



**GEORGIA
HEALTHCARE
GROUP**

**2nd quarter and half-year 2016
Results**

www.ghg.com.ge

Name of authorised official of issuer responsible for making notification:
Ekaterina Shavgulidze, Head of Investor Relations

An investor /analyst earnings call for the 2Q and 1H 2016 results, organised by GHG, will be held on Monday, 15 August 2016, at 14:00 UK / 15:00 CET / 09:00 U.S Eastern time. Please find below the dial ins:

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FORWARD LOOKING STATEMENTS

This document contains statements that constitute “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.

While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to the following: (1) general market, macroeconomic, governmental, legislative and regulatory trends; (2) movements in local and international currency exchange rates; interest rates and securities markets; (3) competitive pressures; (4) technological developments; (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties and developments in the market in which they operate; (6) management changes and changes to our group structure; and (7) 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 those filed with the respective authorities.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events. Accordingly, we are under no obligations (and expressly disclaim such obligations) to update or alter our forward-looking statements whether as a result of new information, future events, or otherwise.

Georgia Healthcare Group PLC (“**GHG**” or the “**Group**” – LSE: GHG LN), announces the Group’s second quarter and half year 2016 consolidated financial results. Unless otherwise mentioned, comparatives are for the second quarter of 2015. The results are based on International Financial Reporting Standards (“IFRS”) as adopted in the European Union (“EU”), are unaudited and extracted from management accounts.

HIGHLIGHTS

GHG announces today the Group’s 2Q16 and 1H16 consolidated results, reporting a record half year profit of GEL 45.2 million (US\$19.3 million/GBP 14.4 million) and earnings per share (“**EPS**”) of GEL 0.29 (US\$ 0.13 per share/GBP 0.09 per share).

GHG – the leading integrated player in the Georgian healthcare ecosystem of GEL 3.4 billion aggregate value

1H16 financial performance

- Net profit was GEL 45.2 million (US\$ 19.3 million / GBP 14.4 million), (up 239.6% y-o-y)
- Net profit, adjusted was 18.1 million¹ (US\$ 7.7 million / GBP 5.8 million)
- EPS was GEL 0.29 (US\$0.13 / GBP 0.09 per share)
- EPS, adjusted, was GEL 0.15² (US\$0.07 / GBP 0.05 per share)
- Revenue was GEL 174.2 million (up 55.5% y-o-y)
- EBITDA was GEL 34.0 million (up 44.2% y-o-y)
- Return on Average Equity (“**ROAE**”), adjusted, was 14.2%³

2Q16 financial performance

- Net profit was GEL 32.2 million (US\$ 14.2 million / GBP 10.6 million), (up 371.6% y-o-y, up 176.2% q-o-q)
- Net profit, adjusted, was GEL 8.1 million (US\$ 3.4 million / GBP 2.6 million)
- EPS was GEL 0.22 (US\$0.09 / GBP 0.07 per share)
- EPS, adjusted, was GEL 0.08 (US\$0.03 / GBP 0.02 per share)
- Revenue was GEL 101.7 million (up 76.9% y-o-y, up 40.1% q-o-q)
- EBITDA was GEL 16.9 million (up 25.3% y-o-y, down 1.4% q-o-q)
- Return on Average Equity (“**ROAE**”), adjusted, was 12.8%

Healthcare services – the largest healthcare services provider in the fast-growing, predominantly privately-owned, Georgian healthcare services market

1H16 financial performance

- Revenue was GEL 119.2 million (up 34.8% y-o-y)
- Organic revenue growth was 13.0% y-o-y
- Gross profit was GEL 53.7 million (up 40.9% y-o-y)
- EBITDA was GEL 35.0 million (up 56.6% y-o-y)
- EBITDA margin was 29.3% (up 400 bps y-o-y)
- Operating leverage was positive at 21.9 percentage points y-o-y
- Net profit was GEL 47.5 million (up 280.5% y-o-y)
- Net profit, adjusted, was 20.3 million, (US\$ 8.7 million / GBP 6.5 million)

¹ Net profit adjusted for one-off non-recurring gain due to deferred tax adjustments (in the amount of GEL 29.3 million for GHG, which fully resulted from the Group’s healthcare services business) and adjusted for one-off currency translation loss in June (“**translation loss**”) (in the amount of GEL 2.1 million), which resulted from settlement of the US Dollar denominated payable for the acquisition of GPC, the Group’s pharma business. For details on the deferred tax adjustments, see the explanation in the bullet point immediately preceding “Healthcare services business” on page 5.

² Earnings per share (EPS) equals Profit for the period attributable to shareholders of the Company adjusted for one-off non-recurring gain due to deferred tax adjustments and adjusted for one-off translation loss in June divided by weighted average number of shares outstanding during the same period.

³ Profit for the period attributable to shareholders of the Company adjusted for one-off non-recurring gain due to deferred tax adjustments and adjusted for one-off translation loss in June, divided by average equity attributable to shareholders of the Company for the same period net of unutilised portion of IPO proceeds.

2Q16 financial performance

- Revenue was GEL 58.8 million (up 28.7% y-o-y, down 2.8% q-o-q)
- Gross profit was GEL 26.7 million (up 29.4% y-o-y, down 1.4% q-o-q)
- EBITDA was GEL 17.2 million (up 35.4% y-o-y, down 3.7% q-o-q)
- EBITDA margin was 29.2% (up 140 bps y-o-y, down 30 bps q-o-q)
- Operating leverage was positive at 10.8 percentage points y-o-y
- Net profit was GEL 35.3 million (up 414.6% y-o-y, up 190.8% q-o-q)
- Net profit, adjusted, was 9.9 million (US\$ 4.2 million / GBP 3.2 million)

Pharma business – the third largest pharmaceutical retailer and wholesaler in Georgia

2Q16 and 1H16 financial performance⁴

- Revenue was GEL 30.7 million
- Gross profit was GEL 5.6 million
- EBITDA was GEL 0.6 million
- Net loss was GEL 0.4 million

Medical insurance business – the largest medical insurance provider in Georgia

1H16 financial performance

- Net insurance premiums earned were GEL 29.1 million (up 4.7% y-o-y)
- Gross profit was GEL 2.3 million (down 49.0% y-o-y)
- Loss ratio was 85.7% (up 7.1 percentage points y-o-y)
- Expense ratio was 21.0%⁵ (up 3.1 percentage points y-o-y)
- Combined ratio was 106.6% (up 10.0 percentage points y-o-y)
- EBITDA was negative at GEL 1.5 million
- Net loss was GEL 1.9 million

2Q16 financial performance

- Net insurance premiums earned were GEL 15.3 million (up 8.3% y-o-y, up 10.6% q-o-q)
- Gross profit was GEL 1.3 million (down 44.0% y-o-y, up 33.2% q-o-q)
- Loss ratio was 85.0% (up 6.9 percentage points y-o-y, down 1.4 percentage points q-o-q)
- Expense ratio was 21.8% (up 4.5 percentage points y-o-y, up 1.7 percentage points q-o-q)
- Combined ratio was 106.8% (up 11.4 percentage points y-o-y, up 0.3 percentage points q-o-q)
- EBITDA was negative at GEL 0.8 million
- Net loss was GEL 1.7 million

Notable developments and operating performance highlights in 2Q 2016

- In May 2016, we completed the acquisition of GPC, one of the largest retail and wholesale pharmacy chains in Georgia, becoming the major purchaser of pharmaceutical products in Georgia. We also became the leading integrated player in the Georgian healthcare ecosystem of GEL 3.4 billion aggregate value.
- In June 2016, we announced the appointment of Givi Giorgadze as CEO of our medical insurance business, with effect from 1 July 2016. Givi brings with him strong knowledge of the Georgian insurance and private banking business, and his expertise will be invaluable to improve the results of our medical insurance business.

⁴ Pharma business financials are included since 1st of May 2016, as GHG completed the acquisition of the pharma business in May 2016 and started consolidation afterwards

⁵ In prior year GHG financial statements, the Group had offset agents' commission fees paid for attracting insurance premiums with insurance revenue. Therefore insurance revenue was presented on a net basis in all prior period accounts. The Group reconsidered the presentation and decided that separate presentation of agents' commissions aids

- The total number of employees reached 11,884, of which 9,745 were at the healthcare services business, 1,702 at the pharma business and 437 at the medical insurance business. Total number of employees grew by 3,344 employees, or at 39.2%, compared to a year ago mainly driven by the acquisition of JSC GPC and outpatient rollout.
 - The number of physicians was 2,954 and the number of nurses was 2,795, as of 30 June 2016, an increase 459 physicians and 475 nurses versus the same time last year, and implying a y-o-y growth of 18.4% and 20.5%, respectively.
- We have completed implementation of new enterprise resource planning system (ERP), a software for data collection, transaction capturing, accounting and further analysis of financial transactions. The ERP enhances our capabilities to identify and extract further efficiencies in our operations.
- In May 2016 the parliament of Georgia approved change in current corporate taxation model, with changes applicable from 1 January 2017 for all entities apart from financial institutions, including insurance businesses (the changes are applicable to financial institutions, including insurance businesses, from 1 January 2019). The changed model implies zero corporate tax rate on retained earnings and 15% tax rate on distributed earnings, compared to the previous model of 15% tax rate charged to the company's profit before tax, regardless of the retention or distribution status. The change had an immediate impact on deferred tax asset and deferred tax liability balances (“**deferred taxes**”) attributable to previously recognized temporary differences, arising from prior periods. The Group considers the new regime as substantively enacted effective June 2016 and thus has re-measured its deferred tax assets and liabilities as at 30 June 2016. The Group has estimated the portion of deferred tax assets or liabilities that it expects to utilize by 1 January 2017 for its non-financial businesses and the portion of the deferred tax assets or liabilities it expects to utilize by 1 January 2019 for its financial businesses. Based on such assessment, the Group has fully written off the unutilized portion of deferred tax assets and liabilities. The deferred tax liabilities that were reversed significantly exceeded the deferred tax assets written off⁶. The net amount (“**Deferred tax adjustments**”) was recognized as an income tax benefit for the Group and amounted to GEL 25.1 million. The amount is reflected as a non-recurring income tax benefit item in the income statement. The amount is fully attributable to the Group's healthcare services business. The deferred tax assets and liabilities remaining as of 30 June 2016 are attributable to only those temporary differences that are expected to be utilized or reversed prior to 1 January 2017.

Healthcare services business

- As of 30 June 2016, our healthcare services business operated 15 referral hospitals, 20 community hospitals and 6 ambulatory clusters (consisting of 9 district ambulatory clinics and 28 express ambulatory clinics).
 - We have launched one of the largest outpatient and diagnostic centres (the “**Centre**”) in Georgia. The Centre is part of the Deka hospital (“**Deka**”) and is the first department launched at Deka since the start of its renovation in January 2016. Equipped with advanced medical equipment, the Centre will cater to all age groups and will provide a comprehensive range of diagnostic and outpatient services.
 - We have launched two ambulatory clusters in Tbilisi: one in the Mtatsminda neighbourhood, covering a population of c.105,000 and another in the Isani neighbourhood, covering a population of c. 300,000.
- As of 30 June 2016, total beds operated were 2,467 (down from 2,686 since 1Q16), of which 2,005 beds were at referral hospitals (down from 2,229 since 1Q16) and 462 beds were at community hospitals (up from 457 since 1Q16). The change in total number of beds is primarily due to: 1). disposal of the 82-bed Tbilisi Maternity Hospital “New Life” (“**New Life**”), in exchange for the 33.3% minority shareholding in Iashvili that GHG acquired in February 2016 2). there is a temporary reduction in the number of operating beds at Deka and Sunstone Hospitals, due to the renovation of these two hospitals.
- Our healthcare services market share by number of beds was 25.1% as of 30 June 2016. The change in market share by number of beds, from 26.6% to 25.1% is due to the reduced number of referral hospital beds as explained above.

⁶ Gross deferred income tax liability was GEL 26.7 million while the gross income tax asset was GEL 1.5 million. Net income tax benefit recognised in the income statement represents the net of these two amounts. Significant deferred tax liabilities that were reversed arose from the timing differences between the IFRS balance sheet and the tax balance sheet relating to accumulated depreciation, allowance for impairment of receivables, share-based compensation, intangible assets, accruals of certain provisions, and various other items.

- Our hospital bed occupancy rate was 57.6% in 2Q16 (60.4% in 1Q16).
- Our referral hospital bed occupancy rate was 64.9% in 2Q16 (66.7% in 1Q16).
- The average length of stay at referral hospitals was 5.3 days in 2Q16 (5.2 in 1Q16).
- During 2Q16, we spent a total of GEL 31.9 million on capital expenditures, up 122.1% y-o-y, enhancing our service mix and introducing new services to cater unfulfilled demand. Of this, maintenance capex was GEL 2.1 million.
 - We expanded our fleet of ambulances and added 22 regular and 28 specialised ambulance vehicles (specialised ambulances are equipped with intensive care equipment and have paramedics on-board). We now operate 22 regular and 42 specialised ambulance vehicles. Our ambulances play a feeder role for our hospitals, as they facilitate the movement of patients to and between our hospitals, improving utilisation of our facilities and medical personnel. We are investing in more specialist ambulances and staff to enhance our patient referral services (where we believe we are already the market leader).
 - We launched an In Vitro Fertilisation service (“**IVF**”) at Caraps Medline (“**Caraps**”) – an up-scale boutique hospital in Tbilisi, particularly renowned for gynaecology and plastic surgery services in Georgia. 40 patients have received treatment since the launch of the service.
 - We are in the process of launching around 50 new services at nine of our referral hospitals. This includes some basic services (like pediatrics, neonatology, diagnostics, ophthalmology, mammography and breast surgery, gynecology, cardio-surgery, traumatology, angio-surgery, intensive care, reproductive services, etc.) as well as sophisticated services (like oncology, transplantation of bone marrow, paediatric kidney transplant, etc.).
 - We completed the renovation of our hospitals in the Samtskhe region (capex of GEL 9.3 million), which became fully operational in 1Q16.
 - Renovation of Sunstone (c.332 beds, scheduled launch in May, 2017) and Deka (c.310 beds, scheduled launch in May, 2017) is ongoing within schedule and budget.
- We expanded fields of our residency program in line with our strategy to develop a new generation of doctors. We obtained accreditation for internal medicine, endocrinology, pediatric gastroenterology, and pediatric endocrinology, with a total capacity of an additional 15 residents to be enrolled. We launched residency programs at the end of 2015 and now have 58 residents involved in different fields.

