



**GEORGIA
HEALTHCARE
GROUP**

3rd quarter of 2021 Results

An extract from the parent company's, Georgia Capital PLC, results file. For the full version of the results release, please refer to the following link: [Georgia Capital PLC | 3Q21 results](#)

TABLE OF CONTENTS

• GHG OVERVIEW.....	3
• DISCUSSION OF HEALTHCARE SERVICES BUSINESS RESULTS.....	4
• DISCUSSION OF PHARMACY AND DISTRIBUTION BUSINESS RESULTS.....	6
• DISCUSSION OF MEDICAL INSURANCE BUSINESS RESULTS.....	8
• SELECTED FINANCIAL INFORMATION.....	11
• SELECTED RATIOS AND KPIS.....	16

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 Capital 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: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in the 1H21 Result Announcement and in Georgia Capital PLC's Annual Report and Accounts 2020. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake 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.

GHG overview

JSC Georgia Healthcare Group (“GHG” or “the Group”) is the largest and the only fully integrated healthcare provider in the fast-growing, predominantly privately-owned Georgian healthcare ecosystem, comprising three business lines: a healthcare services business, a pharmacy and distribution business and a medical insurance business.

Georgia Healthcare Group PLC was listed on the premium segment of the London Stock Exchange (“LSE”) in November 2015. Following the largest shareholder’s, Georgia Capital’s (GCAP), final share exchange offer becoming unconditional in all respects, Georgia Healthcare Group PLC’s listing on the premium segment of the London Stock Exchange’s main market was cancelled in August 2020 (further details of the transaction are available at: <https://georgiacapital.ge/ir/offer-ghg>).

GCAP, the 100% ultimate owner of GHG as of August 2020, continues to be listed on the premium segment of LSE (LN:CGEO).

Below is presented GHG’s and its businesses third quarter of 2021 consolidated financial results. Unless otherwise mentioned, comparatives are for the 3rd quarter of 2021. The results are based on International Financial Reporting Standards (“IFRS”) as adopted in the European Union (“EU”), are unaudited and extracted from management accounts.

Discussion of healthcare Services Business Results

Healthcare Services business, where GCAP owns 100% equity interests through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 30-Sep-21. Healthcare services business comprises three segments: 1) Hospitals (17 referral hospitals with a total of 2,596 beds) providing secondary and tertiary level healthcare services; 2) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services) and 15 polyclinics (providing outpatient diagnostic and treatment services); 3) Diagnostics, operating the largest laboratory in the entire Caucasus region - "Mega Lab".

3Q21 & 9M21 performance (GEL '000), Healthcare Services^{1,2}

INCOME STATEMENT HIGHLIGHTS	3Q21	3Q20	Change	9M21	9M20	Change
Revenue, net ³	104,932	70,876	48.0%	295,669	198,950	48.6%
Gross Profit	42,082	31,583	33.2%	124,564	80,674	54.4%
Gross profit margin	39.6%	44.3%	-4.7 ppts	41.7%	40.2%	1.5 ppts
Operating expenses (ex. IFRS 16)	(18,086)	(12,794)	41.4%	(51,272)	(39,528)	29.7%
EBITDA (ex. IFRS 16)	23,996	18,789	27.7%	73,292	41,146	78.1%
EBITDA margin (ex. IFRS 16)	22.6%	26.3%	-3.7 ppts	24.5%	20.5%	4.0 ppts
Net profit/(loss) (ex. IFRS 16)	7,913	(3,320)	NMF	29,380	(14,875)	NMF
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (ex. IFRS 16)	30,773	21,287	44.6%	53,653	73,022	-26.5%
EBITDA to cash conversion (ex. IFRS 16)	128.2%	113.3%	14.9 ppts	73.2%	177.5%	-104.3 ppts
Cash flow from/used in investing activities ⁴	(13,275)	29,048	NMF	(33,139)	11,144	NMF
Dividends and intersegment loans issued/received	12,570	7,869	59.7%	24,540	6,583	NMF
Free cash flow (ex. IFRS 16) ⁵	16,469	49,848	-67.0%	18,387	83,557	-78.0%
Cash flow from financing activities (ex. IFRS 16)	(46,163)	(2,376)	NMF	(85,550)	(3,026)	NMF
BALANCE SHEET HIGHLIGHTS						
Total assets	907,286	911,647	-0.5%	899,391	0.9%	
Of which, cash balance and bank deposits	51,471	67,927	-24.2%	93,721	-45.1%	
Of which, securities and loans issued	4,128	6,629	-37.7%	7,133	-42.1%	
Total liabilities	503,077	497,289	1.2%	510,079	-1.4%	
Of which, borrowings	280,052	289,646	-3.3%	312,036	-10.3%	
Total equity	404,209	414,358	-2.4%	389,312	3.8%	

KEY POINTS / VALUATION DRIVERS

- The number of admissions up 105.1% and 81.1% y-o-y in 3Q21 (up 80.4% and 71.4% y-o-y in 9M21) at hospitals and clinics, respectively, reflecting the increased demand for regular elective care and outpatient services
- Revenues up 48.0% in 3Q21 y-o-y (up 53.0% over 3Q19); up 48.6% in 9M21, y-o-y (up 36.8% over 9M19)
- Strong revenue trend combined with a well-controlled operating cost base translated into EBITDA (excl. IFRS 16) growth, up 27.7% in 3Q21 and up 78.1% in 9M21 y-o-y, with an EBITDA margin of 22.6% and 24.5%, respectively
- Gross profit and EBITDA margins (excl. IFRS 16) were down by 4.7 ppts and 3.7 ppts y-o-y, respectively, in 3Q21, reflecting the expiration of a 6-months state income tax subsidy for low salary range employees, effective during May 2020 - June 2021. Adjusted to exclude the impact of the subsidy, the gross profit and EBITDA margins (excl. IFRS 16) were down by 1.3 ppts and 0.4 ppts y-o-y, respectively, in 3Q21.
- Increased working capital investments in 1H21 due to the robust revenue growth of the business led to a rebound in operating cash (excl. IFRS 16) in 3Q21, up 44.6% y-o-y translating into 128.2% EBITDA to cash conversion rate (excl. IFRS 16)
- GEL 11.5 million dividends⁶ paid in 3Q21, leading to a slight increase in the net debt position (up 4.4% q-o-q to GEL 224.5 million as of 30-Sep-21)

¹ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

² All numbers in income statement and cash flow statement are adjusted to exclude HTMC hospital, sold in August 2020.

³ Net revenue – Gross revenue excluding corrections and rebates. Margins are calculated from Gross revenue.

⁴ Of which - capex of GEL 8.5 million in 3Q21 (GEL 3.8 million in 3Q20) and GEL 23.2 million in 9M21 (GEL 16.4 million in 9M20); acquisition of subsidiaries / payment of holdback of GEL 5.8 million in 3Q21 (GEL 0.5 million in 3Q20) and GEL 12.1 million in 9M21 (GEL 5.9 million in 9M20); net proceeds on sale of subsidiaries of GEL 32.8 in 3Q20 (sale of HTMC hospital – sold in August 2020).

⁵ Operating cash flows less capex, less acquisition of subsidiaries / payment of holdback, plus net proceeds on sale of subsidiaries.

⁶ In September 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

INCOME STATEMENT HIGHLIGHTS

The healthcare services business continues to be actively engaged in supporting the COVID-19 pandemic response in the country. Currently, 9 of our hospitals and 12 of our clinics continue receiving COVID patients, with a total aggregate number of c.1,100 beds across the country. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients. A growing number of admissions for regular elective care and outpatient services, along with COVID-19 treatments, contributed to robust revenue growth in 3Q21 and 9M21, outpacing even 2019 numbers.

