	**588,101**	**1.3%**
Shareholders of the Company	*525,109*	*518,286*	*1.3%*
Non-controlling interest	*70,852*	*69,815*	*1.5%*

- The majority of medical insurance contracts mature and renew in January every year, causing the insurance premium receivable as well as insurance contract liabilities balances to increase in 1Q19 and reduce gradually in line with contract amortisation terms.
- The slight increase in the balance of borrowed funds is mainly attributable to pharmacy and distribution business withdrawing credit lines to prepay suppliers due to anticipated FX volatility, translating in accounts payables balance reduction for the same period.
- According to GHG's newly announced dividend policy, the Group paid its first ever dividend, GEL 7.0 million, to shareholders in July 2019.

DISCUSSION OF SEGMENT RESULTS

The segment results discussion is presented for hospitals, clinics, pharmacy and distribution, medical insurance and diagnostics businesses.

Discussion of Hospitals Business Results

Following the split of our healthcare services business (described on page 8), our management has revised the classification of our hospitals and clinics. Three of our clinics have become sufficiently large to merit hospitals classification and one of our hospitals was classified as a clinic due to the nature of services offered. For comparison purposes, we will discuss our hospitals and clinics results for both, 2019 and 2018 reporting periods according to the new structure.

Income Statement, Hospitals business

GEL thousands; unless otherwise noted	**3Q19**	**3Q18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**
Hospitals revenue, gross	**68,694**	**64,144**	**7.1%**	**217,686**	**196,224**	**10.9%**
Corrections & rebates	(789)	(562)	40.4%	(1,783)	(2,024)	-11.9%
Hospitals revenue, net	**67,905**	**63,582**	**6.8%**	**215,903**	**194,200**	**11.2%**
Costs of hospitals business	**(40,378)**	**(37,077)**	**8.9%**	**(126,039)**	**(112,435)**	**12.1%**
Gross profit	**27,527**	**26,505**	**3.9%**	**89,864**	**81,765**	**9.9%**
Salaries and other employee benefits	(7,482)	(7,109)	5.2%	(23,591)	(21,174)	11.4%
General and administrative expenses *excluding IFRS 16*	(3,532)	(3,219)	9.7%	(10,820)	(10,305)	5.0%
Impairment of receivables	(898)	(1,036)	-13.3%	(3,163)	(3,493)	-9.4%
Other operating income	1,224	1,272	-3.8%	2,551	4,150	-38.5%
EBITDA excluding IFRS 16	**16,839**	**16,413**	**2.6%**	**54,841**	**50,943**	**7.7%**
EBITDA margin excluding IFRS 16	*24.5%*	*25.6%*		*25.2%*	*26.0%*	
IFRS 16 impact on EBITDA[5]	122	-	NMF	421	-	NMF
Depreciation and amortization excluding IFRS 16	*(6,793)*	*(6,602)*	*2.9%*	*(20,037)*	*(18,944)*	*5.8%*
Depreciation and amortisation	(7,015)	(6,602)	6.3%	(20,614)	(18,944)	8.8%
Net interest income (expense) excluding IFRS 16	*(6,606)*	*(6,305)*	*4.8%*	*(19,774)*	*(16,861)*	*17.3%*
Net interest income (expense)	(6,665)	(6,305)	5.7%	(19,898)	(16,861)	18.0%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(196)*	*(150)*	*30.7%*	*(1,341)*	*(111)*	*NMF*
Net gains/(losses) from foreign currencies	(251)	(150)	67.3%	(1,803)	(111)	NMF
Net non-recurring income/(expense)	(144)	-	NMF	(536)	(1,126)	-52.4%
Profit before income tax expense	**2,885**	**3,356**	**-14.0%**	**12,410**	**13,901**	**-10.7%**
Income tax benefit/(expense)	-	-	-	-	(74)	NMF
Profit for the period excluding IFRS 16	**3,099**	**3,356**	**-7.6%**	**13,152**	**13,827**	**-4.9%**
Profit for the period	**2,885**	**3,356**	**-14.0%**	**12,410**	**13,827**	**-10.2%**

Revenue, *hospitals*

Our hospitals business y-o-y revenue growth in both reporting periods was mainly driven by the continuing ramp-up of our newly launched hospitals. Our existing facilities also contributed, but modestly, to the overall growth.

Our newly opened hospitals successfully progress towards their ramp up phase. Regional Hospital, now rebranded as Caucasus Medical Center (fully opened in March 2018), posted a 48.9% y-o-y increase in quarterly revenue and Tbilisi Referral Hospital (fully opened in December 2017) posted a 23.0% increase. In 9M19 the both hospitals posted double-digit EBITDA margin with occupancy rates of 35.8% for CMC and 46.5% for Tbilisi Referral Hospital.

Revenue by sources of payment in hospitals

(GEL thousands, unless otherwise noted)	**3Q19**	**3Q18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**
Hospitals revenue, net	**67,905**	**63,582**	**6.8%**	**215,903**	**194,200**	**11.2%**
Government-funded healthcare programmes	46,024	43,083	6.8%	148,629	131,265	13.2%
Out-of-pocket payments by patients	17,303	16,926	2.2%	52,690	50,358	4.6%
Private medical insurance companies, *of which*	4,578	3,573	28.1%	14,584	12,577	16.0%
GHG medical insurance	2,502	1,412	77.2%	7,929	4,789	65.6%

[5] Represents IFRS 16 impact on General and administrative expenses

All payment sources contributed to our revenue growth. The Government-funded healthcare programme remains the main contributor, accounting c.69%[6] in total revenue from hospitals business. Our smallest contributor – private medical insurance – is the fastest growing contributor, driven mainly by the substantial increase in revenues from GHG's own medical insurance clients.

Gross profit, *hospitals*

Cost of hospitals as % of revenue	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Direct salary rate	36.1%	36.3%	-0.2 ppts	35.0%	35.3%	-0.3 ppts
Materials rate	16.3%	15.4%	+0.9 ppts	16.8%	16.1%	+0.7 ppts
Gross margin	**40.1%**	**41.3%**	**-1.2 ppts**	**41.3%**	**41.7%**	**-0.4 ppts**

Despite the new pension reform (described on page 9 above in more detail), which increased our cost of salaries and other employee benefits by c.2%, focused efficiency initiatives reduced the direct salary rate in both reporting periods. The increase in the materials rate reflects the roll-out of the new hospitals. Excluding the effect of newly launched hospitals, the materials rate remained well-controlled and stood at 14.4% in 3Q19 (14.4% in 3Q18) and 15.0% in 9M19 (15.4% in 9M18). Increased cost of materials and other supplies together with increased cost of utilities and other, also due to the ramp-up phase of newly launched hospitals, subdued the gross margin in both reporting periods.

Operating expenses, *hospitals*

Business expansion and the new mandatory pension reform drove the increases in salaries and other employee benefits. The quarterly increase in general and administrative expenses (excluding IFRS 16 impact) mainly relates to marketing activities related to Regional Hospital's rebranding as Caucasus Medical Centre.

The decrease in 9M19 other operating income reflects the transfer of the hospitals centralised medicine procurement entity to the GHG pharmacy and distribution business in 2019. In 9M18 the business also generated a higher gain from the sale of unused property, plant and equipment than in the respective period in 2019.

EBITDA excluding IFRS 16, *hospitals*

All of the above translated into EBITDA growth of 2.6 ppts and 7.7 ppts in 3Q19 and 9M19, respectively. Y-o-y EBITDA margins, however, were down, and stood at 24.5% in 3Q19 and 25.2% 9M19. The reduction was mainly due to the: (1) new pension reform, that added GEL 0.7 million and GEL 2.0 million in quarterly and nine-month salary expense and translated in c.100 bps reductions in respective EBITDA margins; (2) the decrease in 9M19 other operating income explained above; and (3) the roll-out phase of the newly opened facilities. Excluding the dilutive effect of roll-outs, despite the new pension reform, the hospitals business posted strong EBITDA margin of 27.6% in 3Q19 and 27.9% in 9M19.

Profit, *hospitals*

As the business completed its intensive capital expenditure phase, depreciation and amortisation expense started to stabilise. On the back of an almost flat q-o-q borrowed funds balance, the interest expense also remained flat.

Operational highlights:

- Our adjusted hospital bed occupancy rate[7] was at 52.4% in 3Q19 and at 61.2% 9M19 (58.5% and 63.3% in 3Q18 and 9M18, respectively). The y-o-y decrease in quarterly occupancy rate is attributable to a quarantine in one of the paediatric hospitals in 3Q18, which lasted around two months.

- The average length of stay at hospitals[8] was at 5.2 days in 3Q19 and 5.4 in 9M19 (5.4 days in 3Q18 and 5.5 days in 9M18).

[6] Government funded healthcare programmes revenue share in total revenues from hospitals is higher compared to the same share in revenues from healthcare services that we used to report (which now, due to the split of hospitals and clinics results, are reported separately). This is because UHC mostly covers inpatient services, while the revenue share from government in our clinics business is lower, at c.55%, due to the limited coverage of outpatient services from UHC that our polyclinics provide.