Pharma business

- The pharma business operates a country-wide distribution network of 110 pharmacies in major cities, 25 of these pharmacies also have express ambulatory clinics. It also operates two warehouses
- Since we completed the acquisition of the pharma business in May 2016, we have launched the integration activities and among other things:
 - We opened pharmacies in eight of our hospitals, with the number of pharmacies at our hospitals reaching 14 units
 - We have eliminated the majority GEL 1.4 million of unnecessary costs, the results of which are expected to be reflected starting from the third quarter 2016 results
 - We have launched negotiations with suppliers to achieve better purchase pricing and achieved more than half of (anticipated GEL 3 million) cost synergies as a result of the consolidated purchasing of our healthcare services and pharma business
 - We launched a bundled product for the customers of our pharma and healthcare services businesses, to tap into c.410 thousand GPC clients that have never been to our ambulatory clinics
- The pharma business has c.1 million retail customer interactions per month, c.0.5 million loyalty card members and an average bill size of GEL 13.0
- The pharma business has a c.15% market share measured by sales

- The total number of bills issued during the two month period of May and June was more than 1.9 million

Medical Insurance business

- The number of insured clients was 203,000 as at 30 June 2016
- Our medical insurance market share was 34.0% based on net insurance premium revenue, as at 31 March 2016
- Our insurance renewal rate was 75.7% in 2Q16

CHIEF EXECUTIVE OFFICER STATEMENT

I am pleased with the Group's further progress in the first half of 2016, as we continue to deliver a strong performance in our Healthcare Services business and have started the integration process for our second quarter acquisition GPC, the Pharma Business. The Group's profit of GEL 45.2 million in the first half of 2016 more than tripled the GEL 13.3 million made in the first half of 2015, although the reported results have been significantly affected by a number of one-off items and business changes, in particular the impact of deferred tax releases due to a recent corporate tax legislation change and a currency translation loss relating to the acquisition of GPC.

Record Group revenues, at GEL 174.2 million for the half-year, increased by 55.5%, despite the disposal of the Tbilisi Maternity Hospital New Life and the temporary reduction in the number of operating beds at Deka and Sunstone hospitals. The Group's overall performance continues to be dominated by the healthcare services business which delivered half-year revenues of GEL 119.2 million, supported in particular by double-digit organic revenue growth with an EBITDA margin of 29.3%. We continue to benefit significantly from our strong business growth and increasing economies of scale.

The first half has continued to reflect the further development of the Group's key strategic priorities: to achieve one-third market share by hospital beds; to deliver a rapid launch of ambulatory clinics in the highly fragmented and underpenetrated outpatient market; and to invest to close existing medical service gaps. We continued to make progress in each of these strategic priorities during the first half of the year.

In our healthcare services business, we have already made substantial progress in the renovation work on both our Deka and Sunstone hospital facilities. In addition, in early August, we opened one of the largest diagnostic centres in Tbilisi as a part of the Deka hospital - the first step in developing Deka into a flagship multi-profile hospital in Georgia. Both newly modernised multi-profile hospital renovations remain firmly on schedule and within budget, and both are expected to be fully completed and operational in mid-2017. While the ongoing renovations of the Sunstone and Deka hospitals and the disposal of New Life Hospital have affected the level of revenue growth during Q2, new openings and good levels of organic growth at existing facilities put us in a strong position for the second half and beyond. We also completed the renovation of our hospitals in the Samtskhe region in the first quarter of 2016, and these are now fully operational.

Our strategy to increase our share of healthcare revenues through the roll-out of a nationwide network of ambulatory clinics has begun and by the end of July 2016 we had opened 6 ambulatory clusters in a number of high population density areas of Tbilisi and one in Kutaisi, the second largest city in Georgia. As a result, revenue from ambulatory clinics increased by 187.8% 2Q over 2Q and our outpatient share of revenue went to 5% of healthcare services revenue, up from a 2% contribution in the same period last year. The ambulatory clinic roll-out is an extremely significant growth opportunity for the Group over the next few years, as we plan to build significant market share in what is a highly fragmented and high margin segment of a market in which we currently have only approximately a 1% share of the market. Our recent acquisition of GPC has already started to further accelerate this strategy.

In Q2 we completed the acquisition of GPC, one of the largest retail and wholesale pharmacy chains in Georgia, and started to implement our integration activities. We are fully on track to deliver our initial guidance on synergies. This acquisition supports our desire to be the leading integrated provider in all areas of the GEL 3.4 billion healthcare ecosystem, and positions the Group as the largest purchaser of pharmaceutical products in Georgia with a platform to deliver significant cost synergies. More than half of the GEL 5 million annualised cost synergies that we initially targeted to meet have already been achieved, these will be captured in the results of second half of the year and we continue working to deliver the synergies in full. Overall, we aim to achieve c.GEL 9-10 million of revenue synergies from the opening of GPC pharmacies in GHG's existing hospitals and flagship ambulatory clinics. We have launched ten such pharmacies during the past two months in main facilities, bringing total number of GPC pharmacies at our healthcare facilities to 14.

We believe the biggest value enhancement in the GPC acquisition, however, is the potential for increased customer acquisition for our outpatient business through GPC's 1 million customer interactions and 0.5 million loyalty program users and we have already started to explore this opportunity. Just recently we launched a bundled product for GPC and Evex to tap around 400,000 GPC customers that have never been to our outpatient facilities and anticipate to increase the traffic to our outpatient facilities through this very important distribution channel.

Our medical insurance business continues the process of stabilising its revenues, following the recent period of reductions reflecting the Government's increased focus on the Universal Healthcare Programme which led to an industrywide reduction in medical insurance revenues over the last few years. Overall medical insurance revenues grew by 4.7% in the first half, supported by a 48% increase in retail sales of private medical insurance, offset by the non-renewal of one large corporate insurance client at the end of 2015. Costs remained well managed, but the impact of last year's Lari devaluation against the US Dollar and the increased utilisation by the largest client, the Ministry of Defense employees, led to the loss ratio increasing by 7.1 percentage points half-year over half-year to 85.7%, and the insurance business delivering a net loss of GEL 1.7 million in the first half of 2016. The loss ratio excluding the Ministry of Defense stood at 81%. We are currently in the process of renegotiating the contract with this client and, if we manage to agree terms, we would expect to achieve stabilization of our medical insurance performance very quickly. Alternatively the contract will expire in 5 months which will automatically remove this one off negative effect from our insurance business by the year-end.

From a macroeconomic perspective, Georgia has continued to deliver a remarkably resilient performance. Georgia's real GDP growth was 2.9% year-on-year in June 2016. In addition, the Lari has recently strengthened against the US Dollar by over 5%, Foreign Direct Investment continued to be strong, and tourist numbers – a significant driver of US\$ inflows for the country – continue to rise significantly. As a result, the Georgian Government's fiscal position continues to be strong.

I mentioned in my statement with the first quarter results that a change in the Georgian Government's tax policy was going through Parliament and was expected to significantly benefit Georgian companies. This change has now been ratified by Parliament and, as a result, a tax code amendment is in the process of being implemented that will apply Income tax (currently 15%) only to distributed profits. Undistributed profits will no longer be subject to Profits tax. This amendment is expected to take effect for most companies on 1 January 2017, and for financial companies (including banks and insurance companies) from 1 January 2019. This will significantly reduce the effective tax rate of the Group from 1 January 2017 onwards. As a result of this change, the Group has recognised a one-off deferred taxation release of GEL 25.1 million in the first half of 2016.

In addition, new legislative initiatives from the Ministry of Health, that include the streamlining of licensing requirements and the introduction of leveling of hospitals, are expected to be enforced from 2017. These changes are likely to ensure our healthcare services business remains very well positioned to capture an increased flow of revenue and patients from the UHC.

We believe we remain well positioned to continue delivering a strong performance throughout 2016 and beyond, from both high levels of organic revenue growth as well as from the benefits of our key strategic priorities and recent acquisitions. We remain comfortably on track to deliver our targeted more than doubling of 2015 healthcare services revenues by 2018.

Nikoloz Gamkrelidze,

CEO of Georgia Healthcare Group PLC

FINANCIAL SUMMARY

Income Statement, *half-year*

	<u>GHC</u>		Change, Y-o-Y
<i>GEL thousands; unless otherwise noted</i>	1H16	1H15	
Revenue, gross	174,249	112,046	55.5%
Corrections & rebates	(1,134)	(1,842)	-38.4%
Revenue, net	173,115	110,204	57.1%
Costs of services	(111,546)	(67,759)	64.6%
Gross profit	61,569	42,445	45.1%
Total operating expenses	(28,328)	(19,398)	46.0%
Other operating income	770	541	42.3%
EBITDA	34,011	23,588	44.2%
Depreciation and amortisation	(9,046)	(4,889)	85.0%
Net interest income (expense)	(5,125)	(10,118)	-49.3%
Net gains/(losses) from foreign currencies	(2,224)	5,449	NMF
Net non-recurring expense	(816)	(767)	NMF
Profit before income tax expense	16,800	13,263	26.7%
Income tax benefit	28,425	53	NMF
<i>of which: Deferred tax adjustments</i>	<i>29,311</i>	<i>-</i>	<i>-</i>
Profit for the period	45,225	13,316	239.6%
Attributable to:			
- shareholders of the Company	37,676	11,854	217.8%
- non-controlling interests	7,549	1,462	416.3%
<i>of which: Deferred tax adjustments</i>	<i>5,057</i>	<i>-</i>	<i>-</i>

Income Statement, *half-year*

	<u>Healthcare services</u>			<u>Pharma</u> <i>(consolidated since May 2016)</i>		<u>Medical insurance</u>		Change, Y-o-Y
<i>GEL thousands; unless otherwise noted</i>	1H16	1H15	Change, Y-o-Y	1H16	1H16	1H15	Change, Y-o-Y	
Revenue, gross	119,230	88,419	34.8%	30,691	29,128	27,814	4.7%	
Corrections & rebates	(1,134)	(1,842)	-38.4%	-	-	-	-	
Revenue, net	118,096	86,577	36.4%	30,691	29,128	27,814	4.7%	
Costs of services	(64,397)	(48,462)	32.9%	(25,059)	(26,836)	(23,321)	15.1%	
Gross profit	53,699	38,115	40.9%	5,632	2,292	4,493	-49.0%	
Total operating expenses	(19,347)	(16,261)	19.0%	(5,223)	(3,812)	(3,300)	15.5%	
Other operating income	636	491	29.5%	145	(11)	50	NMF	
EBITDA	34,988	22,345	56.6%	554	(1,531)	1,243	NMF	
EBITDA margin	29.3%	25.3%		1.8%	-5.3%	4.5%		
Depreciation and amortisation	(8,382)	(4,600)	82.2%	(258)	(406)	(289)	40.5%	
Net interest income (expense)	(5,258)	(10,084)	-47.9%	(427)	560	(34)	NMF	
Net gains/(losses) from foreign currencies	(2,122)	4,880	NMF	(272)	170	569	-70.1%	
Net non-recurring income/(expense)	157	(767)	NMF	-	(973)	-	-	
Profit before income tax expense	19,383	11,774	64.6%	(403)	(2,180)	1,489	NMF	
Income tax benefit/(expense)	28,105	708	NMF	-	320	(655)	NMF	
<i>of which: Deferred tax adjustments</i>	<i>29,311</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	
Profit for the period	47,488	12,482	280.5%	(403)	(1,860)	834	NMF	
Attributable to:								
- shareholders of the Company	39,939	11,020	262.4%	(403)	(1,860)	834	NMF	
- non-controlling interests	7,549	1,462	416.3%	-	-	-	-	
<i>of which: Deferred tax adjustments</i>	<i>5,057</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	

Note: healthcare services business, pharma business and medical insurance business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations, are provided in selected financial information section

Income Statement, Quarterly

GEL thousands; unless otherwise noted	GHG				
	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q
Revenue, gross	101,673	57,472	76.9%	72,576	40.1%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%
Revenue, net	100,949	56,587	78.4%	72,166	39.9%
Costs of services	(67,395)	(33,721)	99.9%	(44,151)	52.6%
Gross profit	33,554	22,866	46.7%	28,015	19.8%
Total operating expenses	(17,223)	(9,806)	75.6%	(11,105)	55.1%
Other operating income	551	416	32.5%	219	151.6%
EBITDA	16,882	13,476	25.3%	17,129	-1.4%
Depreciation and amortisation	(4,581)	(2,567)	78.5%	(4,465)	2.6%
Net interest income (expense)	(3,469)	(6,017)	-42.3%	(1,656)	109.5%
Net gains/(losses) from foreign currencies	(1,964)	2,045	NMF	(260)	655.4%
Net non-recurring expense	(586)	(556)	NMF	(230)	154.8%
Profit before income tax expense	6,282	6,381	-1.6%	10,518	-40.3%
Income tax benefit	26,920	660	3978.8%	1,505	1688.7%
<i>of which: Deferred tax adjustments</i>	27,113	-	-	2,198	-
Profit for the period	33,202	7,041	371.6%	12,023	176.2%
Attributable to:					
- shareholders of the Company	27,755	6,122	353.4%	9,921	179.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%
<i>of which: Deferred tax adjustments</i>	4,705	-	-	352	-

Income Statement, Quarterly

GEL thousands; unless otherwise noted	Healthcare services					Pharma (consolidated since May 2016)		Medical insurance			
	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q15	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q
Revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	30,691	15,298	14,123	8.3%	13,830	10.6%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	-	-	-	-	-	-
Revenue, net	58,055	44,789	29.6%	60,041	-3.3%	30,691	15,298	14,123	8.3%	13,830	10.6%
Costs of services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(25,059)	(13,989)	(11,785)	18.7%	(12,847)	8.9%
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	5,632	1,309	2,338	-44.0%	983	33.2%
Total operating expenses	(9,891)	(8,338)	18.6%	(9,456)	4.6%	(5,223)	(2,152)	(1,540)	39.7%	(1,660)	29.6%
Other operating income	395	413	-4.4%	241	63.9%	145	10	3	233.3%	(21)	NMF
EBITDA	17,160	12,675	35.4%	17,828	-3.7%	554	(832)	801	-203.9%	(699)	19.0%
EBITDA margin	29.2%	27.8%		29.5%		1.8%	-5.4%	5.7%		-5.1%	
Depreciation and amortisation	(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(258)	(202)	(153)	32.0%	(204)	-1.0%
Net interest income (expense)	(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(427)	(43)	(6)	NMF	603	NMF
Net gains/(losses) from foreign currencies	(1,711)	1,973	NMF	(411)	316.3%	(272)	19	72	NMF	151	-87.4%
Net non-recurring income/(expense)	387	(556)	NMF	(230)	-268.3%	-	(973)	-	-	-	-
Profit before income tax expense	8,716	5,667	53.8%	10,667	-18.3%	(403)	(2,031)	714	NMF	(149)	1,263.1%
Income tax benefit/(expense)	26,619	1,199	NMF	1,486	1,691.3%	-	301	(539)	NMF	19	1,484.2%
<i>of which: Deferred tax adjustments</i>	27,113	-	-	2,198	-	-	-	-	-	-	-
Profit for the period	35,335	6,866	414.6%	12,153	190.8%	(403)	(1,730)	175	NMF	(130)	1,230.8%
Attributable to:											
- shareholders of the Company	29,888	5,947	402.6%	10,051	197.4%	(403)	(1,730)	175	NMF	(130)	1,230.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	-	-	-	-	-	-
<i>of which: Deferred tax adjustments</i>	4,705	-	-	352	-	-	-	-	-	-	-