- At our hospitals, the occupancy rate was up by 17.6 ppts to 67.7% in 3Q21 and up by 12.5 ppts to 63.8% in 9M21 y-o-y. Increased demand for elective and outpatient services also increased the number of admissions to hospitals by 105.1% in 3Q21 and by 80.4% in 9M21 y-o-y. These trends translated into hospitals y-o-y net revenue growth of 40.4% for the quarter and 41.7% for the nine months. Revenue was up 40.0% in 3Q21 compared to 3Q19 and up 26.9% in 9M21 compared to 9M19.
- At our clinics, similarly, the number of admissions was up by 81.1% in 3Q21 and up by 71.4% in 9M21 y-o-y. The number of registered patients in Tbilisi increased by c.39,000 y-o-y to c.251,000 in 3Q21 and by c.82,000 y-o-y to c.579,000 in 3Q21 across the country. This translated into clinics' y-o-y net revenue growth of 56.0% in 3Q21 and 52.3% in 9M21. Clinics also significantly outperformed against 2019 performance, with revenues being up 73.1% in 3Q21 compared to 3Q19 and up 55.0% in 9M21 compared to 9M19.
- The diagnostics segment, which, apart from regular diagnostics services, is also engaged in COVID-19 testing, increased its revenue by 167.4% y-o-y in 3Q21 to GEL 8.8 million and by 226.4% y-o-y in 9M21, reaching GEL 22.0 million. Approximately half of diagnostics revenue relates to COVID-19 testing and another half to regular lab tests.

The developments described above translated into strong y-o-y net revenue growth of 48.0% in 3Q21 and 48.6% in 9M21 from healthcare services (up 53.0% in 3Q21 compared to 3Q19; up 36.8% in 9M21 compared to 9M19).

The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the materials and direct salary rates⁷. The materials rate increased in 2021 (up 5.7 ppts and 3.3 ppts at hospitals and up 4.1 ppts and 3.4 ppts at clinics, y-o-y in 3Q21 and 9M21, respectively), reflecting local currency exchange rate depreciation in previous consecutive quarters, when inventory was purchased, as well as increased prices and consumption of medical disposables and personal protective equipment at healthcare facilities due to the COVID-19 driven supply shortage. In 3Q21, the direct salary rate remained well-controlled at hospitals (down 1.8 ppts y-o-y) and clinics (stable y-o-y). Overall, for the 9M21, the direct salary rate showed a positive trend, being down by 4.7 ppts at hospitals and 3.7 ppts at clinics, y-o-y. The cost of utilities was up 62.8% in 3Q21 and 48.1% in 9M21, y-o-y as a result of increased tariffs on water, gas and electricity, effective since January 2021. As a result, the healthcare services business posted a 39.6% gross margin in 3Q21 and 41.7% 9M21, down 4.7 ppts and up 1.5 ppts y-o-y, respectively. The decrease in margins was partially driven by the expiration of a 6-months state income tax subsidy for low salary range employees, which was effective from May 2020 till June 2021. Adjusted for the impact of state income tax subsidy, the gross profit margin was down only by 1.3 ppts in 3Q21 and up by 3.5 ppts in 9M21, y-o-y.

The expiration of a state income tax subsidy, increased cost of materials and utilities affected the third-quarter results, and the business posted negative operating leverage of 8.2 ppts. However, the strong revenue trend combined with a well-controlled operating cost base for the year translated into positive operating leverage of 24.7 ppts in 9M21. These led to 27.7% and 78.1% y-o-y growth in 3Q21 and 9M21 EBITDA excluding IFRS 16, respectively. EBITDA margin (excl. IFRS 16) was down 3.7 ppts and up 4.0 ppts y-o-y, in 3Q21 and 9M21, respectively. Adjusted for the state subsidy impact, EBITDA margin (excl. IFRS 16) is down by 0.4 ppts y-o-y in 3Q21 and up 6.0 ppts y-o-y in 9M21. In 9M21 the EBITDA margin (excl. IFRS 16) at hospitals was 24.2% (up 3.6 ppts y-o-y), at clinics 20.9% (up 1.8 ppts y-o-y) and at diagnostics 26.2% (up 17.4 ppts y-o-y).

To curb the inflation pressure, the National Bank of Georgia continues tightening the monetary policy, with the refinancing rate being up 2.0 ppts in the last twelve months. Despite the increase in the refinancing rate, in 3Q21 net interest expense (excl. IFRS 16) was down 6.5% y-o-y to GEL 5.8 million (down 26.0% y-o-y to GEL 16.5 million in 9M21), reflecting the low level of net debt position of the business throughout the year. In September 2021, the hospitals business prepaid one of its IFI borrowings, which translated into an associated one-off expense of GEL 1.8 million for the quarter, affecting the non-recurring items (GEL 2.2 million in 3Q21 and GEL 5.1 million in 9M21).

Overall, in 3Q21, the business posted GEL 7.9 million net profit excluding IFRS 16, compared to GEL 3.3 million net loss posted in 3Q20. 9M21 net profit (excl. IFRS 16) reached GEL 29.4 million, compared to GEL 14.9 million net loss reported in 9M20.

⁷ The respective costs divided by gross revenues.

CASH FLOW HIGHLIGHTS

After a relatively slow first half in terms of operating cash flow, in 3Q21, the business demonstrated a full turnaround in terms of cash flow generation. The first two quarters were affected by increased working capital needs due to the significant revenue growth posted by the business, as well as by the collection of receivables from the state due to the delay in the processing of bills during the preceding quarters, led by the high number of COVID cases in the country in 4Q20. As a result, increased cash flow from operating activities (excl. IFRS 16) in 3Q21 (up 44.6% y-o-y) translated into a 128.2% EBITDA to cash conversion rate for the quarter and 73.2% for the nine months of 2021. Capex investments of GEL 8.5 million in 3Q21 mainly reflects maintenance capex. Total capex amounted to GEL 23.2 million in 9M21. The business paid GEL 11.5 million dividends⁸ in 3Q21.

Discussion of Retail (pharmacy) Business Results

The retail (pharmacy) business, where GCAP owns 67% equity interests through GHG, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 35% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain has a total of 341 pharmacies, of which 337 are in Georgia, and 4 are in Armenia.

3Q21 & 9M21 performance (GEL '000), Retail (pharmacy)⁹

INCOME STATEMENT HIGHLIGHTS	3Q21	3Q20	Change	9M21	9M20	Change
Revenue, net	193,317	159,593	21.1%	566,134	478,433	18.3%
Gross Profit	53,035	39,853	33.1%	143,207	123,571	15.9%
Gross profit margin	27.4%	25.0%	2.4 pts	25.3%	25.8%	-0.5 pts
Operating expenses (ex. IFRS 16)	(32,541)	(23,421)	38.9%	(89,476)	(73,511)	21.7%
EBITDA (ex. IFRS 16)	20,494	16,432	24.7%	53,731	50,060	7.3%
EBITDA margin, (ex. IFRS 16)	10.6%	10.3%	0.3 pts	9.5%	10.5%	-1.0 pts
Net profit/(loss)(ex. IFRS 16)	17,728	(70)	NMF	47,278	20,449	131.2%
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (ex. IFRS 16)	26,182	15,063	73.8%	39,733	48,439	-18.0%
EBITDA to cash conversion	127.8%	91.7%	36.1 pts	73.9%	96.8%	-22.9 pts
Cash flow used in investing activities¹⁰	(7,736)	(608)	NMF	(13,363)	(1,026)	NMF
Free cash flow, (ex. IFRS 16)¹¹	22,398	13,618	64.5%	29,067	44,610	-34.8%
Cash flow from financing activities (ex. IFRS 16)	(9,349)	(36,295)	-74.2%	(25,670)	(21,522)	19.3%
BALANCE SHEET HIGHLIGHTS						
Total assets	489,718	482,551	1.5%	464,644	5.4%	
Of which, cash and bank deposits	36,530	27,632	32.2%	36,856	-0.9%	
Of which, securities and loans issued	17,304	12,651	36.8%	12,471	38.8%	
Total liabilities	363,148	355,306	2.2%	361,048	0.6%	
Of which, borrowings	90,816	87,842	3.4%	88,608	2.5%	
Of which, lease liabilities	98,374	95,970	2.5%	85,919	14.5%	
Total equity	126,570	127,245	-0.5%	103,596	22.2%	

KEY POINTS / VALUATION DRIVERS

- Strong y-o-y growth in 3Q21 revenues (up 21.1%) and EBITDA (excl. IFRS 16) (up 24.7%). Revenue and EBITDA were also up 18.3% and 7.3% y-o-y in 9M21, respectively, reflecting overall improvement in economic activity and continuing expansion of the pharmacy chain
- Robust gross margin of 27.4% in 3Q21, reaching 25.3% for the 9M21, resulting from new high-margin contracts in the wholesale business
- EBITDA margin continued its rebounding trend during the quarter, at 10.6% in 3Q21 and 9.5% in 9M21, exceeding the targeted 9%+
- Rebounding trend in cash flow from operating activities, in line with the enhanced revenue streams - up 73.8% in 3Q21 y-o-y, with 127.8% EBITDA to cash conversion ratio
- Strong operating cash translated into net debt¹² reduction, down 22.2% q-o-q to GEL 37.0 million as of 30-Sep-21
- The business paid GEL 11.5 million dividends¹³ 3Q21
- Added 32 pharmacies over the last 12 months, expanding from 309 to 341 stores
- New projects:

⁸ In September 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

⁹ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

¹⁰ Of which - capex of GEL 3.8 million in 3Q21 (GEL 1.4 million in 3Q20) and GEL 10.7 million in 9M21 (GEL 3.8 million in 9M20);

¹¹ Calculated by deducting capex from operating cash flows.