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

[8] The calculation excludes emergency beds

Discussion of Clinics Business Results[9]

Income Statement, Clinics Business

GEL thousands; unless otherwise noted	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Clinics revenue, gross	**10,552**	**8,899**	**18.6%**	**32,536**	**28,296**	**15.0%**
Corrections & rebates	(110)	(110)	-	(280)	(428)	-34.6%
Clinics revenue, net	**10,442**	**8,789**	**18.8%**	**32,256**	**27,868**	**15.7%**
Costs of clinics business	**(5,706)**	**(4,984)**	**14.5%**	**(18,173)**	**(15,928)**	**14.1%**
Gross profit	**4,736**	**3,805**	**24.5%**	**14,083**	**11,940**	**17.9%**
Salaries and other employee benefits	(1,913)	(1,627)	17.6%	(5,452)	(4,917)	10.9%
General and administrative expenses *excluding IFRS 16*	(1,276)	(966)	32.1%	(3,450)	(2,923)	18.0%
Impairment of receivables	(19)	(16)	18.8%	(109)	(60)	81.7%
Other operating income	254	22	NMF	693	(71)	NMF
EBITDA excluding IFRS 16	**1,782**	**1,218**	**46.3%**	**5,765**	**3,969**	**45.3%**
EBITDA margin excluding IFRS 16	*16.9%*	*13.7%*		*17.7%*	*14.0%*	
IFRS 16 impact on EBITDA[10]	308	-	NMF	1,063	-	NMF
Depreciation and amortization excluding IFRS 16	*(1,394)*	*(1,245)*	*12.0%*	*(3,879)*	*(3,859)*	*0.5%*
Depreciation and amortisation	(1,778)	(1,245)	42.8%	(5,068)	(3,859)	31.3%
Net interest income (expense) excluding IFRS 16	*(1,026)*	*(1,007)*	*1.9%*	*(2,981)*	*(2,961)*	*0.7%*
Net interest income (expense)	(1,158)	(1,007)	15.0%	(3,370)	(2,961)	13.8%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(10)*	*(4)*	*150.0%*	*(72)*	*(11)*	*NMF*
Net gains/(losses) from foreign currencies	(206)	(4)	NMF	(1,101)	(11)	NMF
Net non-recurring income/(expense)	(2)	-	NMF	(69)	276	NMF
Profit before income tax expense	**(1,054)**	**(1,038)**	**1.6%**	**(2,780)**	**(2,586)**	**7.5%**
Income tax benefit/(expense)	-	-	-	-	-	-
Profit for the period excluding IFRS 16	**(650)**	**(1,038)**	**-37.4%**	**(1,236)**	**(2,586)**	**-52.2%**
Profit for the period	**(1,054)**	**(1,038)**	**1.6%**	**(2,780)**	**(2,586)**	**7.5%**

Revenue, *clinics*

Our clinics business posted strong revenue growth driven by double-digit revenue growth in both, community clinics and polyclinics.

Revenue by types of clinics

(GEL thousands, unless otherwise noted)	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Clinics revenue, net	**10,442**	**8,789**	**18.8%**	**32,256**	**27,868**	**15.7%**
Polyclinics	5,478	4,320	*26.8%*	16,732	13,722	*21.9%*
Community	4,964	4,469	*11.1%*	15,524	14,146	*9.7%*

In 9M19, 52% of the clinics' revenue came from polyclinics and 48% from community clinics.

The growth in revenue from polyclinics was fully organic, driven by new service initiatives and an increased number of registered patients in Tbilisi. Our registered patients' impressive growth, up c.57,000 patients y-o-y, reaching c.183,000 as of now, is summarized in the following table.

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Number of Registered Patients	126,000	146,000	157,000	169,000	175,000

The growth in our polyclinics is also supported by dental clinics - we have opened dental offices in eight different polyclinics since December 2018. We will continue to pursue our polyclinics expansion strategy: to consolidate our position as the largest player in the highly fragmented outpatient market in Georgia through organic growth and further acquisitions.

The y-o-y increase in revenue from community clinics, which play a feeder role for the referral hospitals, was also fully organic.

[9] Under the Group's new structure, the clinics business results now includes community clinics and polyclinics, explained in more details on page 8
[10] Represents IFRS 16 impact on General and administrative expenses

Revenue by sources of payment in clinics

(GEL thousands, unless otherwise noted)	**3Q19**	**3Q18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**
Healthcare services revenue, net	**10,442**	**8,789**	**18.8%**	**32,256**	**27,868**	**15.7%**
Government-funded healthcare programmes	5,758	5,001	*15.1%*	17,780	15,782	*12.7%*
Out-of-pocket payments by patients	2,731	2,648	*3.1%*	8,755	8,305	*5.4%*
Private medical insurance companies, *of which*	1,953	1,140	*71.3%*	5,721	3,781	*51.3%*
GHG medical insurance	1,817	991	*83.4%*	5,263	3,272	*60.9%*

The main contributor to clinics revenue growth was Government-funded healthcare programmes, accounting for a c.55% share in total revenue from clinics in both periods. The increase in out-of-pocket payments is attributable to the polyclinics business, being up 4.7 ppts in 3Q19 and 6.9 ppts in 9M19, while the revenue from the same source of payment was slightly down in community clinics where the main part of the revenue is generated from UHC. The strong growth in clinics revenue from private insurance companies is mainly supported by the increased number of GHG insured clients, who prefer to use our polyclinics, due to the different incentives such as direct settlement of claims, and quality of care.

Gross profit, *clinics*

Cost of clinics as % of revenue	**3Q19**	**3Q18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**
Direct salary rate	36.1%	36.3%	-0.2 ppts	35.2%	36.2%	-1.0 ppts
Materials rate	5.7%	6.7%	-1.0 ppts	6.1%	6.6%	-0.5 ppts
Gross margin	**44.9%**	**42.8%**	**+2.1 ppts**	**43.3%**	**42.2%**	**+1.1 ppts**

Despite the new pension reform, as a result of efficiency and cost control measures the direct salary rate improved significantly y-o-y. The y-o-y decrease in cost of materials rate is partially attributable to redirecting the laboratory tests to Mega Lab, eliminating cost of reagents while increasing (but by a smaller amount) the cost of medical service providers for the same period. All this translated in strong quarterly and nine-months gross margin increase.

Operating expenses, *clinics*

Our focus on efficiency resulted in strong y-o-y positive operating leverage of 10.3 ppts in 3Q19 and 13.5 ppts in 9M19. The business managed to control operating salary base, expense of which favourably lagged respective revenue growth. The increase in general and administrative expenses (excluding the IFRS 16 impact), relates mainly to staff trainings in managerial positions after the healthcare service business split at the beginning of the year, explained in more details on page 8.

EBITDA excluding IFRS 16, *clinics*

Increased revenue and the well-controlled cost base translated into strong EBITDA growth for both periods. Clinics business continues to significantly improve its EBITDA margin, driven by EBITDA margin improvement in polyclinics as a number of them make progress towards their run rate potential and the base of registered patients continues to increase. The polyclinics' EBITDA margin rose to 16.1% in 3Q19 (up 70 bps y-o-y) and to 15.8% in 9M19 (up 70 bps y-o-y).

Profit, *clinics*

As a number of polyclinics still remain in their roll-out phase, the clinics contributed negatively to the Group's profit. It is notable that negative contribution more than halved in 9M19, compared to prior year. Currently the main priority of the clinics business remains to increase the base of registered customers, as our polyclinics represent a first point of customer interaction for our overall business, bringing additional referrals to our hospitals and pharmacies. Combined with the newly launched dental offices, we believe that the polyclinics will become largest source of business' future growth, while we expect only moderate growth from the community clinics.

Discussion of Pharmacy and Distribution Business Results

Income Statement, pharmacy and distribution business

GEL thousands; unless otherwise noted	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Pharmacy and distribution revenue	**146,800**	**123,341**	**19.0%**	**441,993**	**377,532**	**17.1%**
Costs of Pharmacy and distribution	**(109,115)**	**(91,174)**	**19.7%**	**(330,059)**	**(282,586)**	**16.8%**
Gross profit	**37,685**	**32,167**	**17.2%**	**111,934**	**94,946**	**17.9%**
Salaries and other employee benefits	(12,751)	(11,234)	13.5%	(37,995)	(33,727)	12.7%
General and administrative expenses *excluding IFRS 16*	(10,537)	(8,681)	21.4%	(30,331)	(25,404)	19.4%
Impairment of receivables	(1)	(2)	NMF	(180)	(27)	NMF
Other operating income	814	168	NMF	2,690	1,191	125.9%
EBITDA excluding IFRS 16	**15,210**	**12,418**	**22.5%**	**46,118**	**36,979**	**24.7%**
EBITDA margin excluding IFRS 16	*10.4%*	*10.1%*		*10.4%*	*9.8%*	
IFRS 16 impact on EBITDA[11]	4,619	-	NMF	13,760	-	NMF
Depreciation and amortization excluding IFRS 16	*(788)*	*(600)*	*31.3%*	*(2,214)*	*(1,724)*	*28.4%*
Depreciation and amortisation	(4,780)	(600)	NMF	(14,020)	(1,724)	NMF
Net interest income (expense) excluding IFRS 16	*(3,018)*	*(3,036)*	*-0.6%*	*(8,910)*	*(8,551)*	*4.2%*
Net interest income (expense)	(4,318)	(3,036)	42.2%	(12,511)	(8,551)	46.3%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(839)*	*(3,487)*	*-75.9%*	*(3,927)*	*(1,358)*	*189.2%*
Net gains/(losses) from foreign currencies	(2,252)	(3,487)	-35.4%	(8,798)	(1,358)	NMF
Net non-recurring income/(expense)	(36)	(52)	-30.8%	(98)	(837)	-88.3%
Profit before income tax expense	**8,443**	**5,243**	**61.0%**	**24,451**	**24,509**	**-0.2%**
Income tax benefit/(expense)	(495)	-	NMF	(564)	-	NMF
Profit for the period excluding IFRS 16	**10,034**	**5,243**	**91.4%**	**30,405**	**24,509**	**24.1%**
Profit for the period	**7,948**	**5,243**	**51.6%**	**23,887**	**24,509**	**-2.5%**

Revenue, *pharmacy and distribution*

We delivered strong double-digit revenue growth in both periods in our retail and distribution businesses as shown in the table below. Excluding sales from "ELG", our centralised medicine procurement entity that was transferred to the GHG pharmacy and distribution business wholesale segment in 2019, the business posted headline growth of 14.5% in 3Q19 and 12.1% in 9M19.