Note: healthcare services business, pharma business and medical insurance business financials do not include interbusiness eliminations. Detailed financials, including interbusiness eliminations, are provided in selected financial information section

Balance Sheet

<i>GEL thousands; unless otherwise noted</i>	30-Jun-16	30-Jun-15	GHG		Change, Q-o-Q
			Change, Y-o-Y	31-Mar-16	
Total assets, of which:	814,089	504,092	61.5%	737,815	10.3%
Cash and bank deposits	26,395	41,754	-36.8%	65,404	-59.6%
Receivables from healthcare services	70,398	53,447	31.7%	73,750	-4.5%
Receivables from sale of pharmaceuticals	6,110	-	-	-	-
Insurance premiums receivable	34,275	31,914	7.4%	39,042	-12.2%
Property and equipment	501,739	320,218	56.7%	487,641	2.9%
Goodwill and other intangible assets	64,733	12,725	408.7%	25,530	153.6%
Inventory	42,470	8,218	416.8%	14,302	197.0%
Prepayments	49,074	9,307	427.3%	14,648	235.0%
Other assets	18,895	26,509	-28.7%	17,498	8.0%
Total liabilities, of which:	306,861	290,367	5.7%	261,819	17.2%
Borrowed Funds	141,257	195,519	-27.8%	99,856	41.5%
Account payable	52,582	9,576	449.1%	37,365	40.7%
Insurance contract liabilities	32,941	30,142	9.3%	36,935	-10.8%
Other liabilities	80,081	55,130	45.3%	87,663	-8.6%
Total shareholders' equity attributable to:	507,228	213,725	137.3%	475,996	6.6%
<i>Shareholders of the Company</i>	455,823	188,528	141.8%	428,805	6.3%
<i>Non-controlling interest</i>	51,405	25,197	104.0%	47,191	8.9%

Selected ratios and KPIs

	2Q16	2Q15	1Q16	1H16	1H15
GHG					
EPS, GEL	0.22	NMF	0.08	0.29	NMF
EPS adjusted, GEL	0.08	NMF	0.08	0.15	NMF
ROAE	25.1%	11.0%	9.4%	17.2%	10.8%
Adjusted ROAE	12.8%	11.0%	16.5%	14.2%	10.8%
Healthcare services					
EBITDA margin of healthcare services	29.2%	27.8%	29.5%	29.3%	25.3%
Hospital bed occupancy rate (total)	57.6%	50.8%	60.4%	59.3%	52.3%
Hospital bed occupancy rate (referral hospitals)	64.9%	59.0%	66.7%	65.8%	60.2%
Average length of stay (total), days	5.1	4.4	4.9	4.9	4.5
Average length of stay (referral hospitals), days	5.3	4.7	5.2	5.1	4.8
Pharma					
Days sales outstanding	12.1			12.1	
Inventory turnover, days	81.8			81.8	
Number of cheques	1.92 million			1.92 million	
Revenue from retail as a percentage of total revenue from pharma	75%			75%	
Revenue from wholesale as a percentage of total revenue from pharma	25%			25%	
Revenue from parapharmacy as a percentage of total revenue from pharma	31%			31%	
Medical insurance					
Loss ratio	85.0%	78.1%	86.4%	85.7%	78.6%
Expense ratio	21.8%	17.3%	20.1%	21.0%	17.9%
<i>Commission ratio</i>	6.4%	5.3%	6.5%	6.5%	5.2%
Combined ratio	106.8%	95.4%	106.5%	106.6%	96.6%
Insurance renewal rate	88.3%	79.2%	88.5%	88.4%	77.3%

DISCUSSION OF GROUP RESULTS

Georgia Healthcare Group PLC is the UK incorporated holding company of the largest healthcare services business, pharma business and medical insurance provider in the fast-growing, predominantly privately-owned, Georgian healthcare market.

Income statement, GHG consolidated

<i>GEL thousands; unless otherwise noted</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Revenue, gross	101,673	57,472	76.9%	72,576	40.1%	174,249	112,046	55.5%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Revenue, net	100,949	56,587	78.4%	72,166	39.9%	173,115	110,204	57.1%
Revenue from healthcare services	58,056	44,789	29.6%	60,041	-3.3%	118,097	86,577	36.4%
Revenue from pharma	30,691	-	-	-	-	30,691	-	-
Net insurance premiums earned	15,298	14,123	8.3%	13,830	10.6%	29,128	27,514	5.9%
Eliminations	(3,095)	(2,325)	33.1%	(1,705)	81.5%	(4,800)	(4,187)	14.6%
Costs of services	(67,395)	(33,721)	99.9%	(44,151)	52.6%	(111,546)	(67,759)	64.6%
Cost of healthcare services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(64,397)	(48,462)	32.9%
Cost of pharma	(25,059)	-	-	-	-	(25,059)	-	-
Cost of insurance services	(13,989)	(11,785)	18.7%	(12,847)	8.9%	(26,836)	(23,021)	16.6%
Eliminations	3,052	2,253	35.5%	1,694	80.2%	4,746	4,024	17.9%
Gross profit	33,554	22,866	46.7%	28,015	19.8%	61,569	42,445	45.1%
Salaries and other employee benefits	(9,229)	(6,343)	45.5%	(6,923)	33.3%	(16,152)	(12,602)	28.2%
General and administrative expenses	(6,758)	(2,551)	164.9%	(3,202)	111.1%	(9,960)	(4,950)	101.2%
Impairment of healthcare services, insurance premiums and other receivables	(1,236)	(912)	35.5%	(980)	26.1%	(2,216)	(1,846)	20.0%
Other operating income	551	416	32.5%	219	151.6%	770	541	42.3%
EBITDA	16,882	13,476	25.3%	17,129	-1.4%	34,011	23,588	44.2%
Depreciation and amortisation	(4,581)	(2,567)	78.5%	(4,465)	2.6%	(9,046)	(4,889)	85.0%
Net interest expense	(3,469)	(6,017)	-42.3%	(1,656)	109.5%	(5,125)	(10,118)	-49.3%
Net gains/(losses) from foreign currencies	(1,964)	2,045	NMF	(260)	655.4%	(2,224)	5,449	NMF
Net non-recurring income/(expense)	(586)	(556)	NMF	(230)	154.8%	(816)	(767)	NMF
Profit before income tax expense	6,282	6,381	-1.6%	10,518	-40.3%	16,800	13,263	26.7%
Income tax benefit	26,920	660	NMF	1,505	1688.7%	28,425	53	NMF
<i>of which: Deferred tax adjustments</i>	<i>27,113</i>	<i>-</i>	<i>-</i>	<i>2,198</i>	<i>-</i>	<i>29,311</i>	<i>-</i>	<i>-</i>
Profit for the period	33,202	7,041	371.6%	12,023	176.2%	45,225	13,316	239.6%
Attributable to:								
- shareholders of the Company	27,755	6,122	353.4%	9,921	179.8%	37,676	11,854	217.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	7,549	1,462	416.3%
<i>of which: Deferred tax adjustments</i>	<i>4,705</i>	<i>-</i>	<i>-</i>	<i>352</i>	<i>-</i>	<i>5,057</i>	<i>-</i>	<i>-</i>

We delivered record quarterly revenue of GEL 101.7 million, up 76.9% y-o-y and up 40.1% q-o-q. Growth was driven by healthcare services gross revenue, up 29.6% y-o-y (with strong organic growth of 11.3% y-o-y) and pharma business consolidation since its acquisition in May 2016. In 2Q16, GHG revenue breakdown is as follows: healthcare services business revenue accounted for more than 55%, pharma business revenue accounted for c.30% and medical insurance business revenue accounted for c.15%.

We started consolidation of the newly acquired pharma business in May 2016. The pharma business has thinner margins compared to our healthcare business and therefore this has affected the growth dynamics of our consolidated figures.

Cost of services reached GEL 67.4 million, up 99.9% y-o-y and 52.6% q-o-q. The cost of healthcare services grew in line with revenues (up 29.8% y-o-y and down 4.8% q-o-q, compared with the change in revenues of up 29.6% y-o-y and down 3.3% q-o-q). The 18.7% growth in cost of insurance services, outpaced the 8.3% growth in respective revenue y-o-y; nevertheless, the q-o-q trend was favourable, with the cost of insurance services growing at 8.9% compared to 10.6% growth in respective revenue. Finally, headline growth in cost of services appears higher due to the consolidation of the pharma business financial results, which have thinner margins compared to healthcare services.

Consequently, gross profit for 2Q16 reached GEL 33.6 million, up 46.7% y-o-y and up 19.8% q-o-q. The growth was primarily driven by the healthcare business, partially offset by medical insurance and affected by the pharma business consolidation.

Operating expenses increased by 75.6% y-o-y and 55.1% q-o-q. Growth compared to last year, was favourably affected by the positive operating leverage in the healthcare business at 10.8 percentage points, which was partially offset by the negative operating leverage in the medical insurance business at 83.8 percentage points coupled with the impact of the pharma business consolidation. The 55.1% q-o-q increase in operating expenses is attributable to listing related costs (such as Annual Report etc.), as well as costs associated with pre-launches of new ambulatory clinics and new services.

As a result, we reported quarterly EBITDA of GEL 16.9 million, up 25.3% y-o-y and down 1.4% q-o-q. The y-o-y growth was primarily driven by the healthcare services business which grew its EBITDA by 35.4%, partially offset by the results of our medical insurance business with 203.9% decline in EBITDA and the consolidation of the pharma business.

The company is still in an intensive capex phase, and respectively, depreciation and amortisation expenses increased by 78.5% y-o-y which was primarily driven by acquisitions and sizeable development projects. The decrease in net interest expense to GEL 3.5 million, down 42.3% y-o-y and up 109.5% q-o-q, is mainly attributable to reduced total borrowings to GEL 141.3 million as at 30 June 2016, down from GEL 195.5 million a year ago, in line with our strategy of deleveraging through IPO proceeds. The increase in interest expense q-o-q is driven by 1) new lines of funding raised to replenish the sources needed for the ongoing development projects; 2) consideration paid for the acquisition of GPC, which in turn reduced our interest income from deposits 3) consolidation of GEL 15.2 million leverage of the pharma business. The Group prepaid debt to utilise the available cash post-IPO, subsequently realising significant savings in interest expenses, and focused its efforts to raise less expensive funding both from local commercial banks and DFIs in time to fund the capex pipeline.

The main reason for the foreign currency loss is the short position in foreign currency, which resulted from the acquisition of GPC for cash consideration of USD 14 million. To mitigate the foreign currency related risk, we purchased a foreign currency swap in July 2016.

Consequently, our profit for the period amounted to GEL 33.2 million, up 371.6% y-o-y and up 176.2% q-o-q. The healthcare services business was the sole driver of the 2Q16 Group profit, with GEL 35.3 million profit for 2Q16 (up 414.6% y-o-y and up 190.8% q-o-q), which was partially offset by loss of GEL 0.4 million and GEL 1.7 million, recorded by the pharma and medical insurance businesses, respectively. *Group profit, adjusted for the impact of deferred tax (see the explanation in the bullet point immediately preceding "Healthcare services business" on page 5) and translation loss adjustments, was GEL 8.1 million in 2Q16 (up 61.2% y-o-y and down 20.1% q-o-q) and GEL 18.1 million for 1H16 (up 130.6% y-o-y).*

Selected balance sheet items, GHG consolidated

<i>GEL thousands; unless otherwise noted</i>	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q
Total assets, of which:	814,089	504,092	61.5%	737,815	10.3%
Cash and bank deposits	26,395	41,754	-36.8%	65,404	-59.6%
Receivables from healthcare services	70,398	53,447	31.7%	73,750	-4.5%
Receivables from sale of pharmaceuticals	6,110	-	-	-	-
Insurance premiums receivable	34,275	31,914	7.4%	39,042	-12.2%
Property and equipment	501,739	320,218	56.7%	487,641	2.9%
Goodwill and other intangible assets	64,733	12,725	408.7%	25,530	153.6%
Inventory	42,470	8,218	416.8%	14,302	197.0%
Prepayments	49,074	9,307	427.3%	14,648	235.0%
Other assets	18,895	26,509	-28.7%	17,498	8.0%
Total liabilities, of which:	306,861	290,367	5.7%	261,819	17.2%
Borrowed Funds	141,257	195,519	-27.8%	99,856	41.5%
Accounts payable	52,582	9,576	449.1%	37,365	40.7%
Insurance contract liabilities	32,941	30,142	9.3%	36,935	-10.8%
Other liabilities	80,081	55,130	45.3%	87,663	-8.6%
Total shareholders' equity attributable to:	507,228	213,725	137.3%	475,996	6.6%
<i>Shareholders of the Company</i>	<i>455,823</i>	<i>188,528</i>	<i>141.8%</i>	<i>428,805</i>	<i>6.3%</i>
<i>Non-controlling interest</i>	<i>51,405</i>	<i>25,197</i>	<i>104.0%</i>	<i>47,191</i>	<i>8.9%</i>

As a result of recent acquisitions and the IPO completed in November 2015, our balance sheet increased substantially over the last 12 months reaching GEL 814.1 million as at 30 June 2016. The growth of total assets by GEL 310.0 million y-o-y was largely driven by the 56.7% (GEL 181.5 million) increase in property and equipment, reflecting the acquisition of new hospitals in 2015 and the pharma business in 2016. The pharma business consolidation primarily affected goodwill and

inventories. Cash and bank deposits have decreased as a result of settlement of the GPC acquisition together with ongoing development capex.

Borrowed funds have decreased y-o-y and increased q-o-q due to above mentioned reasons. The increase in accounts receivable is primarily due to an increase in revenues of healthcare services by 34.8% y-o-y. The increase in shareholders' equity largely reflects the primary placement of equity shares in the IPO.