¹² Net debt is calculated from Cash balance and bank deposits, securities and loans issued minus gross debt.

¹³ In September 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

- In July 2021, the business opened its first new format (300 sq.m) retail pharma drugstore in Georgia. The store offers an extensive range of health, perfume and other beauty products as well as services through an integrated health hub incorporating lab retail point, ophthalmology and dermatology cabinets. Targeting to open four more such flagship pharma stores in 2021 (3 in Tbilisi and 1 in the regions)
- The business has signed a franchise agreement with Alain Afflelou SA, one of the leading optical retailers in France, with a network of more than 500 largely franchised stores owned by more than 220 franchisees. The business opened its first Afflelou Paris opticians in August in Tbilisi and is planning to develop and operate a shop in shop model in its GPC pharmacies
- In July, under a franchise agreement with Body Shop, the business opened its first Body Shop store in Armenia

INCOME STATEMENT HIGHLIGHTS

The retail (pharmacy) business delivered 21.1% y-o-y revenue growth in 3Q21 and 18.3% in 9M21, reflecting expansion (adding 32 pharmacies over 12 months), organic sales growth (same-store revenue up 14.8% in 3Q21 and up 10.6% in 9M21) as well as increased revenue from wholesale as a result of winning several state tenders. The retail revenue share in total revenue was 75.1% in 3Q21 (73.0% in 3Q20) and 73.4% in 9M21 (73.7% in 9M20). The revenue from para-pharmacy as a percentage of retail revenue from the pharma was 35.8% in 3Q21 (36.1% in 3Q20) and 34.7% in 9M21 (34.7% in 9M20). The business issued 7.4 million bills in 3Q21 (7.0 million in 3Q20) and 21.1 million bills in 9M21 (20.4 million in 9M20), with average customer interactions of 2.3 million per month. The average bill size increased to GEL 18.5 in 3Q21 from GEL 15.6 in 3Q20 and to GEL 18.5 in 9M21 from GEL 16.2 in 9M20.

Benefitting from the strong economic recovery since 2Q21, the margins also started to rebound, and the business posted 27.4% and 25.3% gross profit margins in 3Q21 and 9M21, respectively, mainly stemming from increased sales of para-pharmacy products and associated margins (up 2.4 ppts in 3Q21 and up 1.9 ppts in 9M21). The trend is expected to continue in line with the country's general macro trajectory.

The business posted negative operating leverage (excl. IFRS 16) of 5.8 ppts in 3Q21 and 9M21, mainly reflecting 1) increased rent expense of pharmacies due to GEL devaluation (about 85% of rental contracts are denominated in US\$) as well as the expiration of six to twelve months discounts obtained from lessors for pharmacy leases at the initial stage of the pandemic; and 2) high marketing costs in 2021 associated to new projects and store openings. Along with increased salary expense mainly associated with the cancellation of the state tax subsidy from May 2021, this translated into a y-o-y increase in the operating expenses (excluding IFRS 16) of 38.9% in 3Q21 and 21.7% in 9M21. The result was a 24.7% and 7.3% y-o-y increase in EBITDA excluding IFRS 16 with an EBITDA margin of 10.6% for the quarter and 9.5% for the nine months.

Interest expense, excluding IFRS 16, was down 15.1% y-o-y in 3Q21 and down 18.6% in 9M21, due to the 20.1% decrease in net debt position y-o-y as of Sep-21 (down 22.2% q-o-q). GEL 1.8 million foreign currency gain, excluding IFRS 16, reflects the decrease in the GEL value of US\$ and EUR denominated payables to suppliers due to the appreciation of GEL in 3Q21. Overall, the business posted GEL 6.2 million foreign currency gain in 9M21 compared to GEL 9.7 million loss posted in the same period last year.

As a result, the business posted a GEL 17.7 million profit in 3Q21 (net loss 0.1 million in 3Q20) and GEL 47.3 million in 9M21 (up 131.2% y-o-y) excluding IFRS 16.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

After the 1Q21 weak performance in operating cash, which was affected by the payment of some payable balances to suppliers, the terms of which were temporarily prolonged during the pandemic period, the EBITDA to cash conversion ratio started to improve from 2Q21, and the trend continued in 3Q21. The business increased its cash flow from operating activities by 73.8% in 3Q21, translating into a 127.8% EBITDA to cash conversion ratio for the same period. Overall, in 9M21, the ratio stood at 73.9%. Increased cash outflows from investing activities reflect increased capex investments attributable to new projects such as opticians and new format pharmacies, as well as regular expansion of the chain. The business paid GEL 11.5 million dividends⁴² in 3Q21.

Discussion of Medical Insurance Business Results

GHG is the country's largest private medical insurer, with a 23.1% market share based on 2Q21 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. GCAP owns a 100% equity stake in medical insurance businesses.

3Q21 & 9M21 performance (GEL '000), Insurance (P&C and Medical)¹⁴

INCOME STATEMENT HIGHLIGHTS	3Q21	3Q20	Change	9M21	9M20	Change
Earned premiums, net	18,888	16,906	11.7%	54,084	51,465	5.1%
Net underwriting profit	3,965	3,602	10.1%	9,085	11,590	-21.6%
Net profit	1,781	1,493	19.3%	3,180	4,115	-22.7%
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	1,527	3,609	-57.7%	2,553	8,111	-68.5%
Free cash flow	1,485	6,586	-77.5%	2,344	10,916	-78.5%
BALANCE SHEET HIGHLIGHTS	30-Sep-21	30-Jun-21	Change	31-Dec-20	Change	
Total assets	85,514	91,711	-6.8%	81,408	5.0%	
Total equity	31,778	31,537	0.8%	32,064	-0.9%	

KEY POINTS / VALUATION DRIVERS

- Earned premiums net up 11.7% y-o-y in 3Q21 (up 5.1% y-o-y in 9M21), reflecting increased prices of the insurance policies
- Loss ratio remained largely flat in 3Q21 (down 0.4 ppts y-o-y to 74.5%). Loss ratio was up 4.8 ppts y-o-y to 78.7% in 9M21, reflecting the increased demand for elective healthcare services during the year
- Insurance renewal rate at 78.8% in 3Q21 (71.0% in 3Q20) and 78.2% in 9M21 (72.6% in 9M20)
- Net profit up 19.3% y-o-y in 3Q21 to GEL 1.8 million, down 22.7% to GEL 3.2 million in 9M21
- The number of insured clients at c.168,000 as of 30-Sep-21, stable over the quarter
- The business paid GEL 2 million in dividends¹⁵ in 3Q21

INCOME STATEMENT HIGHLIGHTS

The 11.7% and 5.1% y-o-y increases in 3Q21 and 9M21 earned premiums net reflect an increase in the prices of insurance policies. Various incentives such as the direct settlement of claims with the provider mean that, on top of its own positive contribution to GHG's profitability, the medical insurance business plays a feeder role in originating and directing patients to GHG's healthcare facilities, mainly to polyclinics and to pharmacies. The direct settlement improves claims retention rates within GHG.

Claims retention rates	3Q21	3Q20	Change	9M21	9M20	Change
Total claims retained within the GHG	33.9%	34.8%	-0.9 ppts	35.5%	40.5%	-5.0 ppts
Total claims retained in outpatient	42.4%	42.9%	-0.5 ppts	39.1%	41.7%	-2.6 ppts

In 9M21, the net claims expenses were GEL 42.6 million (up 11.9% y-o-y), of which GEL 17.9 million (42.0% of total) was inpatient, GEL 15.1 million (35.7% of total) was outpatient and GEL 9.6 million (22.3% of total) was related to drugs. The loss ratio remained almost flat for the quarter, down 0.4 ppts y-o-y in 3Q21 (from 74.9% to 74.5%). Overall, reflecting a rebounding trend in the number of admissions at hospitals and clinics in 2021, compared to patient footprint slowdown at healthcare facilities last year due to the pandemic, the 9M21 the loss ratio was up 4.8 ppts y-o-y to 78.7%.