Revenue by types, pharmacy and distribution

(GEL thousands, unless otherwise noted)	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Pharmacy and distribution revenue	**146,800**	**123,341**	**19.0%**	**441,993**	**377,532**	**17.1%**
Revenue from Retail	105,145	91,002	15.5%	314,842	279,391	12.7%
Revenue from Distribution	41,655	32,339	28.8%	127,151	98,141	29.6%
Gross profit Margin	**25.7%**	**26.1%**	**-0.4 ppts**	**25.3%**	**25.1%**	**0.2 ppts**

The increase in y-o-y revenues from retail is attributable to expansion and organic sales growth in the business. Over the last 12 months we have added 18 new pharmacies to our chain, expanding from 267 to 285 stores.

The same-store growth rate was 11.5% in 3Q19 and 8.1% in 9M19 and is attributable to growth in both, bills issued and average bill size. The number of bills issued was up 7.1% in 3Q19 and up 6.3% in 9M19, with average customer interactions in 9M19 up to about 2.4 per month (from 2.2 in the prior year). The average bill size was up 7.7% in 3Q19 and 5.8% in 9M19 and reached GEL 14.0 in the nine-month period. The share of para-pharmacy sales in retail revenue was flat at 32.1% in 3Q19 but grew slightly to 30.9% in the nine-month period.

As mentioned above, the part of the distribution revenue growth relates to the contribution of ELG to the business in 2019. This resulted in increased intercompany sales with GHG hospitals and clinics businesses. Excluding the ELG sales, the distribution revenue grew by 11.2% in 3Q19 and 10.4% in 9M19 respectively, as we expand the business by signing new corporate accounts.

Gross profit, *pharmacy and distribution*

Quarterly gross margin in the pharmacy and distribution business was down 40 bps y-o-y due to the reduced wholesale margin resulting from the increased intercompany sales mentioned above (which is eliminated upon consolidation).

[11] Represents IFRS 16 impact on General and administrative expenses

Excluding these intercompany sales, the quarterly gross margin improved 80 bps and the nine-month gross margin improved 150 bps. The improvement is partially a result of costs of pharma slightly benefiting from realising previously purchased inventory at a lower foreign currency exchange rate. On the other hand, the GEL devaluation against the US dollar in 3Q19 increased our payable balances for some inventories, resulting in loss from foreign currencies in the same period.

Apart from the quarterly reasons stated above, nine-month gross profit margin improvement (excluding intercompany eliminations) was driven by the increased margin on non-medication categories (personal care, beauty and other para-pharmacy products), total sales of which were GEL 103.8 million in 9M19 with 30.9% gross profit margin, compared to GEL 86.5 million in 9M18 with 28.2% gross profit margin.

Our gross profit margins also benefited from the increased sales of private label products. Currently, 37 private label medicines are presented in our pharmacies, with annualised revenue contribution of c.GEL 5 million. In May, private label personal care products were also introduced in our pharmacies under the brand name “Attirance”, posting around GEL 0.5 million YTD.

Operating expenses, *pharmacy and distribution*

The business posted y-o-y positive operating leverage of 3.4 ppts in 3Q19 and 4.4 ppts in 9M19. Salaries and other employee benefits, despite the pension reform, favourably lagged behind the same period revenue growth. Apart from business expansion, the y-o-y increase in general and administrative expenses (excluding IFRS 16 impact) is attributable to the marketing activities and promotions to support retail sales growth and increased rent expense of pharmacies (about 85% of rental contracts are denominated in US dollars) due to the GEL devaluation.

Increased other operating income in 9M19 reflects the gain on the sale of unused land and building in second quarter.

EBITDA and profit, *pharmacy and distribution*

Our 3Q19 and 9M19 EBITDA margins at 10.4% continue to substantially exceed our updated target of 9% (previously 8%+).

Profit, *pharmacy and distribution*

The foreign currency loss reflects the increase in the GEL value of US Dollar denominated payables to suppliers due to the devaluation of GEL in 3Q19, also explained in more details on page 11, the effect of which is partially mitigated by increased quarterly retail gross margin.

Business development and operational highlights:

- In October 2019, pharmacy and distribution business signed a franchise agreement (the “Agreement”) with The Body Shop International Limited (“The Body Shop”). The Body Shop, is a leading British cosmetics, skin care and perfume company, having a range of 1,000 products which it sells in about 3,000 owned and franchised stores internationally in more than 70 countries. According to the Agreement, pharmacy and distribution business has obtained the right to operate The Body Shop in Georgia for an initial term of 10 years. In the first year of operations it will develop up to three standalone flagship The Body Shop stores in the capital and large cities, and will also operate a shop in shop model, developing The Body Shop stands in its high-end retail pharmacy chain – GPC. The business is planning to operate the shop in shop model in c.50 GPC pharmacies, gradually increasing the number to c.100 over the next few years. The Body Shop’s worldwide well-established brand will further strengthen the GPC brand and increase its awareness. Adding The Body Shop brand in the portfolio will upgrade business’ range of personal care products and further contribute to its growth.

- 285 pharmacies as of September 2019 (267 as of September 2018)
- Average retail customer interactions per month was c.2.3 in 3Q19 (c.2.2 in 3Q18) and c.2.4 in 9M19 (c.2.2 in 9M18)
- Average bill size was GEL 14.2 in 3Q19 (GEL 13.2 in 3Q18) and GEL 14.0 in 9M19 (GEL 13.2 in 9M18)
- c.0.8 million loyalty card members as at 30 September 2019

Discussion of Medical Insurance Business Results

Income Statement, medical insurance business

GEL thousands; unless otherwise noted	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Net insurance premiums earned	**19,436**	**14,237**	**36.5%**	**55,802**	**41,242**	**35.3%**
Cost of insurance services	**(14,968)**	**(10,007)**	**49.6%**	**(46,884)**	**(33,799)**	**38.7%**
Gross profit	**4,468**	**4,230**	**5.6%**	**8,918**	**7,443**	**19.8%**
Salaries and other employee benefits	(1,611)	(1,375)	17.2%	(3,717)	(3,221)	15.4%
General and administrative expenses *excluding IFRS 16*	(414)	(342)	21.1%	(1,323)	(1,024)	29.2%
Impairment of receivables	(125)	(100)	25.0%	(342)	(259)	32.0%
Other operating income	460	273	68.5%	1,027	463	121.8%
EBITDA excluding IFRS 16	**2,778**	**2,686**	**3.4%**	**4,563**	**3,402**	**34.1%**
EBITDA margin excluding IFRS 16	*14.3%*	*18.9%*		*8.2%*	*8.2%*	
IFRS 16 impact on EBITDA[12]	106	-	NMF	287	-	NMF
Depreciation and amortisation excluding IFRS 16	*(188)*	*(184)*	*2.2%*	*(568)*	*(575)*	*-1.2%*
Depreciation and amortisation	(280)	(184)	52.2%	(828)	(575)	44.0%
Net interest income/ (expense) excluding IFRS 16	*200*	*41*	*387.8%*	*513*	*(84)*	*NMF*
Net interest income/ (expense)	186	41	353.7%	472	(84)	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*7*	*62*	*-88.7%*	*78*	*150*	*-48.0%*
Net gains/(losses) from foreign currencies	(16)	62	NMF	2	150	-98.7%
Net non-recurring income/(expense)	-	-	-	-	-	-
Profit before income tax expense	**2,774**	**2,605**	**6.5%**	**4,496**	**2,893**	**55.4%**
Income tax benefit/(expense)	(420)	(388)	NMF	(708)	(431)	64.3%
Profit / (Loss) for the period excluding IFRS 16	**2,377**	**2,217**	**7.2%**	**3,878**	**2,462**	**57.5%**
Profit / (Loss) for the period	**2,354**	**2,217**	**6.2%**	**3,788**	**2,462**	**53.9%**
Loss ratio *(%)*	73.4%	64.8%	+8.6 ppts	80.2%	77.0%	+3.2 ppts
Expense ratio without IFRS 16 *(%)*	13.3%	17.6%	-4.3 ppts	12.6%	16.2%	-3.6 ppts
Combined ratio without IFRS 16 *(%)*	86.7%	82.4%	+4.3 ppts	92.8%	93.1%	-0.3 ppts

Revenue, medical insurance

Our medical insurance business posted strong y-o-y double-digit revenue growth, driven by the increased number of new clients in our corporate segment (which includes state entities). The business started to benefit from the Group's scale, which gives us the ability to offer more competitive prices on the market. Out of new clients, the largest new contract is with the Ministry of Defence ("MOD"), acquired through a tender process starting from February 2019. Apart from business growth, the increased number of insured clients further increases our medical insurance claims retention rate within the Group – which, apart from expansion, is the business' main priority.