Statement of cash flow, GHG consolidated

	1H16, Adjusted ⁷	Adjustments	1H16, Actual	1H15, Actual	Change, Y-o-Y (1H16 adjusted to 1H15 actual)
Cash flows from / (used in) operating activities					
Healthcare services revenue received	101,541	-	101,541	70,986	43%
Cost of healthcare services paid	(61,845)	633	(62,478)	(44,544)	39%
Pharma revenue received	30,050	(2,416)	32,466	-	100%
Cost of pharma paid	(24,618)	4,616	(29,234)	-	100%
Net insurance premiums received	26,949	-	26,949	26,938	0%
Net insurance claims paid	(19,448)	-	(19,448)	(18,163)	7%
Salaries and other employee benefits paid	(17,098)	-	(17,098)	(11,625)	47%
General and administrative expenses paid	(9,388)	3,790	(13,178)	(2,561)	267%
Other	(1,362)	-	(1,362)	(1,522)	-11%
Net cash flows from / (used in) operating activities before income tax	24,781	6,623	18,158	19,509	27%
Income tax paid	(405)	1,000	(1,405)	(465)	-13%
Net cash flows from operating activities	24,376	7,623	16,753	19,044	28%
Cash flows from / (used in) investing activities					
Acquisition of subsidiaries, net of cash acquired	(47,288)	-	(47,288)	(28,189)	68%
Acquisition of additional interest in existing subsidiaries	(2,472)	-	(2,472)	(2,011)	23%
Purchase of property and equipment	(53,929)	-	(53,929)	(24,196)	123%
Other investing activities	(7,248)	-	(7,248)	(119)	5991%
Net cash from / (used in) investing activities	(110,937)	-	(110,937)	(54,515)	103%
Cash flows from / (used in) financing activities					
Proceeds from debt securities issued	-	-	-	34,247	-100%
Redemption of debt securities issued	(1,350)	-	(1,350)	-	100%
Proceeds from borrowings	30,662	-	30,662	37,047	-17%
Repayment of borrowings	(55,296)	-	(55,296)	(35,314)	57%
Interest expense paid	(8,796)	-	(8,796)	(11,083)	-21%
Other financing activities	(2,520)	-	(2,520)	2,000	-226%
Net cash flows from / (used in) financing activities	(37,300)	-	(37,300)	26,897	-239%
Effect of exchange rates changes on cash and cash equivalents	(2,457)	-	(2,457)	1,274	-293%
Net increase in cash and cash equivalents	(126,318)	7,623	(133,941)	(7,300)	1630%
Cash and cash equivalents excluding bank deposits, beginning	145,153	-	145,153	32,784	343%
Cash and cash equivalents excluding bank deposits, ending	18,835	7,623	11,212	25,484	-26%
Bank deposits, beginning	12,245	-	12,245	25,484	-52%
Bank deposits, ending	15,182	-	15,182	16,270	-7%
Cash and Bank deposits, beginning	157,398	-	157,398	58,268	170%
Cash and Bank deposits, ending	34,017	7,623	26,394	41,754	-19%

The revenue cash conversion ratio, on a consolidated basis, equalled 91.6% in 1H16 compared to 88.9% in 1H15.

This translated into an EBITDA cash conversion ratio of 72.9% on a consolidated adjusted basis, in 1H16. Significant growth across all operating cash flow lines reflects the material acquisitions completed since June 30, 2015. To provide a business as usual picture for 1H16 cash flows, we have made a few adjustments for non-recurring cash flow items: In our healthcare services business, we accelerated settlement of aged payables to suppliers which increased our business as usual cost of healthcare services paid by GEL 0.6 million or 1.0%; we also accelerated payment of aged general and administrative expenses by GEL 3.8 million or 40.4%; we provided additional working capital to pharma business in the amount of GEL 5.4 million, to support margin enhancement of the business and finance its expansion into GHG's healthcare facilities and a one-off tax settlement of GEL 1 million related to HTMC, which was a result of the tax audit conducted during its acquisition (the settled amount had been fully provisioned at the time of acquisition). The adjusted operating cash flow of our healthcare subsidiary equalled GEL 23.8 million, which increased by GEL 7.0 million or 41.5% since 1H15. The increase was mainly a result of a GEL 30.6 million or 43.0% increase in healthcare services revenue received in 1H16 compared to 1H15.

⁷ Statement of Cash Flows adjusted for effect of accelerated payments of aged accounts payables in 1H 2016 as compared to 1H 2015.

Net cash flows used in investing activities mostly comprise the acquisitions (HTMC and pharma business), as well as capex investments in line with the Group's original three year business plan. Following a successful IPO in November 2015, net cash flows used in financing activities mostly reflects repayments of borrowings, which were also reflected in reduced interest charges.

We invest in medical technology, on the back of renovated infrastructure, enhancing our service mix and introducing new services to cater to unfulfilled demand, as indicated by low incidence levels that lag far behind peer benchmarks. We define development capex as additions to GHG's property, plant and equipment, excluding acquisitions. During 2Q16, we spent a total of GEL 31.9 million on capital expenditure, an increase of 122.1% y-o-y. Of this, maintenance capex was GEL 2.1 million.

DISCUSSION OF SEGMENT RESULTS

The segment results discussion is presented for healthcare services business, pharma business and medical insurance business.

Discussion of Healthcare Services Business Results

Our healthcare services business consists of hospitals and ambulatory clinics and provides the most comprehensive range of inpatient and outpatient services in Georgia. We target the mass market segment through our vertically integrated network of 35 hospitals and six ambulatory clusters (with 37 ambulatory clinics), as at 30 June 2016. We are the single largest market participant, accounting for 25.1% of total hospital bed capacity in the country as of 30 June 2016.

Income Statement, healthcare services business

GEL thousands; unless otherwise noted	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Healthcare service revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	119,230	88,419	34.8%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Healthcare services revenue, net	58,055	44,789	29.6%	60,041	-3.3%	118,096	86,577	36.4%
Costs of healthcare services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(64,397)	(48,462)	32.9%
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	53,699	38,115	40.9%
Salaries and other employee benefits	(5,254)	(5,523)	-4.9%	(6,115)	-14.1%	(11,369)	(10,837)	4.9%
General and administrative expenses	(3,517)	(1,909)	84.2%	(2,483)	41.6%	(6,000)	(3,687)	62.7%
Impairment of healthcare services, insurance premiums and other receivables	(1,120)	(906)	23.6%	(858)	30.5%	(1,978)	(1,737)	13.9%
Other operating income	395	413	-4.4%	241	63.9%	636	491	29.5%
EBITDA	17,160	12,675	35.4%	17,828	-3.7%	34,988	22,345	56.6%
EBITDA margin	29.2%	27.8%		29.5%		29.3%	25.3%	
Depreciation and amortisation	(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(8,382)	(4,600)	82.2%
Net interest income (expense)	(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(5,258)	(10,084)	-47.9%
Net gains/(losses) from foreign currencies	(1,711)	1,973	NMF	(411)	NMF	(2,122)	4,880	NMF
Net non-recurring income/(expense)	387	(556)	NMF	(230)	NMF	157	(767)	NMF
Profit before income tax expense	8,716	5,667	53.8%	10,667	-18.3%	19,383	11,774	64.6%
Income tax benefit/(expense)	26,619	1,199	NMF	1,486	1691.3%	28,105	708	NMF
<i>of which: Deferred tax adjustments</i>	<i>27,113</i>	<i>-</i>	<i>-</i>	<i>2,198</i>	<i>-</i>	<i>29,311</i>	<i>-</i>	<i>-</i>
Profit for the period	35,335	6,866	414.6%	12,153	190.8%	47,488	12,482	280.5%
Attributable to:								
- shareholders of the Company	29,888	5,947	402.6%	10,051	197.4%	39,939	11,020	262.4%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	7,549	1,462	416.3%
<i>of which: Deferred tax adjustments</i>	<i>4,705</i>	<i>-</i>	<i>-</i>	<i>352</i>	<i>-</i>	<i>5,057</i>	<i>-</i>	<i>-</i>

In 2Q16, our healthcare services business recorded quarterly revenue of GEL 58.8 million, up 28.7% y-o-y and down 2.8% q-o-q. The y-o-y growth implies 11.3% organic growth. This translated into GEL 119.2 million revenue for the first half of 2016, growing at 34.8% y-o-y, of which 13.0% was driven organically. Lower quarterly revenue growth is primarily attributable to:

- 1) The seasonality of the hospital operations, with higher utilization levels coming in the late winter and early spring season. This is reflected in lower occupancy rates compared to 1Q16 (all hospital bed occupancy rate was 57.6% in 2Q16 compared to 60.4% in 1Q16, and referral hospital bed occupancy rate was 64.9% in 2Q16 compared to 66.7% in 1Q16)
- 2) Lower revenue from the hospitals under renovation (Deka and Sunstone), as the number of operating beds have been temporarily reduced (as per our plans) to enable a smooth renovation process
- 3) The disposal of “New Life”, which was previously consolidated, in exchange for the 33.3% minority shareholding in Iashvili – this has had a negative effect on revenues but favourable effect on the bottom line, as the stake acquired has made a bigger contribution to the profit attributable to shareholders than the respective profit from “New Life”
- 4) The streamlining by the government of the pricing and scope of the urgent care services under UHC, effective 1 April 2016.

Revenue by business lines, healthcare services business

<i>(GEL thousands, unless otherwise noted)</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Healthcare service revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	119,230	88,419	34.8%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Healthcare services revenue, net	58,055	44,789	29.6%	60,041	-3.3%	118,096	86,577	36.4%
Referral hospitals	49,667	39,337	26.3%	52,026	-4.5%	101,693	75,581	34.5%
Community hospitals	5,389	4,410	22.2%	5,920	-9.0%	11,309	8,518	32.8%
Ambulatory clinics	2,999	1,042	187.8%	2,095	43.2%	5,094	2,478	105.6%

Healthcare services revenue growth of 28.7% y-o-y was driven by all three business lines. The largest contributors to the growth were referral hospitals as well as ambulatory clinics, the roll out of which continues in line with our strategy. Referral hospitals posted GEL 49.7 million of revenue in 2Q16, up 26.3% y-o-y driven by strong organic growth as well as acquisitions completed during 2015. Referral hospitals contributed 86% to total revenue from healthcare services. We expect a significant portion of the future growth of our healthcare revenue to come from referral hospitals, in line with our strategy to increase the market share to 1/3 across Georgia through further investments in renovation and expansion of existing facilities, as well as investments in new services. The 11.3% organic growth of revenue from healthcare services was largely sourced from referral hospitals, and almost all of the M&A driven growth came from referral hospitals, mainly driven by the HTMC acquisition completed during 2015. HTMC contributed GEL 9.7 million to gross healthcare services revenues in 2Q16.

Community hospitals, contributing 9% to total revenue from healthcare services, also posted a strong 22.2% y-o-y growth in revenue, reaching GEL 5.4 million in 2Q16. As community hospitals play a feeder role for the referral hospitals, we expect a moderate growth in this line.

Ambulatory clinics contributed 5% to total revenue from healthcare services, up from 2% contribution during the same period last year. Ambulatory clinics posted revenue of GEL 3.0 million in 2Q16, up 187.8% y-o-y and up 43.2% q-o-q. The revenue growth was entirely organic, driven by the launch of four new ambulatory clusters since the second half of 2015. These launches brought the number of ambulatory clusters we currently operate to six (consisting of 9 district ambulatory clinics and 28 express ambulatory clinics). We expect revenue from ambulatory clinics to accelerate growth over the next few years, in line with our strategy of launching a total of 10-12 ambulatory clusters more than 40 ambulatory clinics through 2018. Three new clusters are currently under development and will be launched within the next few months.

Revenue by sources of payment, healthcare services business

<i>(GEL thousands, unless otherwise noted)</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Healthcare service revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	119,230	88,419	34.8%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	(1,134)	(1,842)	-38.4%
Healthcare services revenue, net	58,055	44,789	29.6%	60,041	-3.3%	118,096	86,577	36.4%
Government-funded healthcare programs	41,835	32,647	28.1%	45,377	-7.8%	87,212	63,816	36.7%
Out-of-pocket payments by patients	12,179	9,121	33.5%	11,426	6.6%	23,605	17,195	37.3%
Private medical insurance companies, <i>of which</i>	4,041	3,021	33.8%	3,238	24.8%	7,279	5,566	30.8%
<i>GHG medical insurance</i>	3,052	2,253	35.5%	1,694	80.2%	4,746	4,024	17.9%

UHC continued to be the main driver of our healthcare services revenue growth in 2Q16, resulting in revenue from government-funded healthcare programs of GEL 41.8 million, up 28.1% y-o-y and down 7.8% q-o-q. That constituted c.72% of total net healthcare services revenues – similar to the share a year ago. Since the full rollout of UHC in mid-2014, government expenditure on healthcare has grown considerably, increasing 81.4% from GEL 487.9 million in 2013 to an expected GEL 885.0 million in 2016, according to the approved government budget for 2016.

The Ministry of Labor, Health and Social Affairs (“**MOLHSA**”) has recently conducted a review of the effectiveness of the existing model of the healthcare financing by the state, which was introduced in 2014 with the current scope. As a result of the review, the government is undertaking several initiatives to improve the effectiveness and efficiency of the existing system. The initiatives that have been announced include:

- *Streamlining the licensing requirements* for hospitals, particularly around the intensive care. MOHLSA has set a maximum threshold for the ratio of intensive care beds to total beds at the hospital at 30%. This change is aimed at reducing the number of recently emerged small hospitals that have a high number of intensive care beds relative to regular beds and therefore provide high risk intensive care services with insufficient infrastructure and resources ("**ineligible hospitals**"). As a result, we expect that a portion of patients that require certain sophisticated care will be redirected to the larger hospitals –such as GHG referral hospitals. This change is expected to be favourable for GHG hospitals – we expect that our referral hospitals will capture part of the flow of patients that will be redirected from ineligible hospitals. This initiative is approved and is expected to become effective from the beginning of 2017.
- *Introducing levelling of hospitals* based on their capabilities (measured by a number of factors, including number of beds, specialised beds to total beds, relevant equipment and personnel, etc.). Once introduced, this change will redirect patients for sophisticated services from low level to higher level (referral) hospitals. Given that GHG has leveled its hospitals and operated a referral model since the beginning of 2012, including differentiated pricing at community and referral hospitals, we expect that this change will have a favourable effect on GHG hospitals, as it is expected to increase patient referrals to our referral hospitals and we don't expect that the patient flow to our community hospitals will decrease. On the other hand, this change is expected to negatively affect a number of competitor hospitals that currently provide services beyond their capacity or resources. Such hospitals will have to cease provision of certain sophisticated resources or invest in enhancing physical, technological and physician capabilities of their facilities. Furthermore, the expectation is that the pricing will be differentiated between lower and higher level hospitals, with higher level hospitals charging more compared to lower level hospitals. This initiative is at an advanced stage and is expected to become effective from the beginning of 2017.
- *Streamlining pricing and scope of the urgent care services under UHC*. This amendment implies change in prices for a number of services, together with the revision of the scope of some of the services. For example the sub-services that need to be included in cardio-surgery and traumatology have been defined, including number of hospitalization days, pre-surgery tests, etc., with the result that, hospitals no longer can charge for those services separately as they are now included in the price of the surgery. This initiative has been implemented and has impacted GHG results to a varying degree in different hospitals.
- We expect that the net effect of these initiatives will be positive for GHG, primarily as a result of our diversified business model, as well as the existing hierarchy of our healthcare facilities.