As a result, the combined ratio deteriorated by 2.4 ppts y-o-y to 91.7% for the quarter and by 5.1 ppts y-o-y for the 9M21 to 96.4%. The business posted a net profit of GEL 1.8 million in 3Q21 (up 19.3% y-o-y) and GEL 3.2 million in 9M21 (down 22.7% y-o-y).

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

Operating cash flow decline is associated with the increased claims expense of the business. Also, 9M21 operating cash flow reflects a significant prepayment (c. GEL 1.9 million) of a one-month service fee by a large client at the end of 2020. The business paid GEL 2 million dividends in 3Q21.

¹⁴ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

¹⁵ In September 2021, Georgia Healthcare Group paid GEL 25 million dividends to GCAP, which is reflected solely in the cash flow of the healthcare services business at GHG level. At GCAP level, dividends collected from GHG were allocated across all three GHG businesses, Healthcare Services (GEL 11.5 million), Retail (Pharmacy) (GEL 11.5 million) and Medical Insurance (GEL 2 million).

SELECTED FINANCIAL INFORMATION – Healthcare Services

INCOME STATEMENT	Hospitals			Clinics			Diagnostic			Eliminations		Healthcare Services		
	3Q21	3Q20	Change	3Q21	3Q20	Change	3Q21	3Q20	Change	3Q21	3Q20	3Q21	3Q20	Change
<i>GEL thousands, unless otherwise noted</i>														
Revenue, gross	82,456	58,258	41.5%	18,215	11,651	56.3%	8,807	3,293	NMF	(3,208)	(1,878)	106,270	71,324	49.0%
Corrections & rebates	(1,200)	(387)	NMF	(138)	(61)	NMF	-	-	NMF	-	-	(1,338)	(448)	NMF
Revenue, net	81,256	57,871	40.4%	18,077	11,590	56.0%	8,807	3,293	NMF	(3,208)	(1,878)	104,932	70,876	48.0%
Costs of services	(50,784)	(33,015)	53.8%	(10,031)	(5,779)	73.6%	(5,343)	(2,377)	NMF	3,308	1,878	(62,850)	(39,293)	60.0%
Cost of salaries and other employee benefits	(26,964)	(20,096)	34.2%	(5,615)	(3,588)	56.5%	(754)	(444)	69.8%	-	-	(33,333)	(24,128)	38.2%
Cost of materials and supplies	(17,583)	(9,094)	93.4%	(1,910)	(740)	NMF	(4,289)	(1,840)	NMF	113	-	(23,669)	(11,674)	NMF
Cost of medical service providers	(1,852)	(1,005)	84.3%	(1,756)	(1,018)	72.5%	(96)	(24)	NMF	3,187	1,830	(517)	(217)	NMF
Cost of utilities and other	(4,385)	(2,820)	55.5%	(750)	(433)	73.2%	(204)	(69)	NMF	8	48	(5,331)	(3,274)	62.8%
Gross profit	30,472	24,856	22.6%	8,046	5,811	38.5%	3,464	916	NMF	100	-	42,082	31,583	33.2%
Gross profit margin	37.0%	42.7%	-5.7ppts	44.2%	49.9%	-5.7ppts	39.3%	27.8%	+11.5ppts	-	-	39.6%	44.3%	-4.7ppts
Salaries and other employee benefits	(9,655)	(6,737)	43.3%	(2,710)	(2,086)	29.9%	(578)	(102)	NMF	-	-	(12,943)	(8,925)	45.0%
General and administrative expenses	(2,697)	(2,560)	5.3%	(1,320)	(510)	NMF	(535)	(99)	NMF	15	8	(4,537)	(3,161)	43.5%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(2,959)</i>	<i>(2,610)</i>	13.4%	<i>(1,637)</i>	<i>(1,019)</i>	60.6%	<i>(535)</i>	<i>(99)</i>	NMF	15	8	<i>(5,116)</i>	<i>(3,720)</i>	37.5%
Impairment of receivables	(1,130)	(933)	21.1%	(82)	(82)	NMF	-	-	NMF	-	-	(1,212)	(1,015)	19.4%
Other operating income	1,311	799	64.1%	102	94	8.5%	(86)	(4)	NMF	(142)	(23)	1,185	866	36.8%
EBITDA	18,301	15,425	18.6%	4,036	3,227	25.1%	2,265	711	NMF	(27)	(15)	24,575	19,348	27.0%
EBITDA excluding IFRS 16	18,039	15,375	17.3%	3,719	2,718	36.8%	2,265	711	NMF	(27)	(15)	23,996	18,789	27.7%
EBITDA margin excluding IFRS 16	21.9%	26.4%	-4.5ppts	20.4%	23.3%	-2.9ppts	25.7%	21.6%	+4.1ppts	-	-	22.6%	26.3%	-3.8ppts
Depreciation and amortization	(6,872)	(5,897)	16.5%	(1,762)	(1,891)	-6.8%	(176)	(167)	5.4%	-	-	(8,810)	(7,955)	10.7%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(6,656)</i>	<i>(5,689)</i>	17.0%	<i>(1,588)</i>	<i>(1,529)</i>	3.9%	<i>(176)</i>	<i>(167)</i>	5.4%	-	-	<i>(8,420)</i>	<i>(7,385)</i>	14.0%
Net interest income (expense)	(4,556)	(5,062)	-10.0%	(1,257)	(1,182)	6.3%	(159)	(138)	15.2%	-	-	(5,972)	(6,382)	-6.4%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(4,512)</i>	<i>(5,012)</i>	-10.0%	<i>(1,131)</i>	<i>(1,054)</i>	7.3%	<i>(159)</i>	<i>(138)</i>	15.2%	-	-	<i>(5,802)</i>	<i>(6,204)</i>	-6.5%
Net gains/(losses) from foreign currencies	247	(1,744)	NMF	175	(711)	NMF	9	-	NMF	-	-	431	(2,455)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>218</i>	<i>(1,518)</i>	NMF	<i>68</i>	<i>(279)</i>	NMF	<i>9</i>	<i>-</i>	NMF	<i>-</i>	<i>-</i>	<i>295</i>	<i>(1,797)</i>	NMF
Net non-recurring income/(expense)	(1,901)	(5,563)	-65.8%	(206)	(1,160)	-82.2%	(49)	-	NMF	-	-	(2,156)	(6,723)	-67.9%
Profit/(loss) before income tax expense	5,219	(2,841)	NMF	986	(1,717)	NMF	1,890	406	NMF	(27)	(15)	8,068	(4,167)	NMF
Income tax benefit/(expense)	-	-	NMF	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Profit/(loss) for the period from continuous operations	5,219	(2,841)	NMF	986	(1,717)	NMF	1,890	406	NMF	(27)	(15)	8,068	(4,167)	NMF
Loss from discontinued operations	-	(25,308)	NMF	-	-	NMF	-	-	NMF	-	-	-	(25,308)	NMF
Profit/(loss) for the period	5,219	(28,149)	NMF	986	(1,717)	NMF	1,890	406	NMF	(27)	(15)	8,068	(29,475)	NMF
Attributable to:														
- shareholders of the Company	4,639	(28,934)	NMF	917	(1,731)	NMF	1,890	406	NMF	(27)	(15)	7,419	(30,274)	NMF
- non-controlling interests	580	785	-26.1%	69	14	NMF	-	-	NMF	-	-	649	799	-18.8%
Profit/(loss) for the period excluding IFRS 16 from continuous operations	5,188	(2,407)	NMF	862	(1,304)	NMF	1,890	406	NMF	(27)	(15)	7,913	(3,320)	NMF
Loss from discontinued operations excluding IFRS 16	-	(25,308)	NMF	-	-	NMF	-	-	NMF	-	-	-	(25,308)	NMF
Profit/(loss) for the period excluding IFRS 16	5,188	(27,715)	NMF	862	(1,304)	NMF	1,890	406	NMF	(27)	(15)	7,913	(28,628)	NMF
Attributable to:														
- shareholders of the Company	4,608	(28,500)	NMF	793	(1,318)	NMF	1,890	406	NMF	(27)	(15)	7,264	(29,427)	NMF
- non-controlling interests	580	785	-26.1%	69	14	NMF	-	-	NMF	-	-	649	799	-18.8%