Gross profit, medical insurance

Medical insurance claims expenses account for almost all of the cost of insurance services. In 9M19, our medical insurance claims expense was GEL 44.8 million, of which GEL 18.5 million (41.4% of the total) was inpatient, GEL 18.5 million (41.3% of total) was outpatient and GEL 7.8 million (17.3% of total) was accounted for by drugs.

In 3Q19 as well as in 9M19 loss ratio was up y-o-y due to the addition of large clients, such as MOD, which have a higher loss ratio compared to small corporate clients.

Claims retention rates

Our insurance business expansion has significantly improved claims retention rates within the Group, as the business plays a feeder role in originating and directing patients to our healthcare facilities, mainly to polyclinics and to pharmacies.

	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Total claims retained within the Group	42.6%	39.8%	+2.8 ppts	41.6%	38.6%	+3.0 ppts
Total claims retained in outpatient	40.5%	39.8%	+0.7 ppts	40.5%	38.9%	+1.6 ppts

[12] Represents IFRS 16 impact on General and administrative expenses

Due to the business' increased client base (reaching c.230,000 insured as of June 2019) 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 clinics and hospitals. Our facilities are increasingly favoured by 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.

Operating expenses, *medical insurance*

The increases in salaries and general and administrative expenses were well controlled and the business improved its expense ratio (excluding IFRS 16 impact), which was down 4.3 ppts at 13.3% in 3Q19 and down 3.6 ppts at 12.6% in 9M19, y-o-y. The decrease partially offset the higher quarterly loss ratio, resulted in an increased but still quite satisfactory combined ratio (excluding IFRS 16 impact) of 86.7% for 3Q19. The 9M19 combined ratio improved, on the other hand, by 30 bps to 92.8%.

Last year, our 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. Staring from 2019 the business renegotiated and increased the fee from this service which resulted in y-o-y increase in other operating income.

Operational highlights:

- As at 30 June 2019, GHG medical insurance business market share based on net insurance premium revenue was 31.9%.
- In 2019, we became the largest medical insurer in Georgia with c.230,000 insured (c.157,000 in December 2018).
- Our insurance renewal rate was 77.1% in 3Q19 (76.8% in 3Q18) and 77.4% in 9M19 (73.3% in 9M18).

Discussion of Diagnostics Business Results

Overview, diagnostics

In December 2018, we completed construction and opened Mega Lab, the largest diagnostics laboratory in Georgia and the entire Caucasus region. The multi-disciplinary laboratory is equipped with the most modern infrastructure and state-of-the-art equipment. In addition to basic laboratory tests, the new laboratory allows us to offer complex tests for oncology and molecular lab, some of which have never previously been available in Georgia and for which blood samples used to be sent abroad. The launch is in line with our strategy to invest in and develop new medical services to keep filling existing service gaps in the country, supporting the market's continuing development and our service export strategy.

Mega Lab is an important, separate, business line for the Group, the results of which are shown below in detail. Currently the process of centralising Group's internal lab demand – through collecting samples from the Group's hospitals and polyclinics throughout Georgia - is ongoing and will be completed this year. Test results are distributed electronically to each hospital and polyclinic within the Group through the internal Laboratory Information Management System ("LIMS"), enabling us to be more efficient and provide a reliable service to our patients. Apart from serving the Group facilities, which cover only one-fourth of the laboratory's capacity, Mega Lab has started to develop a retail network and capitalise on our pharmacy and distribution business' scale - being the largest retailer in the country. We have already opened seven blood collection points in one of our pharmacy chains and plan to continue the process to arrive at c.50 blood collection points in coming years. The Mega Lab will also work on additional external contracts, serving healthcare facilities outside the Group.

Before opening Mega Lab, most of the Group's healthcare facilities had their own laboratory units and the Group owned one smaller scale lab facility (Patgeo, acquired in 2016). The results below for 3Q18 and 9M18 shows the numbers for Patgeo, which after opening Mega Lab, was fully consolidated into the diagnostics business 2019 results. The Group's healthcare facilities cost base for lab services remained the same with the opening of Mega Lab. Costs previously reflected as salaries and materials (mainly reagents) have simply been shifted to cost of providers.

Income Statement, Diagnostics

GEL thousands; unless otherwise noted	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Diagnostics revenue	**1,127**	**678**	**66.2%**	**3,412**	**2,056**	**66.0%**
Costs of diagnostics	**(782)**	**(534)**	**46.4%**	**(2,387)**	**(1,611)**	**48.2%**
Gross profit	**345**	**144**	**139.6%**	**1,025**	**445**	**130.3%**
Salaries and other employee benefits	(240)	(73)	228.8%	(755)	(163)	NMF
General and administrative expenses *excluding IFRS 16*	(108)	(67)	61.2%	(268)	(199)	34.7%
Impairment of receivables	-	-	-	(4)	-	NMF
Other operating income	21	(3)	NMF	117	(7)	NMF
EBITDA excluding IFRS 16	**18**	**1**	**NMF**	**115**	**76**	**51.3%**
EBITDA margin excluding IFRS 16	*1.6%*	*0.1%*		*3.4%*	*3.7%*	
IFRS 16 impact on EBITDA[13]	3	-	NMF	14	-	NMF
Depreciation and amortisation excluding IFRS 16	*(48)*	*(57)*	*-15.8%*	*(167)*	*(148)*	*12.8%*
Depreciation and amortisation	(48)	(57)	-15.8%	(180)	(148)	21.6%
Net interest income/ (expense) excluding IFRS 16	*(96)*	*(71)*	*35.2%*	*(96)*	*(71)*	*35.2%*
Net interest income (expense)	(96)	(71)	35.2%	(97)	(71)	36.6%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(4)*	*-*	*NMF*	*(24)*	*1*	*NMF*
Net gains/(losses) from foreign currencies	(4)	-	NMF	(24)	1	NMF
Net non-recurring income/(expense)	-	-	-	(5)	(27)	-81.5%
Profit before income tax expense	**(127)**	**(127)**	**-**	**(177)**	**(169)**	**4.7%**
Income tax benefit/(expense)	-	-	-	-	-	-
Profit for the period excluding IFRS 16	**(130)**	**(127)**	**2.4%**	**(177)**	**(169)**	**4.7%**
Profit for the period	**(127)**	**(127)**	**-**	**(177)**	**(169)**	**4.7%**

Revenue by types, diagnostics

(GEL thousands, unless otherwise noted)	3Q19	3Q18	Change, Y-o-Y	9M19	9M18	Change, Y-o-Y
Diagnostics revenue	**1,127**	**678**	**66.2%**	**3,412**	**2,056**	66.0%
Contracts	1,058	678	56.0%	3,238	2,056	57.5%
Walk-in	69	-	NMF	174	-	NMF

In 3Q19 and 9M19 well over 90% of our diagnostics business revenue came from contracts, mainly from the Group's hospitals and clinics, by consolidating the demand for planned laboratory tests in Mega Lab. The c.5% of revenue from walk-in patients represents retail revenue which we plan to increase as the business continues to develop retail blood collection points.

The diagnostics business continued its positive trend and, maintaining break even EBITDA in 3Q19, a significant achievement for a newly launched segment. The cost base for lab tests are the same as it was for our previously operated separate lab units in our healthcare facilities while the newly added diagnostics business already posts a positive margin due to the reduced cost of tests as a result of consolidation.

Operational highlights:	**3Q19**	**9M19**
Number of patients served *(in thousands)*	87	214
Number of tests performed *(in thousands)*	196	552
Average number of tests per patient	2.3	2.6