Strong quarterly growth in revenue from our medical insurance business (up 80.2% q-o-q) is primarily due to increased utilisation of our ambulatory clinics by our medical insurance clients, which was further supported by the launches of new ambulatory clusters.

Out-of-pocket payments by patients increased to GEL 12.2 million in 2Q16, up 33.5% y-o-y and 6.6% q-o-q. The UHC imposes coverage limits on medical treatments, co-payments and has certain exclusions (i.e. charges that are not covered by the UHC). Any charges in excess of the limit and co-payments are covered by patients on an out-of-pocket basis. Increasing the government financing on healthcare services organically causes growth of the number of patients in hospitals, respectively increasing the revenue from out-of-pocket payments as well. Our healthcare services revenues from private medical insurance companies also recorded a strong increase reaching GEL 4.0 million, up 33.8% y-o-y and up 24.8% q-o-q, driven by strong organic growth. This organic growth continues to be supported by the rollout of the ambulatory clinics which attract patients with private medical insurance. The increase in our ambulatory footprint also contributed to stronger out-of-pocket revenue, as UHC covers only a limited scope of outpatient services.

We expect the share of out-of-pocket payments and revenue from private medical insurance companies to increase over the next few years, as a result of the roll out of our ambulatory clinic expansion strategy, as the larger proportion of elective out-patient services are still financed by the patients themselves.

Cost of services and Gross profit, healthcare services business

<i>(GEL thousands, unless otherwise noted)</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Cost of healthcare services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(64,397)	(48,462)	32.9%
Cost of salaries and other employee benefits	(19,857)	(15,919)	24.7%	(19,752)	0.5%	(39,609)	(31,011)	27.7%
Cost of materials and supplies	(9,228)	(6,258)	47.5%	(9,613)	-4.0%	(18,841)	(12,740)	47.9%
Cost of medical service providers	(401)	(510)	-21.4%	(428)	-6.3%	(829)	(978)	-15.2%
Cost of utilities and other	(1,913)	(1,502)	27.4%	(3,205)	-40.3%	(5,118)	(3,733)	37.1%
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	53,699	38,115	40.9%
<i>Gross margin</i>	45.3%	45.1%		44.7%		45.0%	43.1%	
<i>Cost of healthcare services as % of revenue</i>								
Direct salary rate	33.8%	34.9%		32.7%		33.2%	35.1%	
Materials rate	15.7%	13.7%		15.9%		15.8%	14.4%	

Our healthcare services margins are improving as a result of the increasing utilisation and scale of our business, as well as our continued focus on efficiency and the on-going integration of recently acquired healthcare facilities. The growth of salaries and other employee benefits by 24.7% y-o-y is mainly attributable to recent acquisitions. A portion of the growth, however, was organic and reflected primarily the variable direct salary paid to revenue-generating physicians. The share of the cost of salaries and other employee benefits in the total cost of services decreased to 63% in 2Q16, down from 66% a year ago. The direct salary rate in healthcare services business (expense on direct salaries as a percentage of gross revenue) improved to 33.8% and 33.2%, for 2Q16 and 1H16, respectively.

The cost of materials and supplies was GEL 9.2 million, up 47.5% y-o-y which was primarily a result of the acquisition of HTMC, in August 2015. HTMC has a bigger share of medical-supply-intensive services in its service mix, compared to the rest of our healthcare services business. The materials rate (expense on direct materials as a percentage of gross revenue) was 15.7% in 2Q16, up from 13.7% a year ago. **The quarterly gross margin (defined as gross profit divided by revenue) increased by 0.2% to 45.3%. Gross margin increased to 45.0% in 1H16, up 210bps since 1H15. As a result of the above, gross profit was GEL 26.7 million in 2Q16, up 29.4% y-o-y, and 1H16 gross profit was GEL 53.7 million compared to GEL 38.1 million a year ago, up 40.9%.**

Expenses on administrative salaries and other employee benefits, which decreased to GEL 5.3 million, down 4.9% y-o-y as a result of the new day to day cost budget control procedure, implemented in the beginning of 2016. General and administrative expenses of increased to GEL 3.5 million, up 84.2% y-o-y, were primarily driven by the three main factors: 1). governance-related expenses as a result of the IPO at the end of 2015; 2) the newly launched intensive marketing campaign alongside the rollout of our ambulatory strategy, which comes on a very low base of marketing expenditure undertaken previously; 3) recruitment of several key personnel at the senior and middle management levels during the beginning of 2016 to strengthen the management bench of the Group to support the growing scale of the operations. **As a result, we reported quarterly EBITDA of GEL 17.2 million, up 35.4% y-o-y and down 3.7% q-o-q.**

We sustained the EBITDA margin in our healthcare services business close to our target of c.30% (we target c.30% healthcare services business EBITDA margin by 2018). Our continued focus on efficiency and the integration of newly acquired facilities resulted in the healthy EBITDA margin in our healthcare services business in 2Q16, of 29.2% and 29.3% for 1H16.

Our strong EBITDA performance in 2Q16 was further translated into a strong profit for the period of GEL 35.3 million, which grew by 414.6% y-o-y and 190.8% q-o-q. Profit for 1H16 reached GEL 47.5 million, up 280.5% y-o-y. Profit from healthcare services business, adjusted for the impact of deferred tax adjustments (see the explanation in the bullet point immediately preceding "Healthcare services business" on page 5) and translation loss, was GEL 9.9 million in 2Q16 (up 103.0% y-o-y and down 4.2% q-o-q) and GEL 20.3 million for 1H16 (up 167.0% y-o-y).

Discussion of Pharma Business Results

Our pharma business consists of retail and wholesale pharma distribution operations through 110 pharmacies mainly located in the urban locations in Georgia and 2 warehouses. 25 of these pharmacies also have express ambulatory clinics. We have approximately 1 million retail customer interactions per month, with c.0.5 million loyalty card members.

Income Statement, pharma business

	May-June 2016
<i>GEL thousands; unless otherwise noted</i>	
Pharma revenue	30,691
Costs of pharma	(25,059)
Gross profit	5,632
Salaries and other employee benefits	(2,690)
General and administrative expenses	(2,533)
Impairment of healthcare services, insurance premiums and other receivables	-
Other operating income	145
EBITDA	554
EBITDA margin	1.8%
Depreciation and amortisation	(258)
Net interest income (expense)	(427)
Net gains/(losses) from foreign currencies	(272)
Net non-recurring income/(expense)	-
Profit before income tax expense	(403)
Income tax benefit/(expense)	-
Profit for the period	(403)
Attributable to:	
- shareholders of the Company	(403)
- non-controlling interests	-

We entered the pharma business as a result of the GPC acquisition in May 2016 and our results of operations include GPC results since May 2016. Our pharma business recorded revenue of GEL 30.7 million for the period of May-June 2016. Of this, GEL 23.1 million or 75% was retail revenue and the remaining GEL 7.6 million or 25% was from wholesale revenue. In terms of revenue breakdown by product mix, GEL 21.2 million or 69% was from pharmacy products and the remaining GEL 9.5 million or 31% from para-pharmacies. The share of para-pharmacies in retail revenue was c.30%.

Pharma business gross margin of 18.4% in the two months is low compared to prior periods and was affected by the pricing pressure from the competition, as they started sales discounts after GHG announced its acquisition of the pharma business. The gross margin is gradually rebounding, retail margin increased to 22.0% in July 2016, from 19.6% in May and June 2016. For the May-June 2016 period, our pharma business also recorded EBITDA of GEL 0.6 million, EBITDA margin of 1.8% and a net loss for the period of GEL 0.4 million. The pharma business has:

- c.1 million retail customer interactions per month
- c.0.5 million loyalty card members
- Average bill size of GEL 13.0
- c.15% market share measured by sales
- Total number of bills issued during the two month period of May and June was more than 1.9 million

Since we completed the acquisition, we have rolled out a number of initiatives, as announced during the acquisition, which are having a positive effect on the pharma business and are partially reflected in July 2016 results, with retail gross margin climbing to 22.0% for July from 19.6% in May and June and we expect that the effects of integration will be reflected in the results of second half of 2016. We expect that the effects of these optimization and integration efforts will continue to be reflected in the results of the operations of our pharma business throughout 2016.

Since we completed the acquisition of the pharma business in May 2016, we have launched integration activities and are on track to deliver the initial guidance on cost savings and revenue enhancement.

- We opened pharmacies in ten of our hospitals, with the number of our pharmacies at our hospitals reaching 14 units. In total, we operated a country-wide distribution network of 110 pharmacies in major cities, 25 of which also have express ambulatory clinics. We also operate two warehouses for our pharma business as of 30 June 2016.

- We have eliminated the majority of the unnecessary costs (GEL 1.4 million, out of GEL 1.9 million expected on an annualised basis), results of which are expected to be reflected starting from the third quarter 2016 results.
- We have launched negotiations with suppliers to achieve better purchase pricing and achieved more than half of the cost synergies expected as a result of the consolidated purchasing of our healthcare services and pharma business (GEL 1.5 million, out of GEL 3.0 million expected on an annualised basis). We continue negotiations and expect to deliver on the initial guidance.
- We launched bundled product for the customers of our pharma and healthcare services businesses, to tap into c.400 thousand GPC clients that have never been to our ambulatory clinics. We expect to direct approximately 12 thousand unique customers per month from our pharmacies to our ambulatory clinics, which have not used our ambulatory services before.
- We accelerated procurement of medical disposables for our healthcare services business through our pharma business. Until the year end 2016, we expect c.GEL 4 million annualised intercompany purchases, compared to GEL 1.0 million in 2015.

Discussion of Medical Insurance Business Results

Our medical insurance business consists of private medical insurance operations in Georgia, providing medical insurance products to corporate and retail clients. It is the largest provider of medical insurance in Georgia, with a 34.0% market share based on net insurance premiums earned as of 31 March 2016 and have approximately 203,000 insurance customers as at 30 June 2016. Our medical insurance business plays a crucial role in our business model, as it is an important feeder for our healthcare services business, particularly for the ambulatory clinics, and we believe that role will grow in the future as we roll-out our ambulatory growth strategy.

Income Statement, medical insurance business

<i>GEL thousands; unless otherwise noted</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Net insurance premiums earned	15,298	14,123	8.3%	13,830	10.6%	29,128	27,814	4.7%
Cost of insurance services	(13,989)	(11,785)	18.7%	(12,847)	8.9%	(26,836)	(23,321)	15.1%
Gross profit	1,309	2,338	-44.0%	983	33.2%	2,292	4,493	-49.0%
Salaries and other employee benefits	(1,328)	(892)	48.9%	(819)	62.1%	(2,147)	(1,928)	11.4%
General and administrative expenses	(708)	(642)	10.3%	(719)	-1.5%	(1,427)	(1,263)	13.0%
Impairment of healthcare services, insurance premiums and other receivables	(116)	(6)	1,833.3%	(122)	-4.9%	(238)	(109)	118.3%
Other operating income	11	3	266.7%	(22)	NMF	(11)	50	NMF
EBITDA	(832)	801	NMF	(699)	19.0%	(1,531)	1,243	NMF
EBITDA margin	-5.4%	5.7%		-5.1%		-5.3%	4.5%	
Depreciation and amortisation	(202)	(153)	32.0%	(204)	-1.0%	(406)	(289)	40.5%
Net interest income (expense)	(43)	(6)	616.7%	603	NMF	560	(34)	NMF
Net gains/(losses) from foreign currencies	19	72	-73.6%	151	-87.4%	170	569	-70.1%
Net non-recurring income/(expense)	(973)	-	-	-	-	(973)	-	-
Profit before income tax expense	(2,031)	714	NMF	(149)	1,263.1%	(2,180)	1,489	NMF
Income tax benefit/(expense)	301	(539)	NMF	19	1,484.2%	320	(655)	NMF
Profit for the period	(1,730)	175	NMF	(130)	1,230.8%	(1,860)	834	NMF
Attributable to:								
- shareholders of the Company	(1,730)	175	NMF	(130)	1,230.8%	(1,860)	834	NMF
- non-controlling interests	-	-	-	-	-	-	-	-

Change in reporting of net insurance premiums: In prior year GHG financial statements, the Group had offset agents' commission fees paid for attracting insurance premiums with insurance revenue. Therefore insurance revenue was presented on a net basis in all prior period accounts. The Group reconsidered the presentation and decided that separate presentation of agents' commissions aids the users of financial statements to more clearly comprehend the financial results. The presentation of comparative figures has been adjusted accordingly to conform to the presentation of the current year amounts. See the breakdown of cost of insurance services below. The effect of this reclassification on revenues equalled GEL 0.89 million for 1Q16, GEL 0.75 million for 2Q15 and GEL 1.45 million for 1H15. There is no effect on either EBITDA or Net profit.

Our medical insurance business continued the process of stabilising its revenues in the second quarter, following a period of reductions reflecting the Government's increased focus on the Universal Healthcare Programme which led to an industry-wide reduction in medical insurance revenues over the last few years. **In 2Q16, our medical insurance business contributed GEL 15.3 million to total revenue, up 8.3% y-o-y and up 10.6% q-o-q.**

Revenue by business lines, medical insurance business

<i>(GEL thousands, unless otherwise noted)</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Net insurance premiums earned	15,298	14,123	8.3%	13,830	10.6%	29,128	27,814	4.7%
Private medical insurance products sold to retail clients	2,108	1,487	41.8%	1,970	7.0%	4,078	2,756	48.0%
Private medical insurance products sold to corporate clients	13,190	12,636	4.4%	11,860	11.2%	25,050	25,058	0.0%

Sales to retail clients posted a strong, 41.8% growth y-o-y together with a slight y-o-y increase in sales to corporate clients, offsetting the previous quarter's decline in sales to corporate clients, which was a result of not renewing the contract with

one large corporate client at the end of 2015. Nonetheless, we achieved strong growth in our corporate and retail client base and the number of insured individuals remained above 200,000 during 2Q16.