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

INCOME STATEMENT	Hospitals			Clinics			Diagnostic			Eliminations		Healthcare Services		
	9M21	9M20	Change	9M21	9M20	Change	9M21	9M20	Change	9M21	9M20	9M21	9M20	Change
<i>GEL thousands, unless otherwise noted</i>														
Revenue, gross	235,521	166,108	41.8%	50,365	33,112	52.1%	21,999	6,740	NMF	(9,331)	(5,089)	298,554	200,871	48.6%
Corrections & rebates	(2,516)	(1,638)	53.6%	(369)	(284)	29.9%	-	-	NMF	-	-	(2,885)	(1,922)	50.1%
Revenue, net	233,005	164,471	41.7%	49,996	32,828	52.3%	21,999	6,740	NMF	(9,331)	(5,089)	295,669	198,950	48.6%
Costs of services	(139,993)	(100,256)	39.6%	(27,308)	(17,644)	54.8%	(13,347)	(5,467)	NMF	9,543	5,091	(171,105)	(118,276)	44.7%
Cost of salaries and other employee benefits	(73,094)	(59,366)	23.1%	(14,718)	(10,894)	35.1%	(1,904)	(1,214)	56.8%	-	-	(89,716)	(71,474)	25.5%
Cost of materials and supplies	(49,149)	(29,201)	68.3%	(4,988)	(2,137)	NMF	(10,537)	(3,891)	NMF	192	-	(64,482)	(35,229)	83.0%
Cost of medical service providers	(5,418)	(2,977)	82.0%	(4,990)	(2,806)	77.8%	(234)	(74)	NMF	9,328	4,811	(1,314)	(1,046)	25.7%
Cost of utilities and other	(12,332)	(8,712)	41.5%	(2,612)	(1,807)	44.5%	(672)	(288)	NMF	23	280	(15,593)	(10,527)	48.1%
Gross profit	93,012	64,215	44.8%	22,688	15,184	49.4%	8,652	1,273	NMF	212	2	124,564	80,674	54.4%
Gross profit margin	39.5%	38.7%	0.8%	45.0%	45.9%	-0.8%	39.3%	18.9%	20.4%	-	-	41.7%	40.2%	1.6%
Salaries and other employee benefits	(27,461)	(22,014)	24.7%	(7,742)	(6,011)	28.8%	(1,647)	(556)	NMF	-	-	(36,850)	(28,581)	28.9%
General and administrative expenses	(7,899)	(8,164)	-3.2%	(3,656)	(2,164)	68.9%	(1,019)	(221)	NMF	26	33	(12,548)	(10,516)	19.3%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(8,545)</i>	<i>(8,393)</i>	<i>1.8%</i>	<i>(4,502)</i>	<i>(3,251)</i>	<i>38.5%</i>	<i>(1,019)</i>	<i>(221)</i>	<i>NMF</i>	<i>26</i>	<i>33</i>	<i>(14,040)</i>	<i>(11,832)</i>	<i>18.7%</i>
Impairment of receivables	(2,858)	(3,020)	-5.4%	(215)	(137)	56.9%	-	-	NMF	-	-	(3,073)	(3,157)	-2.7%
Other operating income	2,910	3,481	-16.4%	278	539	-48.4%	(232)	96	NMF	(265)	(75)	2,691	4,041	-33.4%
EBITDA	57,704	34,499	67.3%	11,353	7,411	53.2%	5,754	592	NMF	(27)	(40)	74,784	42,462	76.1%
EBITDA excluding IFRS 16	57,058	34,270	66.5%	10,507	6,324	66.1%	5,754	592	NMF	(27)	(40)	73,292	41,146	78.1%
EBITDA margin excluding IFRS 16	24.2%	20.6%	3.6%	20.9%	19.1%	1.8%	26.2%	8.8%	17.4%	-	-	24.5%	20.5%	4.1%
Depreciation and amortization	(19,478)	(17,876)	9.0%	(5,112)	(5,449)	-6.2%	(520)	(230)	NMF	-	-	(25,110)	(23,555)	6.6%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(18,873)</i>	<i>(17,289)</i>	<i>9.2%</i>	<i>(4,663)</i>	<i>(4,363)</i>	<i>6.9%</i>	<i>(520)</i>	<i>(230)</i>	<i>NMF</i>	<i>-</i>	<i>-</i>	<i>(24,056)</i>	<i>(21,882)</i>	<i>9.9%</i>
Net interest income (expense)	(12,925)	(18,635)	-30.6%	(3,684)	(3,776)	-2.4%	(479)	(371)	29.1%	-	-	(17,088)	(22,782)	-25.0%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(12,790)</i>	<i>(18,500)</i>	<i>-30.9%</i>	<i>(3,202)</i>	<i>(3,385)</i>	<i>-5.4%</i>	<i>(479)</i>	<i>(371)</i>	<i>29.1%</i>	<i>-</i>	<i>-</i>	<i>(16,471)</i>	<i>(22,256)</i>	<i>-26.0%</i>
Net gains/(losses) from foreign currencies	1,602	(3,090)	NMF	606	(887)	NMF	(2)	(3)	-33.3%	-	-	2,206	(3,980)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>1,490</i>	<i>(2,788)</i>	<i>NMF</i>	<i>201</i>	<i>(263)</i>	<i>NMF</i>	<i>(2)</i>	<i>(3)</i>	<i>-33.3%</i>	<i>-</i>	<i>-</i>	<i>1,689</i>	<i>(3,054)</i>	<i>NMF</i>
Net non-recurring income/(expense)	(4,541)	(7,570)	-40.0%	(483)	(1,257)	-61.6%	(50)	-	NMF	-	-	(5,074)	(8,827)	-42.5%
Profit/(loss) before income tax expense	22,362	(12,674)	NMF	2,680	(3,958)	NMF	4,703	(12)	NMF	(27)	(40)	29,718	(16,684)	NMF
Income tax benefit/(expense)	-	-	NMF	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Profit/(loss) for the period from continuous operations	22,362	(12,674)	NMF	2,680	(3,958)	NMF	4,703	(12)	NMF	(27)	(40)	29,718	(16,684)	NMF
Loss from discontinued operations	-	(25,595)	NMF	-	-	NMF	-	-	NMF	-	-	-	(25,595)	NMF
Profit/(loss) for the period	22,362	(38,269)	NMF	2,680	(3,958)	NMF	4,703	(12)	NMF	(27)	(40)	29,718	(42,279)	NMF
Attributable to:														
- shareholders of the Company	20,630	(39,456)	NMF	2,481	(4,019)	NMF	4,703	(12)	NMF	(27)	(40)	27,787	(43,527)	NMF
- non-controlling interests	1,732	1,187	45.9%	199	61	NMF	-	-	NMF	-	-	1,931	1,248	54.7%
Profit/(loss) for the period excluding IFRS 16 from continuous operations	22,344	(11,879)	NMF	2,360	(2,944)	NMF	4,703	(12)	NMF	(27)	(40)	29,380	(14,875)	NMF
Loss from discontinued operations excluding IFRS 16	-	(25,595)	NMF	-	-	NMF	-	-	NMF	-	-	-	(25,595)	NMF
Profit/(loss) for the period excluding IFRS 16	22,344	(37,474)	NMF	2,360	(2,944)	NMF	4,703	(12)	NMF	(27)	(40)	29,380	(40,470)	NMF
Attributable to:														
- shareholders of the Company	20,612	(38,661)	NMF	2,161	(3,005)	NMF	4,703	(12)	NMF	(27)	(40)	27,449	(41,718)	NMF
- non-controlling interests	1,732	1,187	45.9%	199	61	NMF	-	-	NMF	-	-	1,931	1,248	54.7%