[13] Represents IFRS 16 impact on General and administrative expenses

SELECTED FINANCIAL INFORMATION

Income Statement, *nine-month*	**Hospitals**			**Clinics**			**Pharmacy and distribution**			**Medical insurance**			**Diagnostics**			**Eliminations**		**GHG**		
GEL thousands, unless otherwise noted	**9M19**	**9M18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**	**9M19**	**9M18**	**Change, Y-o-Y**	**9M19**	**9M18**	**9M19**	**9M18**	**Change, Y-o-Y**
Revenue, gross	**217,686**	**196,224**	**10.9%**	**32,536**	**28,296**	**15.0%**	**441,993**	**377,532**	**17.1%**	**55,802**	**41,242**	**35.3%**	**3,412**	**2,056**	**66.0%**	**(48,079)**	**(22,944)**	**703,350**	**622,406**	**13.0%**
Corrections & rebates	(1,783)	(2,024)	-11.9%	(280)	(428)	-34.6%	-	-	-	-	-	-	-	-	-	-	-	(2,063)	(2,452)	-15.9%
Revenue, net	**215,903**	**194,200**	**11.2%**	**32,256**	**27,868**	**15.7%**	**441,993**	**377,532**	**17.1%**	**55,802**	**41,242**	**35.3%**	**3,412**	**2,056**	**66.0%**	**(48,079)**	**(22,944)**	**701,287**	**619,954**	**13.1%**
Costs of services	**(126,039)**	**(112,435)**	**12.1%**	**(18,173)**	**(15,928)**	**14.1%**	**(330,059)**	**(282,586)**	**16.8%**	**(46,884)**	**(33,799)**	**38.7%**	**(2,387)**	**(1,611)**	**48.2%**	**47,028**	**21,627**	**(476,514)**	**(424,732)**	**12.2%**
Cost of salaries and other employee benefits	(76,250)	(69,360)	9.9%	(11,443)	(10,240)	11.7%	-	-	-	-	-	-	(800)	(693)	15.4%	4,564	2,898	(83,929)	(77,395)	8.4%
Cost of materials and supplies	(36,497)	(31,602)	15.5%	(1,997)	(1,864)	7.1%	-	-	-	-	-	-	(1,281)	(901)	42.2%	4,587	8,174	(35,188)	(26,193)	34.3%
Cost of medical service providers	(3,101)	(2,849)	8.8%	(3,185)	(2,462)	29.4%	-	-	-	-	-	-	(82)	-	NMF	3,576	2,964	(2,792)	(2,347)	19.0%
Cost of utilities and other	(10,191)	(8,624)	18.2%	(1,548)	(1,362)	13.7%	-	-	-	-	-	-	(224)	(17)	NMF	711	361	(11,252)	(9,642)	16.7%
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	(44,768)	(31,741)	41.0%	-	-	-	10,377	7,230	(34,391)	(24,511)	40.3%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	(2,116)	(2,058)	2.8%	-	-	-	-	-	(2,116)	(2,058)	2.8%
Cost of pharma – wholesale	-	-	-	-	-	-	(106,388)	(80,103)	32.8%	-	-	-	-	-	-	23,213	-	(83,175)	(80,103)	3.8%
Cost of pharma - retail	-	-	-	-	-	-	(223,671)	(202,483)	10.5%	-	-	-	-	-	-	-	-	(223,671)	(202,483)	10.5%
Gross profit	**89,864**	**81,765**	**9.9%**	**14,083**	**11,940**	**17.9%**	**111,934**	**94,946**	**17.9%**	**8,918**	**7,443**	**19.8%**	**1,025**	**445**	**130.3%**	**(1,051)**	**(1,317)**	**224,773**	**195,222**	**15.1%**
Salaries and other employee benefits	(23,591)	(21,174)	11.4%	(5,452)	(4,917)	10.9%	(37,995)	(33,727)	12.7%	(3,717)	(3,221)	15.4%	(755)	(163)	NMF	515	912	(70,995)	(62,290)	14.0%
General and administrative expenses	(10,820)	(10,305)	5.0%	(3,450)	(2,923)	18.0%	(30,331)	(25,404)	19.4%	(1,323)	(1,024)	29.2%	(268)	(199)	34.7%	552	420	(45,640)	(39,435)	15.7%
Impairment of receivables	(3,163)	(3,493)	-9.4%	(109)	(60)	81.7%	(180)	(27)	NMF	(342)	(259)	32.0%	(4)	-	NMF	657	404	(3,141)	(3,435)	-8.6%
Other operating income	2,551	4,150	-38.5%	693	(71)	NMF	2,690	1,191	125.9%	1,027	463	121.8%	117	(7)	NMF	(672)	(421)	6,406	5,305	20.8%
EBITDA excluding IFRS 16	**54,841**	**50,943**	**7.7%**	**5,765**	**3,969**	**45.3%**	**46,118**	**36,979**	**24.7%**	**4,563**	**3,402**	**34.1%**	**115**	**76**	**51.3%**	**1**	**(2)**	**111,403**	**95,367**	**16.8%**
EBITDA margin excluding IFRS 16	***25.2%***	***26.0%***		***17.7%***	***14.0%***		***10.4%***	***9.8%***		***8.2%***	***8.2%***		***3.4%***	***3.7%***			-			
IFRS 16 impact on EBITDA[14]	421	-	NMF	1,063	-	NMF	13,760	-	NMF	287	-	NMF	14	-	NMF	-	-	15,545	-	
EBITDA as per financial statements	**55,262**	**50,943**	**8.5%**	**6,828**	**3,969**	**72.0%**	**59,878**	**36,979**	**61.9%**	**4,850**	**3,402**	**42.6%**	**129**	**76**	**69.7%**	**1**	**(2)**	**126,948**	**95,367**	**33.1%**
Depreciation and amortization excluding IFRS 16	*(20,037)*	*(18,944)*	*5.8%*	*(3,879)*	*(3,859)*	*0.5%*	*(2,214)*	*(1,724)*	*28.4%*	*(568)*	*(575)*	*-1.2%*	*(167)*	*(148)*	*12.8%*	*-*	*-*	*(26,865)*	*(25,250)*	*6.4%*
Depreciation and amortization	(20,614)	(18,944)	8.8%	(5,068)	(3,859)	31.3%	(14,020)	(1,724)	NMF	(828)	(575)	44.0%	(180)	(148)	21.6%	-	-	(40,710)	(25,250)	61.2%
Net interest income (expense) excluding IFRS 16	*(19,774)*	*(16,861)*	*17.3%*	*(2,981)*	*(2,961)*	*0.7%*	*(8,910)*	*(8,551)*	*4.2%*	*513*	*(84)*	*NMF*	*(96)*	*(71)*	*35.2%*	*-*	*-*	*(31,248)*	*(28,528)*	*9.5%*
Net interest income (expense)	(19,898)	(16,861)	18.0%	(3,370)	(2,961)	13.8%	(12,511)	(8,551)	46.3%	472	(84)	NMF	(97)	(71)	36.6%	-	-	(35,404)	(28,528)	24.1%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(1,341)*	*(111)*	*NMF*	*(72)*	*(11)*	*NMF*	*(3,927)*	*(1,358)*	*189.2%*	*78*	*150*	*NMF*	*(24)*	*1*	*NMF*	*-*	*-*	*(5,286)*	*(1,329)*	*297.7%*
Net gains/(losses) from foreign currencies	(1,803)	(111)	NMF	(1,101)	(11)	NMF	(8,798)	(1,358)	NMF	2	150	-98.7%	(24)	1	NMF	-	-	(11,724)	(1,329)	NMF
Net non-recurring income/(expense)	(536)	(1,126)	-52.4%	(69)	276	NMF	(98)	(837)	-88.3%	-	-	-	(5)	(27)	-81.5%	(1)	-	(710)	(1,714)	-58.6%
Profit before income tax expense	**12,410**	**13,901**	**-10.7%**	**(2,780)**	**(2,586)**	**7.5%**	**24,451**	**24,509**	**-0.2%**	**4,496**	**2,893**	**NMF**	**(177)**	**(169)**	**4.7%**	**-**	**(2)**	**38,400**	**38,546**	**-0.4%**
Income tax benefit/(expense)	-	(74)	**NMF**	-	-	-	(564)	-	**NMF**	(708)	(431)	**NMF**	-	-	-	-	-	(1,272)	(505)	**151.9%**
Profit for the period excluding IFRS 16	**13,152**	**13,827**	**-4.9%**	**(1,236)**	**(2,586)**	**-52.2%**	**30,405**	**24,509**	**24.1%**	**3,878**	**2,462**	**57.5%**	**(177)**	**(169)**	**4.7%**	**-**	**(2)**	**46,022**	**38,041**	**21.0%**
Attributable to:																				
- shareholders of the Company	9,416	11,011	-14.5%	(1,296)	(2,529)	-48.7%	18,321	13,734	33.4%	3,878	2,462	NMF	(177)	(169)	4.7%	-	(2)	30,142	24,507	23.0%
- non-controlling interests	3,736	2,816	32.7%	60	(57)	NMF	12,084	10,775	12.2%	-	-	-	-	-	-	-	-	15,880	13,534	17.3%
Profit for the period	**12,410**	**13,827**	**-10.2%**	**(2,780)**	**(2,586)**	**7.5%**	**23,887**	**24,509**	**-2.5%**	**3,788**	**2,462**	**53.9%**	**(177)**	**(169)**	**4.7%**	**-**	**(2)**	**37,128**	**38,041**	**-2.4%**
Attributable to:																				
- shareholders of the Company	8,674	11,011	-21.2%	(2,840)	(2,529)	12.3%	13,954	13,734	1.6%	3,788	2,462	53.9%	(177)	(169)	4.7%	(1)	(2)	23,399	24,507	-4.5%
- non-controlling interests	3,736	2,816	32.7%	60	(57)	NMF	9,933	10,775	-7.8%	-	-	-	-	-	-	-	-	13,729	13,534	1.4%