Cost of insurance services, medical insurance business

<i>(GEL thousands, unless otherwise noted)</i>	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	1H16	1H15	Change, Y-o-Y
Cost of insurance services	(13,003)	(11,035)	17.8%	(11,953)	8.8%	(24,956)	(21,872)	14.1%
Private medical insurance products sold to retail clients	(1,570)	(785)	100.0%	(1,315)	19.4%	(2,885)	(1,372)	110.3%
Private medical insurance products sold to corporate clients	(11,433)	(10,250)	11.5%	(10,638)	7.5%	(22,071)	(20,500)	7.7%
Agents, brokers and employee commissions	(986)	(750)	31.5%	(894)	10.3%	(1,880)	(1,449)	29.7%
Gross profit	1,309	2,338	-44.0%	983	33.2%	2,292	4,493	-49.0%

In 2Q16, our medical insurance claims expense was GEL 13.0 million, of which GEL 7.5 million (58% of total) was inpatient, GEL 2.9 million (22% of total) was outpatient and GEL 2.6 million (20% of total) accounted for drugs. Only GEL 3.6 million, or 25.2% of our own total medical insurance claims were retained within GHG, of which GEL 3.1 and GEL 0.5 was retained in healthcare services and pharma businesses, respectively. The feeder role of our medical insurance business is particularly important for our ambulatory services. In 2Q16, GEL 1.3 million, or 42.4% of our medical insurance claims on ambulatory clinics were retained within GHG, which increased by 8.6 percentage points from 33.8% since 1Q16. With our recently launched ambulatory clinics and the ambitious ambulatory expansion strategy, the retention rate should improve further in the future on a larger base, providing a significant revenue boost. In addition, following the expansion of our healthcare services business in referral hospitals in Tbilisi, where our medical insurance business has the highest concentration of its insured clients, more of our medical insurance customers will be utilising more of our hospitals. Our facilities are increasingly favoured by these customers over competitor facilities due to the better quality of service received, access to a one-stop-shop style of service for ambulatory services and ease of claim reimbursement procedures.

The medical insurance loss ratio (net insurance claims divided by net insurance revenue) increased from 78.1% in 2Q15 to 85.0% in 2Q16, mostly as a result of the 17.8% y-o-y increase in net insurance claims incurred. The growth in claims was attributable to the overall growth of the business, but outpaced the revenue growth primarily due to the Ministry of Defense (“MOD”) which was excluded from UHC coverage from 1 May 2016, increasing utilisation of our product and claims. Our medical insurance loss ratio adjusted for this change was 81.0% in 2Q16. We are currently renegotiating the contract with the MOD, as the current contract will expire within several months. The 85.0% loss ratio in 2Q16 was an improvement from 1Q16 when it was 86.4% due to high claims resulting from a flu epidemic in February and March.

De-concentration of our insurance portfolio is one of the key targets for our medical insurance business, and by the end of 2Q16, we managed to reduce the concentration of our top five clients to 27.0%, down from 43.0% a year ago, measured by insurance revenue. We have also addressed two drivers of the increased loss ratio referred to above, having adjusted the pricing (with an average increase of 20%) and underwriting criteria (co-payments) of our medical insurance products. We expect that this will gradually improve the loss ratio as existing contracts are renewed or new sales at adjusted prices are made. The majority of the contracts at re-priced levels so far have become effective since January 2016. We also expect that the benefit associated with changes to our coverage of pharmaceuticals will accelerate with the synergies that we expect to realise as a result of the acquisition of GPC, the third largest pharmaceuticals retailer and wholesaler in Georgia.

Gross profit increased by 33.2% q-o-q as a result of the increased revenues and reduction of the loss ratio described above.

The expense ratio (operating expenses excluding interest expense divided by net insurance revenue) was affected by the non-renewal of the contract by the major corporate customer at year-end 2015. The ratio has weakened further in 2Q16 to 21.8% (20.1% in 1Q16). The combined ratio is the sum of loss ratio and expense ratio and its slight weakening in 2Q16 to 106.8% (106.5% in 1Q16) reflects the trends discussed above.

In June 2016, we announced the appointment of Givi Giorgadze as CEO of our medical insurance business, with effect from 1 July 2016. Givi brings with him strong knowledge of the Georgian insurance and private banking business, and his expertise will be invaluable to improve the results of our medical insurance business.

SELECTED FINANCIAL INFORMATION

Income Statement, <i>Half-Year</i>	<u>Healthcare services</u>			<u>Medical insurance</u>			<u>Pharma</u>	<u>Eliminations</u>			<u>GHG</u>		
<i>GEL thousands; unless otherwise noted</i>	1H16	1H15	Change, Y-o-Y	1H16	1H15	Change, Y-o-Y	1H16	1H16	1H15	1H16	1H15	Change, Y-o-Y	
Revenue, gross	119,230	88,419	34.8%	29,128	27,814	4.7%	30,691	(4,800)	(4,187)	174,249	112,046	55.5%	
Corrections & rebates	(1,134)	(1,842)	-38.4%	-	-	-	-	-	-	(1,134)	(1,842)	-38.4%	
Revenue, net	118,096	86,577	36.4%	29,128	27,814	4.7%	30,691	(4,800)	(4,187)	173,115	110,204	57.1%	
Costs of services	(64,397)	(48,462)	32.9%	(26,836)	(23,321)	15.1%	(25,059)	4,746	4,024	(111,546)	(67,759)	64.6%	
Cost of salaries and other employee benefits	(39,609)	(31,011)	27.7%	-	-	-	-	1,659	1,442	(37,950)	(29,569)	28.3%	
Cost of materials and supplies	(18,841)	(12,740)	47.9%	-	-	-	-	789	592	(18,052)	(12,148)	48.6%	
Cost of medical service providers	(829)	(978)	-15.2%	-	-	-	-	35	45	(794)	(933)	-14.9%	
Cost of utilities and other	(5,118)	(3,733)	37.1%	-	-	-	-	214	174	(4,904)	(3,559)	37.8%	
Net insurance claims incurred	-	-	-	(24,956)	(21,872)	14.1%	-	2,049	1,771	(22,907)	(20,101)	14.0%	
Agents, brokers and employee commissions	-	-	-	(1,880)	(1,449)	29.7%	-	-	-	(1,880)	(1,449)	29.7%	
Cost of pharma - wholesale	-	-	-	-	-	-	(6,545)	-	-	(6,545)	-	-	
Cost of pharma - retail	-	-	-	-	-	-	(18,514)	-	-	(18,514)	-	-	
Gross profit	53,699	38,115	40.9%	2,292	4,493	-49.0%	5,632	(54)	(163)	61,569	42,445	45.1%	
Salaries and other employee benefits	(11,369)	(10,837)	4.9%	(2,147)	(1,928)	11.4%	(2,690)	54	163	(16,152)	(12,602)	28.2%	
General and administrative expenses	(6,000)	(3,687)	62.7%	(1,427)	(1,263)	13.0%	(2,533)	-	-	(9,960)	(4,950)	101.2%	
Impairment of healthcare services, insurance premiums and other receivables	(1,978)	(1,737)	13.9%	(238)	(109)	118.3%	-	-	-	(2,216)	(1,846)	20.0%	
Other operating income	636	491	29.5%	(11)	50	NMF	145	-	-	770	541	42.3%	
EBITDA	34,988	22,345	56.6%	(1,531)	1,243	NMF	554	-	-	34,011	23,588	44.2%	
EBITDA margin	29.3%	25.3%	-5.3%	-5.3%	4.5%	NMF	1.8%	-	-	19.5%	21.1%	-8.6%	
Depreciation and amortisation	(8,382)	(4,600)	82.2%	(406)	(289)	40.5%	(258)	-	-	(9,046)	(4,889)	85.0%	
Net interest income (expense)	(5,258)	(10,084)	-47.9%	560	(34)	NMF	(427)	-	-	(5,125)	(10,118)	-49.3%	
Net gains/(losses) from foreign currencies	(2,122)	4,880	NMF	170	569	-70.1%	(272)	-	-	(2,224)	5,449	NMF	
Net non-recurring income/(expense)	157	(767)	NMF	(973)	-	-	-	-	-	(816)	(767)	NMF	
Profit before income tax expense	19,383	11,774	64.6%	(2,180)	1,489	NMF	(403)	-	-	16,800	13,263	26.7%	
Income tax benefit/(expense)	28,105	708	NMF	320	(655)	NMF	-	-	-	28,425	53	NMF	
<i>of which: Deferred tax adjustments</i>	<i>29,311</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>29,311</i>	<i>-</i>	<i>-</i>	
Profit for the period	47,488	12,482	280.5%	(1,860)	834	NMF	(403)	-	-	45,225	13,316	239.6%	
Attributable to:													
- shareholders of the Company	39,939	11,020	262.4%	(1,860)	834	NMF	(403)	-	-	37,676	11,854	217.8%	
- non-controlling interests	7,549	1,462	416.3%	-	-	-	-	-	-	7,549	1,462	416.3%	
<i>of which: Deferred tax adjustments</i>	<i>5,057</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>5,057</i>	<i>-</i>	<i>-</i>	

Income Statement, *Quarterly*

GEL thousands; unless otherwise noted	Healthcare services					Medical insurance				Pharma	Eliminations				GHG				
	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q	2Q16	2Q16	2Q15	1Q16	2Q16	2Q15	Change, Y-o-Y	1Q16	Change, Q-o-Q
Revenue, gross	58,779	45,674	28.7%	60,451	-2.8%	15,298	14,123	8.3%	13,830	10.6%	30,691	(3,095)	(2,325)	(1,705)	101,673	57,472	76.9%	72,576	40.1%
Corrections & rebates	(724)	(885)	-18.2%	(410)	76.6%	-	-	-	-	-	-	-	-	-	(724)	(885)	-18.2%	(410)	76.6%
Revenue, net	58,055	44,789	29.6%	60,041	-3.3%	15,298	14,123	8.3%	13,830	10.6%	30,691	(3,095)	(2,325)	(1,705)	100,949	56,587	78.4%	72,166	39.9%
Costs of services	(31,399)	(24,189)	29.8%	(32,998)	-4.8%	(13,989)	(11,785)	18.7%	(12,847)	8.9%	(25,059)	3,052	2,253	1,694	(67,395)	(33,721)	99.9%	(44,151)	52.6%
Cost of salaries and other employee benefits	(19,857)	(15,919)	24.7%	(19,752)	0.5%	-	-	-	-	-	-	1,094	767	565	(18,763)	(15,152)	23.8%	(19,187)	-2.2%
Cost of materials and supplies	(9,228)	(6,258)	47.5%	(9,613)	-4.0%	-	-	-	-	-	-	514	302	275	(8,714)	(5,956)	46.3%	(9,338)	-6.7%
Cost of medical service providers	(401)	(510)	-21.4%	(428)	-6.3%	-	-	-	-	-	-	23	24	12	(378)	(486)	-22.2%	(416)	-9.1%
Cost of utilities and other	(1,913)	(1,502)	27.4%	(3,205)	-40.3%	-	-	-	-	-	-	122	74	92	(1,791)	(1,428)	25.4%	(3,113)	-42.5%
Net insurance claims incurred	-	-	-	-	-	(13,003)	(11,035)	17.8%	(11,953)	8.8%	-	1,299	1,086	750	(11,704)	(9,949)	17.6%	(11,203)	4.5%
Agents, brokers and employee commissions	-	-	-	-	-	(986)	(750)	31.5%	(894)	10.3%	-	-	-	-	(986)	(750)	31.5%	(894)	10.3%
Cost of pharma - wholesale	-	-	-	-	-	-	-	-	-	-	(6,545)	-	-	-	(6,545)	-	-	-	-
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(18,514)	-	-	-	(18,514)	-	-	-	-
Gross profit	26,656	20,600	29.4%	27,043	-1.4%	1,309	2,338	-44.0%	983	33.2%	5,632	(43)	(72)	(11)	33,554	22,866	46.7%	28,015	19.8%
Salaries and other employee benefits	(5,254)	(5,523)	-4.9%	(6,115)	-14.1%	(1,328)	(892)	48.9%	(819)	62.1%	(2,690)	43	72	11	(9,229)	(6,343)	45.5%	(6,923)	33.3%
General and administrative expenses	(3,517)	(1,909)	84.2%	(2,483)	41.6%	(708)	(642)	10.3%	(719)	-1.5%	(2,533)	-	-	-	(6,758)	(2,551)	164.9%	(3,202)	111.1%
Impairment of healthcare services, insurance premiums and other receivables	(1,120)	(906)	23.6%	(858)	30.5%	(116)	(6)	1833.3%	(122)	-4.9%	-	-	-	-	(1,236)	(912)	35.5%	(980)	26.1%
Other operating income	395	413	-4.4%	241	63.9%	10	3	233.3%	(21)	-147.6%	145	-	-	-	550	416	32.2%	219	151.1%
EBITDA	17,160	12,675	35.4%	17,828	-3.7%	(832)	801	-203.9%	(699)	19.0%	554	-	-	-	16,882	13,476	25.3%	17,129	-1.4%
EBITDA margin	29.2%	27.8%		29.5%		-5.4%	5.7%		-5.1%		1.8%	-	-		16.6%	23.4%		23.6%	
Depreciation and amortisation	(4,121)	(2,414)	70.7%	(4,261)	-3.3%	(202)	(153)	32.0%	(204)	-1.0%	(258)	-	-	-	(4,581)	(2,567)	78.5%	(4,465)	2.6%
Net interest income (expense)	(2,999)	(6,011)	-50.1%	(2,259)	32.8%	(43)	(6)	616.7%	603	NMF	(427)	-	-	-	(3,469)	(6,017)	-42.3%	(1,656)	109.5%
Net gains/(losses) from foreign currencies	(1,711)	1,973	NMF	(411)	316.3%	19	72	-73.6%	151	-87.4%	(272)	-	-	-	(1,964)	2,045	NMF	(260)	655.4%
Net non-recurring income/(expense)	387	(556)	NMF	(230)	-268.3%	(973)	-	-	-	-	-	-	-	-	(586)	(556)	NMF	(230)	154.8%
Profit before income tax expense	8,716	5,667	53.8%	10,667	-18.3%	(2,031)	714	NMF	(149)	1,263.1%	(403)	-	-	-	6,282	6,381	-1.6%	10,518	-40.3%
Income tax benefit/(expense)	26,619	1,199	NMF	1,486	1691.3%	301	(539)	NMF	19	1,484.2%	-	-	-	-	26,920	660	NMF	1,505	1,688.7%
<i>of which: Deferred tax adjustments</i>	<i>27,113</i>	<i>-</i>	<i>-</i>	<i>2,198</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>27,113</i>	<i>-</i>	<i>-</i>	<i>2,198</i>	<i>-</i>
Profit for the period	35,335	6,866	414.6%	12,153	190.8%	(1,730)	175	NMF	(130)	1,230.8%	(403)	-	-	-	33,202	7,041	371.6%	12,023	176.2%
Attributable to:																			
- shareholders of the Company	29,888	5,947	402.6%	10,051	197.4%	(1,730)	175	NMF	(130)	1,230.8%	(403)	-	-	-	27,755	6,122	353.4%	9,921	179.8%
- non-controlling interests	5,447	919	492.7%	2,102	159.1%	-	-	-	-	-	-	-	-	-	5,447	919	492.7%	2,102	159.1%
<i>of which: Deferred tax adjustments</i>	<i>4,705</i>	<i>-</i>	<i>-</i>	<i>352</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4,705</i>	<i>-</i>	<i>-</i>	<i>352</i>	<i>-</i>