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

STATEMENT OF CASH FLOW						
<i>GEL thousands, unless otherwise noted</i>						
	3Q21	3Q20	Change	9M21	9M20	Change
Revenue received	106,565	74,124	43.8%	269,676	230,443	17.0%
Cost of services paid	(58,144)	(42,201)	37.8%	(164,263)	(123,913)	32.6%
Gross profit received	48,421	31,923	51.7%	105,413	106,530	-1.0%
Salaries paid	(10,433)	(5,828)	79.0%	(31,982)	(19,980)	60.1%
General and administrative expenses paid	(6,286)	(3,518)	78.7%	(15,624)	(10,909)	43.2%
General and administrative expenses paid, excluding IFRS 16	(6,865)	(4,077)	68.4%	(17,116)	(12,225)	40.0%
Other operating income/(expense) and tax paid	(221)	(715)	-69.2%	(2,485)	(1,244)	99.8%
Net cash flows from operating activities before income tax	31,481	21,862	44.0%	55,322	74,397	-25.6%
Income tax paid	(129)	(16)	NMF	(177)	(59)	NMF
Net cash flows from operating activities from continuing operations	31,352	21,846	43.5%	55,145	74,338	-25.8%
Net cash flows from operating activities from discontinued operations	-	866	NMF	-	4,988	NMF
Net cash flows from operating activities	31,352	22,712	38.0%	55,145	79,326	-30.5%
Net cash flows from operating activities from continuing operations (excluding IFRS 16)	30,773	21,287	44.6%	53,653	73,022	-26.5%
Net cash flows from operating activities from discontinued operations (Excluding IFRS 16)	-	866	NMF	-	4,988	NMF
Net cash flows from operating activities (Excluding IFRS 16)	30,773	22,153	38.9%	53,653	78,010	-31.2%
Cash outflow on Capex	(8,461)	(3,777)	NMF	(23,205)	(16,358)	41.9%
Acquisition of subsidiaries/payments of holdback	(5,842)	(480)	NMF	(12,060)	(5,925)	NMF
Interest income received	1,027	487	NMF	2,126	609	NMF
Proceeds from HTMC sale	-	32,818	NMF	-	32,818	NMF
Dividends and intersegment loans issued/received	12,570	7,869	59.7%	24,540	6,583	NMF
Net cash flows from investing activities from continuing operations	(706)	36,917	NMF	(8,599)	17,727	NMF
Net cash flows from investing activities from discontinued operations	-	(327)	NMF	-	(1,415)	NMF
Net cash flows from investing activities	(706)	36,590	NMF	(8,599)	16,312	NMF
Delisting fees paid	-	(4,294)	NMF	-	(6,539)	NMF
Dividends paid	(25,034)	-	NMF	(25,370)	-	NMF
Purchase of treasury shares	(1,015)	(2,251)	-54.9%	(6,036)	(3,275)	84.3%
Payment of finance lease liabilities	(409)	(381)	7.3%	(975)	(790)	23.4%
Interest expense paid on finance lease	(170)	(178)	-4.5%	(517)	(526)	-1.7%
Increase/(decrease) in borrowings	(9,599)	19,218	NMF	(26,657)	39,152	NMF
Interest expense paid	(10,515)	(15,050)	-30.1%	(27,487)	(32,364)	-15.1%
Net cash flows from financing activities from continuing operations	(46,742)	(2,936)	NMF	(87,042)	(4,342)	NMF
Net cash flows from financing activities from discontinued operations	-	(385)	NMF	-	(1,413)	NMF
Net cash flows from financing activities	(46,742)	(3,321)	NMF	(87,042)	(5,755)	NMF
Net cash flows from financing activities from continuing operations (excluding IFRS16)	(46,163)	(2,377)	NMF	(85,550)	(3,026)	NMF
Net cash flows from financing activities from discontinued operations (Excluding IFRS16)	-	(385)	NMF	-	(1,413)	NMF
Net cash flows from financing activities (Excluding IFRS16)	(46,163)	(2,762)	NMF	(85,550)	(4,439)	NMF
Effect of exchange rates changes on cash and cash equivalents	(360)	966	NMF	(1,754)	1,374	NMF
Net increase/(decrease) in cash and cash equivalents	(16,456)	56,947	NMF	(42,250)	91,257	NMF
Cash and cash equivalents, beginning from continuing operations	67,927	38,093	78.3%	93,721	5,789	NMF
Cash and cash equivalents, beginning from discontinued operations	-	3,865	NMF	-	1,859	NMF
Cash and cash equivalents, ending from continuing operations	51,471	98,905	-48.0%	51,471	98,905	-48.0%

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

BALANCE SHEET					
<i>GEL thousands, unless otherwise noted</i>					
	Sep-21	Jun-21	Change	Dec-20	Change
Total assets, of which:	907,286	911,647	-0.5%	899,391	0.9%
Cash and bank deposits	51,471	67,927	-24.2%	93,721	-45.1%
Receivables from healthcare services	122,019	124,568	-2.0%	98,693	23.6%
Property and equipment	518,131	516,714	0.3%	515,114	0.6%
Right of use assets	8,487	8,649	-1.9%	8,856	-4.2%
Goodwill and other intangible assets	98,495	98,018	0.5%	100,369	-1.9%
Inventory	26,888	24,269	10.8%	22,270	20.7%
Prepayments	10,296	7,946	29.6%	8,958	14.9%
Other assets	71,499	63,556	12.5%	51,410	39.1%
<i>Of which, securities and intercompany loans</i>	<i>4,128</i>	<i>6,629</i>	<i>-37.7%</i>	<i>7,133</i>	<i>-42.1%</i>
Total liabilities, of which:	503,077	497,289	1.2%	510,079	-1.4%
Borrowed Funds	280,052	289,646	-3.3%	312,036	-10.3%
Accounts payable	54,737	48,186	13.6%	50,876	7.6%
Other liabilities	168,288	159,457	5.5%	147,167	14.4%
Total shareholders' equity attributable to:	404,209	414,358	-2.4%	389,312	3.8%
Shareholders of the Company	374,836	385,642	-2.8%	361,916	3.6%
Non-controlling interest	29,373	28,716	2.3%	27,396	7.2%

SELECTED FINANCIAL INFORMATION – Retail (Pharmacy)