[14] Represents IFRS 16 impact on General and administrative expenses

Income Statement, *Quarterly*

GEL thousands, unless otherwise noted

Hospitals

	3Q19	3Q18	Change, Y-o-Y	2Q19	Change, Q-o-Q
Revenue, gross	68,694	64,144	7.1%	74,218	-7.4%
Corrections & rebates	(789)	(562)	40.4%	(532)	48.3%
Revenue, net	67,905	63,582	6.8%	73,686	-7.8%
Costs of services	(40,378)	(37,077)	8.9%	(42,640)	-5.3%
Cost of salaries and other employee benefits	(24,820)	(23,291)	6.6%	(26,189)	-5.2%
Cost of materials and supplies	(11,197)	(9,909)	13.0%	(12,281)	-8.8%
Cost of medical service providers	(994)	(1,089)	-8.7%	(1,095)	-9.2%
Cost of utilities and other	(3,367)	(2,788)	20.8%	(3,075)	9.5%
Net insurance claims incurred	-	-	-	-	-
Agents, brokers and employee commissions	-	-	-	-	-
Cost of pharma – wholesale	-	-	-	-	-
Cost of pharma - retail	-	-	-	-	-
Gross profit	27,527	26,505	3.9%	31,046	-11.3%
Salaries and other employee benefits	(7,482)	(7,109)	5.2%	(8,157)	-8.3%
General and administrative expenses	(3,532)	(3,219)	9.7%	(3,861)	-8.5%
Impairment of receivables	(898)	(1,036)	-13.3%	(1,128)	-20.4%
Other operating income	1,224	1,272	-3.8%	940	30.2%
EBITDA *excluding IFRS 16*	16,839	16,413	2.6%	18,840	-10.6%
EBITDA margin excluding IFRS 16	24.5%	25.6%		25.4%	
IFRS 16 impact on EBITDA[15]	122	-	NMF	120	
EBITDA as per financial statements	16,961	16,413	3.3%	18,960	-10.5%
Depreciation and amortization excluding IFRS 16	(6,793)	(6,602)	2.9%	(6,728)	1.0%
Depreciation and amortization	(7,015)	(6,602)	6.3%	(6,920)	1.4%
Net interest income (expense) excluding IFRS 16	(6,606)	(6,305)	4.8%	(6,586)	0.3%
Net interest income (expense)	(6,665)	(6,305)	5.7%	(6,620)	0.7%
Net gains/(losses) from foreign currencies excluding IFRS 16	(196)	(150)	30.7%	(1,052)	NMF
Net gains/(losses) from foreign currencies	(251)	(150)	67.3%	(1,437)	NMF
Net non-recurring income/(expense)	(144)	-	NMF	(288)	-49.9%
Profit before income tax expense	2,885	3,356	-14.0%	3,695	-21.9%
Income tax benefit/(expense)	-	-	-	-	-
Profit for the period excluding IFRS 16	3,099	3,356	-7.6%	4,186	-26.0%
Attributable to:					
- shareholders of the Company	2,134	2,755	-22.5%	2,927	-27.1%
- non-controlling interests	965	601	60.6%	1,259	-23.4%
Profit for the period	2,885	3,356	-14.0%	3,695	-21.9%
Attributable to:					
- shareholders of the Company	1,920	2,755	-30.3%	2,436	-21.2%
- non-controlling interests	965	601	60.6%	1,259	-23.4%

Clinics

	3Q19	3Q18	Change, Y-o-Y	2Q19	Change, Q-o-Q
Revenue, gross	10,552	8,899	18.6%	10,877	-3.0%
Corrections & rebates	(110)	(110)	0.0%	(73)	50.7%
Revenue, net	10,442	8,789	18.8%	10,804	-3.4%
Costs of services	(5,706)	(4,984)	14.5%	(6,223)	-8.3%
Cost of salaries and other employee benefits	(3,811)	(3,229)	18.0%	(3,789)	0.6%
Cost of materials and supplies	(599)	(594)	0.8%	(721)	-16.9%
Cost of medical service providers	(938)	(850)	10.4%	(1,183)	-20.7%
Cost of utilities and other	(358)	(311)	15.1%	(530)	-32.5%
Net insurance claims incurred	-	-	-	-	-
Agents, brokers and employee commissions	-	-	-	-	-
Cost of pharma – wholesale	-	-	-	-	-
Cost of pharma - retail	-	-	-	-	-
Gross profit	4,736	3,805	24.5%	4,581	3.4%
Salaries and other employee benefits	(1,913)	(1,627)	17.6%	(1,783)	7.3%
General and administrative expenses	(1,276)	(966)	32.1%	(1,092)	16.9%
Impairment of receivables	(19)	(16)	18.8%	(15)	26.7%
Other operating income	254	22	NMF	216	17.6%
EBITDA *excluding IFRS 16*	1,782	1,218	46.3%	1,907	-6.6%
EBITDA margin excluding IFRS 16	16.9%	13.7%		17.5%	
IFRS 16 impact on EBITDA[15]	308	-	NMF	301	
EBITDA as per financial statements	2,090	1,218	71.6%	2,208	-5.3%
Depreciation and amortization excluding IFRS 16	(1,394)	(1,245)	12.0%	(1,257)	10.9%
Depreciation and amortization	(1,778)	(1,245)	42.8%	(1,664)	6.8%
Net interest income (expense) excluding IFRS 16	(1,026)	(1,007)	1.9%	(998)	2.8%
Net interest income (expense)	(1,158)	(1,007)	15.0%	(1,126)	2.8%
Net gains/(losses) from foreign currencies excluding IFRS 16	(10)	(4)	150.0%	(35)	-71.5%
Net gains/(losses) from foreign currencies	(206)	(4)	NMF	(834)	-75.3%
Net non-recurring income/(expense)	(2)	-	NMF	(15)	-85.1%
Profit before income tax expense	(1,054)	(1,038)	1.6%	(1,431)	-26.3%
Income tax benefit/(expense)	-	-	-	-	-
Profit for the period excluding IFRS 16	(650)	(1,038)	-37.4%	(398)	63.2%
Attributable to:					
- shareholders of the Company	(676)	(1,027)	-34.2%	(412)	63.9%
- non-controlling interests	26	(11)	NMF	14	85.7%
Profit for the period	(1,054)	(1,038)	1.6%	(1,431)	-26.3%
Attributable to:					
- shareholders of the Company	(1,080)	(1,027)	5.2%	(1,445)	-25.3%
- non-controlling interests	26	(11)	NMF	14	85.7%

Pharmacy and distribution

	3Q19	3Q18	Change, Y-o-Y	2Q19	Change, Q-o-Q
Revenue, gross	146,800	123,341	19.0%	149,414	-1.7%
Corrections & rebates	-	-	-	-	-
Revenue, net	146,800	123,341	19.0%	149,414	-1.7%
Costs of services	(109,115)	(91,174)	19.7%	(113,463)	-3.8%
Cost of salaries and other employee benefits	-	-	-	-	-
Cost of materials and supplies	-	-	-	-	-
Cost of medical service providers	-	-	-	-	-
Cost of utilities and other	-	-	-	-	-
Net insurance claims incurred	-	-	-	-	-
Agents, brokers and employee commissions	-	-	-	-	-
Cost of pharma – wholesale	(35,174)	(26,800)	31.2%	(37,097)	-5.2%
Cost of pharma - retail	(73,941)	(64,374)	14.9%	(76,366)	-3.2%
Gross profit	37,685	32,167	17.2%	35,951	4.8%
Salaries and other employee benefits	(12,751)	(11,234)	13.5%	(12,580)	1.4%
General and administrative expenses	(10,537)	(8,681)	21.4%	(9,885)	6.6%
Impairment of receivables	(1)	(2)	-50.0%	(121)	-99.2%
Other operating income	814	168	NMF	1,982	-58.9%
EBITDA *excluding IFRS 16*	15,210	12,418	22.5%	15,347	-0.9%
EBITDA margin excluding IFRS 16	10.4%	10.1%		10.3%	
IFRS 16 impact on EBITDA[15]	4,619	-	NMF	4,739	-2.5%
EBITDA as per financial statements	19,829	12,418	59.7%	20,086	-1.3%
Depreciation and amortization excluding IFRS 16	(788)	(600)	31.3%	(738)	6.8%
Depreciation and amortization	(4,780)	(600)	NMF	(4,702)	1.7%
Net interest income (expense) excluding IFRS 16	(3,018)	(3,036)	-0.6%	(2,943)	2.5%
Net interest income (expense)	(4,318)	(3,036)	42.2%	(4,141)	4.3%
Net gains/(losses) from foreign currencies excluding IFRS 16	(839)	(3,487)	-75.9%	(3,294)	-74.5%
Net gains/(losses) from foreign currencies	(2,252)	(3,487)	-35.4%	(6,519)	-65.5%
Net non-recurring income/(expense)	(36)	(52)	-30.8%	(68)	-47.1%
Profit before income tax expense	8,443	5,243	61.0%	4,656	81.3%
Income tax benefit/(expense)	(495)	-	NMF	(69)	NMF
Profit for the period excluding IFRS 16	10,034	5,243	91.4%	8,235	21.8%
Attributable to:					
- shareholders of the Company	6,159	2,500	146.3%	4,770	29.1%
- non-controlling interests	3,875	2,743	41.3%	3,465	11.8%
Profit for the period	7,948	5,243	51.6%	4,587	73.3%
Attributable to:					
- shareholders of the Company	4,761	2,500	90.4%	2,326	104.7%
- non-controlling interests	3,187	2,743	16.2%	2,261	41.0%