Balance Sheet	Healthcare services					Medical insurance					Pharma
	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q	30-Jun-16
<i>GEL thousands; unless otherwise noted</i>											
Total assets, of which:	675,998	437,341	54.6%	670,861	0.8%	71,120	74,885	-5.0%	75,493	-5.8%	56,334
Cash and bank deposits	12,551	23,663	-47.0%	52,408	-76.1%	11,991	18,091	-33.7%	12,996	-7.7%	1,853
Receivables from healthcare services	77,757	57,606	35.0%	78,034	-0.4%	-	-	-	-	-	-
Receivables from sale of pharmaceuticals	-	-	-	-	-	-	-	-	-	-	6,110
Insurance premiums receivable	-	-	-	-	-	34,959	32,073	9.0%	39,042	-10.5%	-
Property and equipment	488,105	316,441	54.2%	481,969	1.3%	5,684	3,777	50.5%	5,672	0.2%	7,950
Goodwill and other intangible assets	28,192	7,189	292.2%	19,433	45.1%	6,091	5,536	10.0%	6,097	-0.1%	829
Inventory	8,552	8,059	6.1%	14,109	-39.4%	226	159	42.1%	193	17.1%	33,692
Prepayments	45,226	6,272	621.1%	10,017	351.5%	2,148	3,035	-29.2%	3,839	-44.0%	2,972
Other assets	15,615	18,111	-13.8%	14,891	4.9%	10,021	12,214	-18.0%	7,654	30.9%	2,928
Total liabilities, of which:	216,391	242,167	-10.6%	214,166	1.0%	54,229	56,334	-3.7%	56,192	-3.5%	55,225
Borrowed Funds	120,897	181,904	-33.5%	92,336	30.9%	11,942	17,221	-30.7%	11,775	1.4%	18,020
Accounts payable	25,156	11,271	123.2%	36,533	-31.1%	-	954	-	832	-	31,122
Insurance contract liabilities	-	-	-	-	-	35,424	31,831	11.3%	39,431	-10.2%	-
Other liabilities	70,338	48,992	43.6%	85,297	-17.5%	6,863	6,328	8.5%	4,154	65.2%	6,083
Total shareholders' equity attributable to:	459,607	195,174	135.5%	456,695	0.6%	16,891	18,551	-8.9%	19,301	-12.5%	1,109
Shareholders of the Company	408,202	169,977	140.2%	409,504	-0.3%	16,891	18,551	-8.9%	19,301	-12.5%	1,109
Non-controlling interest	51,405	25,197	104.0%	47,191	8.9%	-	-	-	-	-	-

Balance Sheet	Eliminations			GHG				
	30-Jun-16	30-Jun-15	31-Mar-16	30-Jun-16	30-Jun-15	Change, Y-o-Y	31-Mar-16	Change, Q-o-Q
<i>GEL thousands; unless otherwise noted</i>								
Total assets, of which:	10,637	(8,134)	(8,539)	814,089	504,092	61.5%	737,815	10.3%
Cash and bank deposits	-	-	-	26,395	41,754	-36.8%	65,404	-59.6%
Receivables from healthcare services	(7,359)	(4,159)	(4,284)	70,398	53,447	31.7%	73,750	-4.5%
Receivables from sale of pharmaceuticals	-	-	-	6,110	-	-	-	-
Insurance premiums receivable	(684)	(159)	-	34,275	31,914	7.4%	39,042	-12.2%
Property and equipment	-	-	-	501,739	320,218	56.7%	487,641	2.9%
Goodwill and other intangible assets	29,621	-	-	64,733	12,725	408.7%	25,530	153.6%
Inventory	-	-	-	42,470	8,218	416.8%	14,302	197.0%
Prepayments	(1,272)	-	-	49,074	9,307	427.3%	14,648	235.0%
Other assets	(9,669)	(3,816)	(4,255)	18,895	26,509	-28.7%	17,498	8.0%
Total liabilities, of which:	(18,984)	(8,134)	(8,539)	306,861	290,367	5.7%	261,819	17.2%
Borrowed Funds	(9,602)	(3,606)	(4,255)	141,257	195,519	-27.8%	99,856	41.5%
Accounts payable	(3,696)	(2,649)	-	52,582	9,576	449.1%	37,365	40.7%
Insurance contract liabilities	(2,483)	(1,689)	(2,496)	32,941	30,142	9.3%	36,935	-10.8%
Other liabilities	(3,203)	(190)	(1,788)	80,081	55,130	45.3%	87,663	-8.6%
Total shareholders' equity attributable to:	29,621	-	-	507,228	213,725	137.3%	475,996	6.6%
Shareholders of the Company	29,621	-	-	455,823	188,528	141.8%	428,805	6.3%
Non-controlling interest	-	-	-	51,405	25,197	104.0%	47,191	8.9%

Selected ratios and KPIs

	2Q16	2Q15	1Q16	1H16	1H15
GHG					
EPS, GEL	0.22	NMF	0.08	0.29	NMF
EPS adjusted, GEL	0.08	NMF	0.08	0.15	NMF
ROAE	25.1%	11.0%	9.4%	17.2%	10.8%
ROAE, adjusted	12.8%	11.0%	16.5%	14.2%	10.8%
Group rent expenditure	2,266	354	405	2,670	690
<i>of which, Pharma</i>	1,642	-	-	1,642	-
Group capex (maintenance)	2,053	2,068	2,537	4,590	3,828
Group capex (growth)	29,895	12,318	14,357	44,252	21,751
Number of employees	11,884	8,540	9,747	11,884	8,540
Number of physicians	2,954	2,495	2,762	2,954	2,495
Number of nurses	2,795	2,320	2,706	2,795	2,320
Nurse to doctor ratio	0.95	0.93	0.98	0.95	0.93
Total number of shares				131,681,820	
Less: Treasury shares				(3,500,000)	
Shares outstanding				128,181,820	28,334,829
<i>Of which:</i>					
Total free float				42,550,000	
Shares held by BGEO GROUP PLC				85,631,820	
Healthcare services					
EBITDA margin of healthcare services	29.2%	27.8%	29.5%	29.3%	25.3%
Direct salary rate (direct salary as % of revenue)	33.8%	34.9%	32.7%	33.2%	35.1%
Materials rate (direct materials as % of revenue)	15.7%	13.7%	15.9%	15.8%	14.4%
Administrative salary rate (administrative salaries as % of revenue)	8.9%	12.1%	10.1%	9.5%	12.3%
SG&A rate (SG&A expenses as % of revenue)	6.0%	4.2%	4.1%	5.0%	4.2%
Number of hospitals	35	34	36	35	34
Number of district outpatient clinics	9	5	7	9	5
Number of express ambulatory clinics	28	1	3	28	1
Number of beds	2,467	2,220	2,686	2,467	2,220
Number of referral hospital beds	2,005	1,759	2,229	2,005	1,759
Bed occupancy rate	57.6%	50.8%	60.4%	59.3%	52.3%
<i>Bed occupancy rate, referral hospitals</i>	64.9%	59.0%	66.7%	65.8%	60.2%
<i>Bed occupancy rate, community hospitals</i>	23.9%	19.7%	26.6%	22.4%	22.2%
Average length of stay (days)	5.1	4.4	4.9	4.9	4.5
<i>Average length of stay (days), referral hospitals</i>	5.3	4.7	5.2	5.1	4.8
<i>Average length of stay (days), community hospitals</i>	3.9	2.7	3.0	3.4	2.8
Pharma					
EBITDA margin	1.8%	-	-	1.8%	-
Days sales outstanding	12.1	-	-	12.1	-
Number of bills issued	1,92 million	-	-	1,92 million	-
Revenue from wholesale as a percentage of total revenue from pharma	25%	-	-	25%	-
Revenue from retail as a percentage of total revenue from pharma	75%	-	-	75%	-
Revenue from para-pharmacy as a percentage of total revenue from pharma	31%	-	-	31%	-
Number of pharmacy	110	-	-	110	-
Medical insurance					
Loss ratio	85.0%	78.1%	86.4%	85.7%	78.6%
Expense ratio, <i>of which</i>	21.8%	17.3%	20.1%	21.0%	17.9%
<i>Commission ratio</i>	6.4%	5.3%	6.5%	6.5%	5.2%
Combined ratio	106.8%	95.4%	106.5%	106.6%	96.6%
Renewal rate	88.3%	79.2%	88.5%	88.4%	77.3%

Principal risks and uncertainties

The table below describes the principal risks and uncertainties relating to the Group's operations and their potential impact, as well the trend and outlook associated with these risks and the mitigating actions we take to address these risks. If any of the following risks actually occur, the Group's business, financial condition, results of operations or prospects could be materially affected. The risks and uncertainties described below may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group is currently not aware of or deems immaterial, may also result in decreased revenues, incurred expenses or other events that could result in a decline in the value of the Group's securities.

Risks and uncertainties	Trend and outlook	Mitigation
<p>We might not be able to expand our business in line with our strategy, realise our revenue and growth targets or achieve the intended benefits or operating synergies from these projects. According to our strategy, we plan to more than double our 2015 revenue from healthcare services by 2018, capture one third of the Georgian hospital market, increase our market share in the outpatient market and integrate and grow our recently acquired pharma business. Achieving this will place significant demands on our management and operational resources.</p>	<p>We have made significant progress in each of our strategic priorities during the year. At the beginning of 2014, the Group had 28 hospitals with 1,329 hospital beds. At the end of 2015 we had 35 hospitals with 2,670 hospital beds representing a substantially increased market share of 26.6% of Georgia's total hospital beds. We have continued to expand significantly in the higher revenue hospital segments in Tbilisi with the acquisition, in August 2015, of the High Technology Medical Center University Clinic (HTMC). Furthermore, we have already started renovation work on two other facilities, which we expect to become fully operational as multi-profile hospitals in 2017. Our strategy to increase our share of healthcare revenues through the roll-out of a national network of ambulatory clinics has begun. By the end of July 2016 we had opened six ambulatory clusters in a number of high-population density areas in Tbilisi and one in Kutaisi, the second largest city in Georgia. We plan to open at least a further four ambulatory clusters in Tbilisi and other major cities in Georgia during 2016. We are achieving operating synergies in line with our plans and expect to continue to do so.</p>	<p>The Group is focused on the execution of our growth strategy and reorganising and adding management capacity to better ensure that we meet our targets. The Group has a solid track record not only of making but of integrating acquisitions. We have a dedicated integration team comprising highly experienced professionals with extensive integration project experience. The integration team meets at least weekly to discuss all aspects of the integration process, including but not limited to financial, commercial, clinical, human resources and legal matters.</p>
<p>The Group has recently acquired a 100% equity stake in JSC GPC, a retail and wholesale pharmaceutical distribution business. This acquisition brought a new business line to the Group and there are risks that we may not be able to integrate the business and functions and therefore gain the necessary synergies and that management may be distracted from other business priorities.</p>	<p>While retail pharmacy operations is a new business for the Group, JSC GPC and the Group together represent the largest buyer of pharmaceuticals in Georgia and GHG Management expects to be able to eliminate unnecessary costs, deliver on cost and revenue synergies. As part of pharma business integration and growth, the Group has captured more than half of the GEL 5 million annualised cost synergies that were initially targeted to meet and continues focused activities to deliver it in full. GHG management aims to achieve c.GEL 9-10 million of revenue synergies from the opening of GPC pharmacies in GHG's existing hospitals and flagship ambulatory clinics. Ten such pharmacies were launched during the past two months in main facilities, bringing total number of GPC pharmacies at GHG healthcare facilities to 14.</p>	<p>GHG management is experienced in integrating new businesses into the Group. In addition, the Group has taken action to strengthen its team. David Kiladze JSC GPC's CEO for more than 20 years will continue to lead the JSC GPC business and George Arveladze has recently been appointed as the Deputy CEO in charge of the ambulatory and pharmaceutical business of the Group. George has extensive experience in the Georgian retail sector.</p>
<p>We operate in an evolving regulatory environment. We cannot predict what additional regulatory changes will be introduced in the future or their effect.</p>	<p>Since 2007, there have been a number of reforms and profound transformations in the Georgian healthcare services and pharma markets, aimed at achieving higher standards of care, modernisation of equipment and facilities, wider access to healthcare and lower healthcare costs. We expect that the regulatory environment will continue to evolve in the advancement of these goals, but that future developments will be less fundamental than was the structural shift to universal healthcare. The Ministry of Labor, Health and Social Affairs ("MOLHSA") has recently conducted the review of the effectiveness of the existing model of the healthcare financing by the state, which has been introduced in 2014 with the current scope. As a result of the review,</p>	<p>Continued investment in our people and processes is enabling us to meet our regulatory requirements and position us well to respond to changes in regulation. In line with our integrated control framework, we carefully evaluate the impact of legislative and regulatory changes as part of our formal risk identification and assessment processes. As part of this process, we engage in constructive dialogue with regulatory bodies, where possible, and seek external advice on potential changes to legislation. We then develop appropriate policies, procedures and controls as required to fulfil our compliance obligations. The legal department regularly</p>