INCOME STATEMENT						
<i>GEL thousands, unless otherwise noted</i>	3Q21	3Q20	Change	9M21	9M20	Change
Revenue	193,317	159,593	21.1%	566,134	478,433	18.3%
Costs of services	(140,282)	(119,740)	17.2%	(422,927)	(354,862)	19.2%
Cost of pharma – wholesale	(38,631)	(37,428)	3.2%	(124,887)	(105,544)	18.3%
Cost of pharma - retail	(101,651)	(82,312)	23.5%	(298,040)	(249,318)	19.5%
Gross profit	53,035	39,853	33.1%	143,207	123,571	15.9%
Gross profit margin	27.4%	25.0%	+2.4 ppts	25.3%	25.8%	-0.5 ppts
Salaries and other employee benefits	(16,321)	(11,836)	37.9%	(43,498)	(39,160)	11.1%
General and administrative expenses	(9,549)	(5,895)	62.0%	(26,638)	(18,159)	46.7%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(16,308)</i>	<i>(11,512)</i>	<i>41.7%</i>	<i>(46,146)</i>	<i>(34,086)</i>	<i>35.4%</i>
Impairment of receivables	-	-	NMF	(38)	(343)	-88.9%
Other operating income	88	(73)	NMF	206	78	NMF
EBITDA	27,253	22,049	23.6%	73,239	65,987	11.0%
EBITDA excluding IFRS 16	20,494	16,432	24.7%	53,731	50,060	7.3%
EBITDA margin excluding IFRS 16	10.6%	10.3%	+0.3 ppts	9.5%	10.5%	-1.0 ppts
Depreciation and amortization	(6,675)	(5,316)	25.6%	(18,777)	(15,542)	20.8%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(1,342)</i>	<i>(1,001)</i>	<i>34.1%</i>	<i>(3,757)</i>	<i>(2,888)</i>	<i>30.1%</i>
Net interest income (expense)	(3,808)	(3,933)	-3.2%	(11,520)	(12,300)	-6.3%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(2,173)</i>	<i>(2,560)</i>	<i>-15.1%</i>	<i>(6,675)</i>	<i>(8,199)</i>	<i>-18.6%</i>
Net gains/(losses) from foreign currencies	2,723	(9,506)	NMF	9,973	(17,795)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>1,802</i>	<i>(5,109)</i>	<i>NMF</i>	<i>6,169</i>	<i>(9,675)</i>	<i>NMF</i>
Net non-recurring income/(expense)	(9)	(7,089)	-99.9%	(403)	(7,161)	-94.4%
Profit/(loss) before income tax expense	19,484	(3,795)	NMF	52,512	13,189	NMF
Income tax benefit/(expense)	(1,044)	(743)	40.5%	(1,787)	(1,688)	5.9%
Profit/(loss) for the period	18,440	(4,538)	NMF	50,725	11,501	NMF
Attributable to:						
- shareholders of the Company	12,359	(5,501)	NMF	32,866	3,197	NMF
- non-controlling interests	6,081	963	NMF	17,859	8,304	NMF
Profit/(loss) for the period excluding IFRS 16	17,728	(70)	NMF	47,278	20,449	NMF
Attributable to:						
- shareholders of the Company	11,882	(2,507)	NMF	30,557	9,192	NMF
- non-controlling interests	5,846	2,437	NMF	16,721	11,257	48.5%
STATEMENT OF CASH FLOW						
<i>GEL thousands, unless otherwise noted</i>	3Q21	3Q20	Change	9M21	9M20	Change
Cash flows from operating activities						
Revenue received	192,206	154,883	24.1%	547,946	467,002	17.3%
Cost of services paid	(135,755)	(120,327)	12.8%	(422,504)	(351,935)	20.1%
Gross profit received	56,451	34,556	63.4%	125,442	115,067	9.0%
Salaries paid	(14,794)	(10,054)	47.1%	(40,477)	(35,536)	13.9%
General and administrative expenses paid	(8,688)	(5,437)	59.8%	(25,860)	(15,823)	63.4%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(15,447)</i>	<i>(11,054)</i>	<i>39.7%</i>	<i>(45,368)</i>	<i>(31,750)</i>	<i>42.9%</i>
Other operating income/(expense) and tax paid	252	1,624	-84.5%	817	1,130	-27.7%
Net cash flows from operating activities before income tax	33,221	20,689	60.6%	59,922	64,838	-7.6%
Income tax paid	(280)	(9)	NMF	(681)	(472)	44.3%
Net cash flows from operating activities	32,941	20,680	59.3%	59,241	64,366	-8.0%
Net cash flows from operating activities, excluding IFRS 16	26,182	15,063	73.8%	39,733	48,439	-18.0%
Cash flows from investing activities						
Cash outflow on Capex	(3,784)	(1,445)	NMF	(10,666)	(3,829)	NMF
Interest income received	580	722	-19.7%	1,717	1,842	-6.8%
Intersegment loans issued proceeds from other investing activities	(4,532)	115	NMF	(4,414)	961	NMF
Net cash flow from investing activities	(7,736)	(608)	NMF	(13,363)	(1,026)	NMF
Cash flows from financing activities						
Payment of dividends	(11,787)	(7,093)	66.2%	(26,454)	(25,926)	2.0%
Purchase of treasury shares	-	(906)	NMF	-	(1,179)	NMF
Payment of finance lease liabilities	(5,124)	(4,244)	20.7%	(14,663)	(11,826)	24.0%
Interest expense paid on finance lease	(1,635)	(1,373)	19.1%	(4,845)	(4,101)	18.1%
Increase/(decrease) in borrowings	3,081	(27,425)	NMF	2,847	8,485	-66.4%
Interest expense paid	(643)	(870)	-26.1%	(2,063)	(2,901)	-28.9%
Net cash flows from financing activities	(16,108)	(41,911)	-61.6%	(45,178)	(37,448)	20.6%
Net cash flows from financing activities, excluding IFRS 16	(9,349)	(36,294)	-74.2%	(25,670)	(21,521)	19.3%
Effect of exchange rates changes on cash and cash equivalents	(199)	960	NMF	(1,026)	2,252	NMF
Net increase/(decrease) in cash and cash equivalents	8,898	(20,879)	NMF	(326)	28,144	NMF
Cash and bank deposits, beginning	27,632	56,797	-51.3%	36,856	7,774	NMF
Cash and bank deposits, ending	36,530	35,918	1.7%	36,530	35,918	1.7%

SELECTED FINANCIAL INFORMATION – Retail (Pharmacy)

BALANCE SHEET					
<i>GEL thousands, unless otherwise noted</i>	Sep-21	Jun-21	Change	Dec-20	Change
Cash and bank deposits	36,530	27,632	32.2%	36,856	-0.9%
Securities and loans issued	17,304	12,651	36.8%	12,471	38.8%
Receivables from sale of pharmaceuticals	67,905	68,248	-0.5%	57,948	17.2%
Property and equipment	41,579	40,482	2.7%	35,384	17.5%
Right of use assets	87,153	84,009	3.7%	71,888	21.2%
Goodwill and other intangible assets	52,611	52,583	0.1%	52,964	-0.7%
Inventory	181,093	184,584	-1.9%	179,652	0.8%
Prepayments	5,244	5,957	-12.0%	4,300	22.0%
Other assets	299	6,405	-95.3%	13,181	-97.7%
Total assets	489,718	482,551	1.5%	464,644	5.4%
Borrowed Funds	90,816	87,842	3.4%	88,608	2.5%
Lease liabilities	98,374	95,970	2.5%	85,919	14.5%
Accounts payable	150,915	152,179	-0.8%	159,121	-5.2%
Other liabilities	23,043	19,315	19.3%	27,400	-15.9%
Total liabilities	363,148	355,306	2.2%	361,048	0.6%
Total shareholders' equity	126,570	127,245	-0.5%	103,596	22.2%

SELECTED FINANCIAL INFORMATION – Medical Insurance

INCOME STATEMENT						
<i>GEL thousands, unless otherwise noted</i>	3Q21	3Q20	Change	9M21	9M20	Change
Gross premiums written	12,513	11,439	9.4%	58,934	54,780	7.6%
Earned premiums, gross	19,048	16,936	12.5%	54,333	51,631	5.2%
Earned premiums, net	18,888	16,906	11.7%	54,084	51,465	5.1%
Insurance claims expenses, gross	(14,077)	(12,667)	11.1%	(42,517)	(38,043)	11.8%
Insurance claims expenses, net	(14,071)	(12,667)	11.1%	(42,577)	(38,041)	11.9%
Acquisition costs, net	(852)	(637)	33.8%	(2,422)	(1,834)	32.1%
Net underwriting profit	3,965	3,602	10.1%	9,085	11,590	-21.6%
Investment income	726	698	4.0%	2,148	1,955	9.9%
Net fee and commission income	12	-	NMF	3	13	-76.9%
Net investment profit	738	698	5.7%	2,151	1,968	9.3%
Salaries and employee benefits	(1,481)	(1,474)	0.5%	(4,261)	(4,252)	0.2%
Selling, general and administrative expenses	(379)	(350)	8.3%	(1,162)	(1,167)	-0.4%
Depreciation & Amortisation	(372)	(309)	20.4%	(1,109)	(885)	25.3%
Impairment charges	(149)	(460)	-67.6%	(568)	(1,504)	-62.2%
Net other operating income	(20)	803	NMF	(57)	668	NMF
Operating profit	2,302	2,510	-8.3%	4,079	6,418	-36.4%
Foreign exchange (loss)/gain	78	141	-44.7%	376	109	NMF
Interest expense	(151)	(222)	-32.0%	(434)	(715)	-39.3%
Non-recurring expenses	(92)	(620)	-85.2%	(137)	(778)	-82.4%
Pre-tax profit	2,137	1,809	18.1%	3,884	5,034	-22.8%
Income tax expense	(356)	(316)	12.7%	(704)	(919)	-23.4%
Net profit	1,781	1,493	19.3%	3,180	4,115	-22.7%