Medical insurance

	3Q19	3Q18	Change, Y-o-Y	2Q19	Change, Q-o-Q
Revenue, gross	19,436	14,237	36.5%	18,873	3.0%
Corrections & rebates	-	-	-	-	-
Revenue, net	19,436	14,237	36.5%	18,873	3.0%
Costs of services	(14,968)	(10,007)	49.6%	(16,233)	-7.8%
Cost of salaries and other employee benefits	-	-	-	-	-
Cost of materials and supplies	-	-	-	-	-
Cost of medical service providers	-	-	-	-	-
Cost of utilities and other	-	-	-	-	-
Net insurance claims incurred	(14,267)	(9,229)	54.6%	(15,587)	-8.5%
Agents, brokers and employee commissions	(701)	(778)	-9.9%	(646)	8.5%
Cost of pharma – wholesale	-	-	-	-	-
Cost of pharma - retail	-	-	-	-	-
Gross profit	4,468	4,230	5.6%	2,640	69.2%
Salaries and other employee benefits	(1,611)	(1,375)	17.2%	(1,189)	35.5%
General and administrative expenses	(414)	(342)	21.1%	(469)	-11.7%
Impairment of receivables	(125)	(100)	25.0%	(114)	9.6%
Other operating income	460	273	68.5%	355	29.6%
EBITDA *excluding IFRS 16*	2,778	2,686	3.4%	1,223	127.1%
EBITDA margin excluding IFRS 16	14.3%	18.9%		6.5%	
IFRS 16 impact on EBITDA[15]	106	-	NMF	96	10.4%
EBITDA as per financial statements	2,884	2,686	7.4%	1,319	118.7%
Depreciation and amortization excluding IFRS 16	(188)	(184)	2.2%	(191)	-1.6%
Depreciation and amortization	(280)	(184)	52.2%	(279)	0.4%
Net interest income (expense) excluding IFRS 16	200	41	NMF	186	7.5%
Net interest income (expense)	186	41	353.7%	173	7.5%
Net gains/(losses) from foreign currencies excluding IFRS 16	7	62	-88.7%	8	-12.5%
Net gains/(losses) from foreign currencies	(16)	62	NMF	(41)	-61.0%
Net non-recurring income/(expense)	-	-	-	-	-
Profit before income tax expense	2,774	2,605	6.5%	1,172	136.7%
Income tax benefit/(expense)	(420)	(388)	8.2%	(203)	106.9%
Profit for the period excluding IFRS 16	2,377	2,217	7.2%	1,023	132.4%
Attributable to:					
- shareholders of the Company	2,377	2,217	7.2%	1,023	132.4%
- non-controlling interests	-	-	-	-	-
Profit for the period	2,354	2,217	6.2%	969	142.9%
Attributable to:					
- shareholders of the Company	2,354	2,217	6.2%	969	142.9%
- non-controlling interests	-	-	-	-	-

[15] Represents IFRS 16 impact on General and administrative expenses

Income Statement, *Quarterly*	**Diagnostics**					**Eliminations**			**GHG**				
GEL thousands, unless otherwise noted	**3Q19**	**3Q18**	**Change, Y-o-Y**	**2Q19**	**Change, Q-o-Q**	**3Q19**	**3Q18**	**2Q19**	**3Q19**	**3Q18**	**Change, Y-o-Y**	**2Q19**	**Change, Q-o-Q**
Revenue, gross	**1,127**	**678**	**66.2%**	**1,131**	**-0.4%**	**(16,131)**	**(8,373)**	**(16,853)**	**230,478**	**202,926**	**13.6%**	**237,660**	**-3.0%**
Corrections & rebates	-	-	-	-	-	-	-	-	(899)	(672)	33.8%	(605)	48.6%
Revenue, net	**1,127**	**678**	**66.2%**	**1,131**	**-0.4%**	**(16,131)**	**(8,373)**	**(16,853)**	**229,579**	**202,254**	**13.5%**	**237,055**	**-3.2%**
Costs of services	**(782)**	**(534)**	**46.4%**	**(774)**	**1.0%**	**16,095**	**7,891**	**16,170**	**(154,854)**	**(135,884)**	**14.0%**	**(163,163)**	**-5.1%**
Cost of salaries and other employee benefits	(251)	(215)	16.7%	(260)	-3.5%	1,486	883	1,660	(27,396)	(25,851)	6.0%	(28,578)	-4.1%
Cost of materials and supplies	(460)	(315)	46.0%	(428)	7.5%	1,545	3,448	1,366	(10,711)	(7,371)	45.3%	(12,064)	-11.2%
Cost of medical service providers	(36)	-	NMF	(45)	-20.0%	1,045	1,075	1,253	(923)	(864)	6.8%	(1,070)	-13.8%
Cost of utilities and other	(35)	(4)	NMF	(41)	-14.6%	288	101	203	(3,472)	(3,001)	15.7%	(3,443)	0.8%
Net insurance claims incurred	-	-	-	-	-	3,316	2,384	3,775	(10,951)	(6,845)	60.0%	(11,812)	-7.3%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	(701)	(778)	-9.9%	(646)	8.5%
Cost of pharma – wholesale	-	-	-	-	-	8,415	-	7,913	(26,759)	(26,800)	-0.2%	(29,184)	-8.3%
Cost of pharma - retail	-	-	-	-	-	-	-	-	(73,941)	(64,374)	14.9%	(76,366)	-3.2%
Gross profit	**345**	**144**	**139.6%**	**357**	**-3.4%**	**(36)**	**(482)**	**(683)**	**74,725**	**66,370**	**12.6%**	**73,892**	**1.1%**
Salaries and other employee benefits	(240)	(73)	228.8%	(281)	-14.5%	319	360	67	(23,678)	(21,056)	12.5%	(23,922)	-1.0%
General and administrative expenses	(108)	(67)	61.2%	(76)	41.7%	324	42	93	(15,543)	(13,233)	17.5%	(15,290)	1.7%
Impairment of receivables	-	-	-	-	-	214	120	238	(829)	(1,034)	-19.8%	(1,140)	-27.3%
Other operating income	21	(3)	NMF	49	-57.1%	(821)	(40)	284	1,952	1,691	15.4%	3,826	-49.0%
EBITDA excluding IFRS 16	**18**	**1**	**NMF**	**49**	**-63.3%**	**-**	**-**	**(1)**	**36,627**	**32,738**	**11.9%**	**37,365**	**-2.0%**
EBITDA margin excluding IFRS 16	***1.6%***	***0.1%***		***4.3%***		-		-	***15.9%***	***16.1%***		***15.7%***	
IFRS 16 impact on EBITDA[16]	3	-	NMF	5	-40.0%	-	-	-	5,158	-	NMF	5,261	-2.0%
EBITDA as per financial statements	**21**	**1**	**NMF**	**54**	**-61.1%**	**-**	**-**	**(1)**	**41,785**	**32,738**	**27.6%**	**42,626**	**-2.0%**
Depreciation and amortization excluding IFRS 16	*(48)*	*(57)*	*-15.8%*	*(60)*	*-20.1%*	-	-	-	*(9,211)*	*(8,687)*	*6.0%*	*(8,975)*	*2.6%*
Depreciation and amortization	(48)	(57)	-15.8%	(67)	-28.5%	-	-	-	(13,901)	(8,687)	60.0%	(13,633)	2.0%
Net interest income (expense) excluding IFRS 16	*(96)*	*(71)*	*35.2%*	*-*	*NMF*	-	-	-	*(10,546)*	*(10,377)*	*1.6%*	*(10,341)*	*2.0%*
Net interest income (expense)	(96)	(71)	35.2%	(1)	NMF	-	-	-	(12,051)	(10,377)	16.1%	(11,715)	2.9%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(4)*	*-*	*NMF*	*(14)*	*-72.2%*	-	-	-	*(1,042)*	*(3,579)*	*-70.9%*	*(4,388)*	*-76.3%*
Net gains/(losses) from foreign currencies	(4)	-	NMF	(14)	-72.2%	-	-	-	(2,729)	(3,579)	-23.7%	(8,846)	-69.1%
Net non-recurring income/(expense)	-	-	-	-	-	-	-	-	(183)	(52)	251.1%	(371)	-50.8%
Profit before income tax expense	**(127)**	**(127)**	**-**	**(29)**	**NMF**	**-**	**-**	**(1)**	**12,921**	**10,043**	**28.7%**	**8,062**	**60.3%**
Income tax benefit/(expense)	-	-	-	-	-	-	-	-	(915)	(388)	135.8%	(272)	236.4%
Profit for the period excluding IFRS 16	**(130)**	**(127)**	**2.4%**	**(26)**	**NMF**	**-**	**-**	**(1)**	**14,730**	**9,655**	**52.6%**	**13,019**	**13.1%**
Attributable to:													
- shareholders of the Company	(130)	(127)	2.4%	(26)	NMF	-	-	(1)	9,864	6,320	56.1%	8,281	19.1%
- non-controlling interests	-	-	-	-	-	-	-	-	4,866	3,335	45.9%	4,738	2.7%
Profit for the period	**(127)**	**(127)**	**-**	**(29)**	**NMF**	**-**	**-**	**(1)**	**12,006**	**9,655**	**24.4%**	**7,790**	**54.1%**
Attributable to:													
- shareholders of the Company	(127)	(127)	-	(29)	NMF	-	-	(1)	7,828	6,320	23.9%	4,256	83.9%
- non-controlling interests	-	-	-	-	-	-	-	-	4,178	3,335	25.3%	3,534	18.2%