STATEMENT OF CASH FLOW						
<i>GEL thousands, unless otherwise noted</i>	3Q21	3Q20	Change	9M21	9M20	Change
Insurance premium received	18,037	17,309	4.2%	50,403	51,696	-2.5%
Reinsurance premium paid	(38)	(100)	-62.0%	(160)	(627)	-74.5%
Insurance benefits and claims paid	(13,784)	(11,355)	21.4%	(39,930)	(33,774)	18.2%
Acquisition costs paid	(493)	(329)	50.3%	(1,465)	(1,346)	8.9%
Salaries and benefits paid	(1,440)	(1,757)	-18.0%	(4,803)	(6,580)	-27.0%
Interest received	502	687	-26.9%	1,870	1,976	-5.4%
Net other operating expenses paid	(574)	(546)	5.1%	(1,839)	(1,804)	1.9%
Income tax paid	(683)	(300)	NMF	(1,523)	(1,430)	6.5%
Net cash flows from operating activities	1,527	3,609	-57.7%	2,553	8,111	-68.5%
Cash outflows on capex	(42)	(38)	10.5%	(209)	(210)	-0.5%
Other investing activities	1,301	2,985	-56.4%	1,925	2,682	-28.2%
Net cash flows from investing activities	1,259	2,947	-57.3%	1,716	2,472	-30.6%
Dividend Paid	(1,050)	(825)	27.3%	(3,147)	(1,575)	99.8%
Purchase of treasury shares	-	(161)	NMF	-	(316)	NMF
Increase/(decrease) in borrowings	(325)	(2,000)	-83.8%	(700)	(400)	75.0%
Interest Paid	(39)	(148)	-73.6%	(100)	(408)	-75.5%
Cash paid for lease liabilities	(172)	(132)	30.3%	(534)	(335)	59.4%
Net cash flows from financing activities	(1,586)	(3,266)	-51.4%	(4,481)	(3,034)	47.7%
Effect of exchange rates changes on cash and cash equivalents	(70)	23	NMF	(506)	465	NMF
Total cash inflow/(outflow)	1,130	3,313	-65.9%	(718)	8,014	NMF
Cash and cash equivalents, beginning	23,253	21,284	9.3%	25,101	16,583	51.4%
Cash and cash equivalents, ending	24,383	24,597	-0.9%	24,383	24,597	-0.9%

BALANCE SHEET					
<i>GEL thousands, unless otherwise noted</i>	Sep-21	Jun-21	Change	Dec-20	Change
Total assets, of which:	85,514	91,711	-6.8%	81,408	5.0%
Cash and bank deposits	24,383	23,253	4.9%	25,101	-2.9%
Insurance premiums receivable	32,272	38,005	-15.1%	25,393	27.1%
Property and equipment	13,080	13,155	-0.6%	13,138	-0.4%
Right of use assets	424	557	-23.9%	853	-50.3%
Goodwill and other intangible assets	5,404	5,465	-1.1%	5,518	-2.1%
Inventory	343	336	2.1%	297	15.5%
Prepayments	1,441	1,666	-13.5%	1,339	7.6%
Other assets of which:	8,167	9,274	-11.9%	9,769	-16.4%
securities and intercompany loans	7,149	8,240	-13.2%	8,689	-17.7%
Total liabilities, of which:	53,736	60,174	-10.7%	49,344	8.9%
Borrowed Funds	4,895	5,118	-4.4%	5,299	-7.6%
Accounts payable	287	292	-1.7%	312	-8.0%
Insurance contract liabilities	36,390	43,423	-16.2%	30,022	21.2%
Other liabilities	12,164	11,341	7.3%	13,711	-11.3%
Total shareholders' equity	31,778	31,537	0.8%	32,064	-0.9%

Selected ratios and KPIs

Selected ratios and KPIs	3Q21	3Q20	Change	9M21	9M20	Change
GHG, consolidated						
ROIC (%)	16.8%	15.4%	1.4ppts	16.7%	12.7%	4.0ppts
Group rent expenditure	8,373	6,764	23.8%	24,425	19,184	27.3%
<i>of which, pharmacy and distribution business</i>	<i>7,613</i>	<i>6,361</i>	<i>19.7%</i>	<i>22,411</i>	<i>17,898</i>	<i>25.2%</i>
Group capex (maintenance)	4,096	1,713	139.0%	11,405	6,871	66.0%
Group capex (development)	8,191	3,547	130.9%	22,675	13,526	67.6%
Number of employees	15,544	14,798		15,544	14,798	
Number of physicians	3,324	3,265		3,324	3,265	
Number of nurses	3,134	3,046		3,134	3,046	
Nurse to doctor ratio, referral hospitals	0.94	0.93		0.94	0.93	
Number of pharmacists	2,954	2,887		2,954	2,887	
Hospitals						
EBITDA margin <i>excluding IFRS 16</i>	21.9%	26.4%	-4.5ppts	24.2%	20.6%	3.6ppts
Direct salary rate (direct salary as % of revenue)	32.7%	34.5%	-1.8ppts	31.0%	35.7%	-4.7ppts
Materials rate (direct materials as % of revenue)	21.3%	15.6%	5.7ppts	20.9%	17.6%	3.3ppts
Administrative salary rate (administrative salaries as % of revenue)	11.7%	11.6%	0.1ppts	11.7%	13.3%	-1.6ppts
SG&A rate (SG&A expenses as % of revenue)	3.6%	4.5%	-0.9ppts	3.6%	5.1%	-1.5ppts
Number of hospitals	17	17		17	17	
Number of referral hospital beds	2,596	2,596		2,596	2,596	
Hospitals bed occupancy rate	67.7%	50.1%	17.6ppts	63.8%	51.3%	12.5ppts
Hospitals bed occupancy rate, excluding TRH ¹⁶ and CMC ¹⁷						
Hospital beds	69.8%	51.5%	18.3ppts	66.0%	53.0%	13.0ppts
CMC bed occupancy rate	52.0%	39.7%	12.3ppts	51.8%	38.3%	13.5ppts
TRH bed occupancy rate	69.1%	50.8%	18.3ppts	61.0%	52.0%	9.0ppts
Average length of stay (days)	5.7	5.1	10.2%	5.6	5.4	3.6%
Average revenue per hospital bed	127.1	89.8	41.5%	121.0	85.0	42.4%
Clinics						
EBITDA margin <i>excluding IFRS 16</i>	20.4%	23.3%	-2.9ppts	20.9%	19.1%	1.8ppts
EBITDA margin of polyclinics <i>excluding IFRS 16</i>	18.5%	18.3%	0.2ppts	21.8%	16.2%	5.6ppts
Direct salary rate (direct salary as % of revenue)	30.8%	30.8%	0.0ppts	29.2%	32.9%	-3.7ppts
Materials rate (direct materials as % of revenue)	10.5%	6.4%	4.1ppts	9.9%	6.5%	3.4ppts
Number of community clinics	19	19		19	19	
Number of community clinics beds	353	353		353	353	
Number of polyclinics	15	15		15	15	
Pharmacy and distribution						
EBITDA margin <i>excluding IFRS 16 impact</i>	10.6%	10.3%	0.3ppts	9.5%	10.5%	-1.0ppts
Number of bills issued (millions)	7.38	6.97		21.1	20.37	70.6%
Average bill size	18.5	15.60	18.4%	18.5	16.18	14.1%
Revenue from wholesale as a percentage of total revenue from pharma	24.9%	25.4%	-0.5ppts	26.6%	26.0%	0.6ppts
Revenue from retail as a percentage of total revenue from pharma	75.1%	74.6%	0.5ppts	73.4%	74.0%	-0.6ppts
Revenue from para-pharmacy as a percentage of retail revenue from pharma	35.8%	36.1%	-0.3ppts	34.7%	34.7%	0.0ppts
Number of pharmacies	337	305	10.5	337	305	10.5%
Medical insurance						
Loss ratio	74.5%	74.9%	-0.4ppts	78.7%	73.4%	5.3ppts
Expense ratio <i>excluding IFRS 16, of which</i>	17.3%	14.5%	2.8ppts	17.9%	19.0%	-1.1ppts
<i>Commission ratio</i>	4.5%	3.8%	0.7ppts	4.5%	3.5%	1.0ppts
Combined ratio <i>excluding IFRS 16</i>	91.8%	89.4%	2.4ppts	96.6%	92.4%	4.2ppts
Renewal rate	78.8%	71.0%	7.8ppts	78.2%	72.6%	5.6ppts
Diagnostics						
EBITDA margin <i>excluding IFRS 16 impact</i>	25.7%	21.6%	4.1%	26.2%	8.8%	17.4%
Number of patients served ('000)	339	162	109.5%	844	407	107.6%
Number of tests performed ('000)	668	383	74.6%	1,843	974	89.3%
Average revenue per test GEL	13.2	8.6	53.5%	11.9	6.9	72.5%
Average number of tests per patient	2.0	2.4	-16.7%	2.2	2.4	-8.3%

¹⁶ Tbilisi Referral Hospital¹⁷ Caucasus Medical Center