[16] Represents IFRS 16 impact on General and administrative expenses

Selected Balance Sheet items

GEL thousands; unless otherwise noted

	Hospitals					**Clinics**					**Pharmacy and distribution**				
	30-Sep -19	**30-Sep-18**	**Change, Y-o-Y**	**30-Jun-19**	**Change, Q-o-Q**	**30-Sep -19**	**30-Sep-18**	**Change, Y-o-Y**	**30-Jun-19**	**Change, Q-o-Q**	**30-Sep -19**	**30-Sep-18**	**Change, Y-o-Y**	**30-Jun-19**	**Change, Q-o-Q**
Assets:															
Cash and bank deposits	3,961	7,595	-47.8%	2,907	36.3%	157	1,607	-90.2%	283	-44.5%	5,868	10,626	-44.8%	9,702	-39.5%
Property and equipment, *of which*	528,828	525,549	0.6%	525,783	0.6%	113,652	102,320	11.1%	113,333	0.3%	102,099	28,549	257.6%	99,506	2.6%
IFRS 16 impact	*3,776*	*-*		*1,929*		*7,913*	*-*		*8,297*		*69,921*	*-*		*68,902*	
Inventory	16,834	15,071	11.7%	16,113	4.5%	1,318	1,022	29.0%	1,106	19.2%	140,619	98,840	42.3%	138,813	1.3%
Liabilities:															
Borrowed Funds	251,130	247,543	1.4%	250,563	0.2%	36,320	33,196	9.4%	35,687	1.8%	94,254	96,988	-2.8%	79,489	18.6%
Accounts payable	32,187	28,095	14.6%	30,436	5.8%	6,489	3,740	73.5%	5,637	15.1%	82,783	52,014	59.2%	100,349	-17.5%
Finance lease liabilities, *of which*	3,913	-	NMF	1,984	97.2%	8,889	8,560	3.8%	9,045	-1.7%	76,716	-	NMF	74,066	3.6%
IFRS 16 impact	*3,913*	*-*		*1,984*		*213*	*-*		*369*		*76,716*	*-*		*74,066*	*3,913*

Selected Balance Sheet items

GEL thousands; unless otherwise noted

	Medical Insurance					**Diagnostics**					**Eliminations**			**GHG**				
	30-Sep -19	**30-Sep-18**	**Change, Y-o-Y**	**30-Jun-19**	**Change, Q-o-Q**	**30-Sep -19**	**30-Sep-18**	**Change, Y-o-Y**	**30-Jun-19**	**Change, Q-o-Q**	**30-Sep -19**	**30-Sep-18**	**30-June-19**	**30-Sep -19**	**30-Sep-18**	**Change, Y-o-Y**	**30-Jun-19**	**Change, Q-o-Q**
Assets																		
Cash and bank deposits	14,604	11,971	22.0%	14,228	2.6%	110	101	8.9%	87	26.4%	-	-	-	24,700	31,900	-22.6%	27,207	-9.2%
Property and equipment, *of which*	15,777	15,022	5.0%	15,939	-1.0%	14,459	14,310	1.0%	14,531	-0.5%	-	-	-	774,815	685,750	13.0%	769,092	0.7%
IFRS 16 impact	*687*	*-*		*780*		*-*			*-*		*-*	*-*	*-*	*82,297*	*-*		*79,908*	
Inventory	-	-	-	-	-	1,350	731	84.7%	1,100	22.7%	-	-	-	160,121	115,664	38.4%	157,132	1.9%
Liabilities:																		
Borrowed Funds	4,916	6,957	-29.3%	5,651	-13.0%	3,507	-	NMF	-	NMF	(2,640)	-	(2,495)	387,487	384,684	0.7%	368,895	5.0%
Accounts payable	-	-	-	-	-	1,540	992	55.2%	1,014	51.9%	(23,477)	(8,032)	(17,652)	99,522	76,809	29.6%	119,784	-16.9%
Finance lease liabilities, *of which*	777	-	NMF	847	-8.3%	-	-	-	-	-	-		-	90,295	8,560	NMF	85,942	5.1%
IFRS 16 impact	*777*	*-*		*847*		*-*	*-*		*-*		*-*	*-*	*-*	*81,619*	*-*		*77,266*	

Selected ratios and KPIs	**3Q19**	**3Q18**	**2Q19**	**9M19**	**9M18**
GHG					
EPS, GEL *excluding IFRS 16*	0.08	0.05	0.06	0.23	0.19
EPS adjusted[17], GEL *excluding IFRS 16*	0.08	0.07	0.09	0.27	0.21
ROIC *(%)*	11.7%	10.6%	12.3%	12.1%	10.5%
ROIC adjusted[18] *(%)*	14.2%	14.0%	14.4%	14.3%	13.8%
Group rent expenditure	6,301	4,866	6,118	18,315	14,344
of which, pharmacy and distribution business	5,775	*3,868*	*5,555*	*16,655*	*12,397*
Group capex (maintenance)	2,698	2,601	3,878	9,760	7,041
Group capex (growth)	7,031	5,498	7,282	20,634	41,558
Number of employees	16,110	15,643	16,173	16,110	15,643
Number of physicians	3,643	3,592	3,645	3,643	3,592
Number of nurses	3,396	3,313	3,425	3,396	3,313
Nurse to doctor ratio, referral hospitals	0.93	0.92	0.94	0.93	0.92
Number of pharmacists	2,945	2,859	2,971	2,945	2,859
Total number of shares	131,681,820	131,681,820	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(2,446,583)	(2,763,916)	(2,452,449)	(2,446,583)	(2,763,916)
Shares outstanding	129,235,237	128,917,904	128,904,076	129,235,237	128,917,904
Of which:					
Total free float	54,116,734	53,799,401	54,154,256	54,116,734	53,799,401
Shares held by Georgia Capital PLC	75,118,503	75,118,503	75,118,503	75,118,503	75,118,503
Hospitals					
EBITDA margin *excluding IFRS 16*	24.5%	25.6%	25.4%	25.2%	26.0%
Direct salary rate (direct salary as % of revenue)	36.1%	36.3%	35.3%	35.0%	35.3%
Materials rate (direct materials as % of revenue)	16.3%	15.4%	16.5%	16.8%	16.1%
Administrative salary rate (administrative salaries as % of revenue)	10.9%	11.1%	11.0%	10.8%	10.8%
SG&A rate (SG&A expenses as % of revenue)	5.1%	5.0%	5.2%	5.0%	5.3%
Number of hospitals	18	18	18	18	18
Number of hospital beds	2,967	2,967	2,967	2,967	2,967
Hospitals bed occupancy rate[19]	49.1%	46.9%	59.6%	56.9%	50.6%
Hospitals bed occupancy rate, excluding Tbilisi Referral Hospital and Regional Hospital beds[19]	52.4%	58.5%	64.1%	61.2%	63.3%
Regional Hospital bed occupancy rate[19]	33.3%	21.9%	38.6%	35.8%	16.7%
Tbilisi Referral Hospital bed occupancy rate[19]	40.7%	35.2%	46.9%	46.5%	34.3%
Average length of stay (days)[19]	5.2	5.4	5.4	5.4	5.5
Clinics					
EBITDA margin *excluding IFRS 16*	16.9%	13.7%	17.5%	17.7%	14.0%
EBITDA margin of polyclinics *excluding IFRS 16*	16.1%	15.4%	16.3%	15.8%	15.1%
Direct salary rate (direct salary as % of revenue)	36.1%	36.3%	34.8%	35.2%	36.2%
Materials rate (direct materials as % of revenue)	5.7%	6.7%	6.6%	6.1%	6.6%
Number of community clinics	19	19	19	19	19
Number of community clinics beds	353	353	353	353	353
Number of polyclinics	15	16	15	15	16
Pharmacy and distribution					
EBITDA margin *excluding IFRS 16*	10.4%	10.1%	10.3%	10.4%	9.8%
Number of bills issued	6.98mln	6.52mln	7.07mln	21.21mln	19.95mln
Average bill size	14.2	13.2	14.2	14.0	13.2
Revenue from wholesale as a percentage of total revenue from pharma	28.4%	26.2%	29.0%	28.8%	26.0%
Revenue from retail as a percentage of total revenue from pharma	71.6%	73.8%	71.0%	71.2%	74.0%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	32.1%	32.2%	31.4%	30.9%	30.3%
Number of pharmacies	285	267	279	285	267
Medical insurance					
Loss ratio	73.4%	64.8%	82.6%	80.2%	77.0%
Expense ratio *excluding IFRS 16, of which*	13.3%	17.6%	11.9%	12.6%	16.2%
Commission ratio	*3.6%*	*5.5%*	*3.4%*	*3.8%*	*5.0%*
Combined ratio *excluding IFRS 16*	86.7%	82.4%	94.5%	92.8%	93.1%
Renewal rate	77.1%	76.8%	81.3%	77.4%	73.3%
Diagnostics					
EBITDA margin *excluding IFRS 16 impact*	1.6%	0.1%	4.3%	3.4%	3.7%
Number of patients served (‘000)	87	N/A	60	214	N/A
Number of tests performed (‘000)	196	N/A	184	552	N/A
Average revenue per test GEL	5.8	N/A	6.1	6.2	N/A
Average number of tests per patient	2.3	N/A	3.1	2.6	N/A

[17] Adjusted for non-recurring items and foreign currency losses
[18] Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase
[19] Excluding 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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Registered under number 09752452 in England and Wales
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