Risks and uncertainties	Trend and outlook	Mitigation
<p>We might not be able to predict in full the effects of Georgia's recently implemented Universal Healthcare Programme. Our strategy assumes that the limited cover available under the programme will help increase demand for private medical insurance. However, these opportunities may not materialise.</p>	<p>The increased focus on the Universal Healthcare Programme in Georgia has seen a substantial shift in revenues towards the healthcare services market leading to an industry wide significant reduction in medical insurance revenues from the previously enforce State Insurance Programme. As a result our medical insurance business experienced a 20.8% y-o-y reduction in revenues during 2015. Our private medical insurance has shown resilience and revenue from private medical insurance products grew by 4.7% y-o-y in the first half of 2016, with an increased customer base of approximately 200,000 people holding our medical insurance policies as at 30 June 2016.</p>	<p>In the medical insurance business, we plan to leverage opportunities from the reform of the Georgian healthcare sector to increase our private medical insurance customer base. We will continue efforts to optimise pricing, introduce differentiated products, better target sales efforts and increase our sales force. We will continue to use the medical insurance business as a feeder for our medical services business, a role that will, we believe, be enhanced in the future as we roll-out our ambulatory growth strategy</p>
<p>We compete with other state and private providers of healthcare services across Georgia. In some cases, competing healthcare providers in certain regions are more established than we are, and may have greater experience, infrastructure and brand loyalty than we do. Our competitors may consolidate, develop alliances or adopt predatory pricing policies to capture market share. Our reputation for high clinical standards could suffer if our quality declines or our competitors improve their services.</p>	<p>We are the largest provider of healthcare services in the country. In addition, we are the only provider so far that is consolidating in the fragmented Georgian healthcare services market. We have the widest population coverage (being accessible to over three quarters of the 3.7 million Georgian population) and the greatest geographic reach within the country. We remain the only healthcare institution in Georgia to undertake in-house training of our own personnel. Since the beginning of 2014, we have invested over GEL 2.0 million in training and have a dedicated staff of 44 trainers.</p>	<p>We will seek to protect our reputation for high clinical standards, which we believe continues to drive demand for services at our healthcare facilities and attracts more patients and physicians which, in turn, helps us further enhance our reputation for high-quality care and strengthen our relationships within the local community. In 2015 we successfully launched unique services in the country such as liver transplant surgery, children's cardio surgery, oncology radiotherapy in western Georgia. We will continue to focus on the training and education of our staff, as well as sourcing a new generation of medical personnel.</p>
<p>Our healthcare services business depends on revenue from the Georgian government and a small number of private insurance providers. We expect that this concentration of revenue sources will continue. Accordingly, our future success and ability to obtain favourable prices will depend in part on our ability to maintain good working relationships with private insurance providers and may be impacted by any changes to state-funded healthcare programmes.</p>	<p>The Universal Healthcare Programme remains a significant priority for the government and government expenditure on healthcare will increase by 81.4% from GEL 487.9 million in 2013 to GEL 885.0 million according to the approved government budget for 2016. This ongoing increase in expected government healthcare spending underpins the substantial organic growth opportunities for the Group. The government's budgeted spend on healthcare however still remains low, compared to many other countries, at just over 2% of GDP and approximately 7% of annual tax revenues. We expect the government to continue prioritising healthcare services.</p>	<p>The Group monitors the macroeconomic environment in Georgia and budgetary performance of the state to assess the forecasted future cash flows from the state.</p>
<p>Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and has had ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia. These disputes have led to sporadic violence and breaches of peace keeping operations. Regional tensions could have an adverse effect on the local economy and our business.</p>	<p>Despite tensions in the breakaway territories, Russia has opened its market to Georgian exports. Russia and Ukraine's relationship has continued to deteriorate. As a result, there is significant uncertainty as to if, how and when the conflict between Russia and Ukraine will be resolved. Russia/ Turkey tensions have developed with the escalation of the Syrian crisis, and Armenia/ Azerbaijan tensions continue unabated. Georgia continues to grow in spite of the regional tensions. During the first half of 2016, Georgia delivered real GDP growth of 2.9%, whilst inflation was maintained below the 5% target range. Foreign Direct Investment continued to be strong and tourist numbers – a significant driver of US\$ inflows for the country – continue to rise. As a result, the Georgian government's fiscal position continues to be strong.</p>	<p>Georgia has taken significant steps to reduce its dependence on Russia and Ukraine. Even without Russia, Georgian exports have more than tripled since 2005 to US\$2.9 billion in 2013. With the recent economic turbulence in Russia, exposure to the Russian market is once again receding. In 2014 Georgia and the EU signed an association agreement introducing the deep and comprehensive free trade area (DCFTA), effective since 1 September 2014, which is intended to simplify Georgia's access to the EU market. The Government continues to maintain strong relationships with international development partners. An ongoing IMF programme, introduced in July 2014, is intended to help implement the government's economic reform programme and aims to reduce macroeconomic vulnerabilities and dependency on the public sector, and increase policy buffers</p>

Risks and uncertainties	Trend and outlook	Mitigation
<p>Political and governmental instability in Georgia could have a material adverse effect on the local economy and our business. Business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of the current coalition government or as a result of a rejection of reform policies by the president, the parliament or others.</p>	<p>Georgia is one of the fastest growing countries in Eastern Europe, with real GDP growth averaging 5.1% during 2006 to 2015 (according to Geostat) and is considered an open market in which to do business. Growth-oriented reforms and ongoing economic liberalisation since becoming a WTO member in 2000 have transformed Georgia into a country that is ranked by the World Bank as more business friendly than both Switzerland and France.</p>	<p>and support growth, while making the economy more resilient to external shocks.</p> <p>Regular meetings of the supervisory board Audit Committee and the Management Board are aimed at analysing such risks, elaborating responsive strategies and action plans and in this way mitigating such risks. The Management Board employs a number of legal, accounting and macroeconomic advisors and analysts that help the Group navigating through these risks by means of timely identifying them and proactively managing them.</p>
<p>The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on our financial position and cash flows. Our functional currency is the Georgian Lari and our principal transactions are carried out in GEL. Our exposure to foreign exchange risk arises primarily with respect to the US Dollar and the Euro. While all of our revenues and expenses are in GEL, a significant part of the medicines and medical disposables that we purchase (for own consumption at healthcare facilities and sale at pharmacies) are imported and the prices are pegged to foreign currency (mostly US Dollars and/or Euro). Furthermore, the prices of almost all of the medical equipment that we purchase are also set in foreign currency (mostly US Dollars and/or Euro). A significant portion of our borrowings (primarily loans to fund our expansion plans) are denominated in US Dollars.</p>	<p>We reduced our exposure to foreign currency risk from the first quarter of 2016 onwards, as we pre-paid GEL 104.4 million borrowings at year end 2015/beginning of 2016 from IPO proceeds, part of which we later replenished with less expensive loans from Development Financial Institutions, which reduced total borrowings to GEL 141.3 million, as at 30 June 2016 from GEL 195.5 million a year ago. Additionally, while majority of the cost of goods sold in our pharma business is linked to USD or EUR, we adjust prices frequently to reflect the fluctuation in foreign currency exchange rates, this minimizing the impact of such fluctuations on our earnings.</p>	<p>The Group continuously monitors market conditions and reviews market changes, performing stress and scenario testing to assess our financial position in adverse economic conditions. The Group's currency risk is controlled by setting sensitivity loss limits. Its open currency positions are managed by the finance department on a day-to-day basis and are monitored by the head of reporting and analysis on a real time basis. We have established limits on possible losses for each type of operation and monitor compliance with such limits.</p>
<p>The Group's business processes and risk management structures are in the process of being developed and until they are fully developed the risks associated with weaknesses in the processes and structures are higher than they will be when the new processes and structures are in place.</p>	<p>As part of the IPO process a number of policies and procedures were put in place in order to ensure that we had a robust governance structure in place.</p>	<p>The Group is in the process of designing and implementing new business processes and risk management structures designed to better manage the business and ensure that these risks are mitigated as far as possible, including processes and structures relating to: clinical processes and medical records; information technology and information security; product pricing; operational risk, corporate security and business continuity; and risk management in the insurance business.</p>

Responsibility Statements

We confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”, as adopted by the European Union;
- This Results Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- This Results Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the board

Irakli Gilauri

Chairman

Nikoloz Gamkrelidze

Chief Executive

15 August 2016

Consolidated Financial Statements

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INDEPENDENT REVIEW REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF GEORGIA HEALTHCARE GROUP PLC (the “Company”)

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2016, which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and related notes 1 to 39. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF GEORGIA HEALTHCARE GROUP PLC (the “Company”) (CONTINUED)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
15 August 2016

Notes:

1. The maintenance and integrity of the Georgia Healthcare Group PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

(Thousands of Georgian Lari)

	<i>Notes</i>	<i>Unaudited 30 June 2016</i>	<i>31 December 2015, as reclassified</i>
Assets			
Cash and cash equivalents	6	11,212	145,153
Amounts due from credit institutions	7	15,183	12,245
Insurance premiums receivable	8	34,275	20,663
Receivables from healthcare services	9	70,398	65,863
Receivables from sales of pharmaceuticals		6,110	–
Investment in associate		2,186	–
Inventory		42,470	11,056
Prepayments	13	49,074	9,117
Property and equipment	10	501,739	444,718
Goodwill and other intangible assets	11	64,733	25,787
Current income tax assets		3,349	1,165
Deferred income tax assets	12	3,317	796
Other assets	14	10,043	21,717
Total assets		814,089	758,280
Liabilities			
Accounts payable	17	52,582	30,176
Accruals for employee compensation		18,265	17,679
Payables for share acquisitions	19	7,535	22,075
Insurance contract liabilities	15	32,941	21,351
Borrowings	16	107,433	117,225
Debt securities issued	18	33,824	35,537
Finance lease liabilities	20	8,886	–
Current income tax liabilities		401	615
Deferred income tax liabilities	12	28	23,919
Other liabilities	21	44,966	14,722
Total liabilities		306,861	283,299
Equity			
Share capital	23	4,784	47,842
Additional paid-in capital	23	1,897	332,180
Treasury shares	23	(127)	(1,272)
Other reserves	23	(14,822)	(15,289)
Retained earnings		464,091	55,520
Total equity attributable to shareholders of the Company		455,823	418,981
Non-controlling interests		51,405	56,000
Total equity		507,228	474,981
Total equity and liabilities		814,089	758,280

The interim condensed consolidated financial statements on pages 37 to 80 were approved by the Board of Directors of Georgia Healthcare Group PLC on 15 August 2016 and signed on its behalf by:

Nikoloz Gamkrelidze

Chief Executive Officer

15 August 2016

Company registration number: 09752452

David Vakhtangishvili

Deputy Chief Executive Officer, Finance

15 August 2016

Company registration number: 09752452

The accompanying notes on pages 41 to 80 form an integral part of these interim condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016**

(Thousands of Georgian Lari)

	<i>Notes</i>	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Healthcare services revenue	24	113,350	82,553
Revenue from pharma	25	30,691	–
Net insurance premiums earned	26	29,074	27,651
Revenue		173,115	110,204
Cost of healthcare services	27	(61,700)	(46,209)
Cost of sales of pharmaceuticals	28	(25,059)	–
Cost of insurance services and agents' commissions	29	(24,787)	(21,550)
Costs of services		(111,546)	(67,759)
Gross profit		61,569	42,445
Other operating income		2,097	1,696
Salaries and other employee benefits	30	(16,152)	(12,602)
General and administrative expenses	31	(9,960)	(4,950)
Impairment of healthcare services, insurance premiums and other receivables		(2,216)	(1,846)
Other operating expenses		(1,327)	(1,155)
		(29,655)	(20,553)
EBITDA		34,011	23,588
Depreciation and amortisation	10, 11	(9,046)	(4,889)
Interest income	32	693	1,223
Interest expense	32	(5,818)	(11,341)
Net (losses)/gains from foreign currencies		(2,224)	5,449
Net non-recurring expense	33	(816)	(767)
Profit before income tax expense		16,800	13,263
Income tax benefit	12	3,290	53
Non-recurring income tax benefit	12	25,135	–
Profit and total comprehensive income for the period		45,225	13,316
Attributable to:			
- shareholders of the Company		37,676	11,854
- non-controlling interests		7,549	1,462
Earnings per share:			
- basic earnings per share	23	0.29	0.24
- diluted earnings per share	23	0.29	0.24

The accompanying notes on pages 41 to 80 form an integral part of these interim condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016**

(Thousands of Georgian Lari)

	Notes	Attributable to the shareholders of the Company						Total equity
		Share capital	Additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interest	
1 January 2015		28,335	99,138	(16,543)	35,869	146,799	25,512	172,311
Profit for the period		–	–	–	11,854	11,854	1,462	13,316
Total comprehensive income		–	–	–	11,854	11,854	1,462	13,316
Non-controlling interests arising from business combinations		–	–	–	–	–	1,488	1,488
Acquisition of additional interest in existing subsidiaries	23	–	–	1,254	–	1,254	(3,265)	(2,011)
Holding company establishment		47,665	(47,665)	–	–	–	–	–
Loan conversion	23	13,446	14,834	–	–	28,280	–	28,280
Share-based compensation		–	341	–	–	341	–	341
30 June 2015		89,446	66,648	(15,289)	47,723	188,528	25,197	213,725

	Notes	Attributable to the shareholders of the Company							Total equity
		Share capital	Treasury shares	Additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interest	
1 January 2016		47,842	(1,272)	332,180	(15,289)	55,520	418,981	56,000	474,981
Profit for the period		–	–	–	–	37,676	37,676	7,549	45,225
Total comprehensive income		–	–	–	–	37,676	37,676	7,549	45,225
Non-controlling interests arising from business combinations		–	–	–	–	–	–	(1,025)	(1,025)
Acquisition of additional interest in existing subsidiaries	23	–	–	–	468	–	468	(11,119)	(10,651)
Capital reduction	23	(43,058)	1,145	(329,660)	(1)	370,895	(679)	–	(679)
Transaction costs recognised directly in equity	23	–	–	(2,520)	–	–	(2,520)	–	(2,520)
Share-based compensation		–	–	1,897	–	–	1,897	–	1,897
30 June 2016 (Unaudited)		4,784	(127)	1,897	(14,822)	464,091	455,823	51,405	507,228

The accompanying notes on pages 41 to 80 form an integral part of these interim condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE**

(Thousands of Georgian Lari unless otherwise stated)

	<i>Notes</i>	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Cash flows from / (used in) operating activities			
Healthcare services revenue received		101,541	70,986
Cost of healthcare services paid		(62,478)	(44,544)
Net insurance premiums received		26,949	26,938
Net insurance claims paid		(19,448)	(18,163)
Revenue from pharma received		32,466	–
Cost of sales of pharmaceuticals paid		(29,234)	–
Salaries and other employee benefits paid		(17,098)	(11,625)
General and administrative expenses paid		(13,178)	(2,561)
Acquisition costs paid		(1,918)	(1,416)
Other operating income received		1,792	1,785
Other operating expenses paid		(1,236)	(1,891)
Net cash flows from operating activities before income tax		18,158	19,509
Income tax paid		(1,405)	(465)
Net cash flows from operating activities		16,753	19,044
Cash flows from / (used in) investing activities			
Acquisition of subsidiaries, net of cash acquired		(47,288)	(28,189)
Acquisition of additional interest in existing subsidiaries		(2,472)	(2,011)
Acquisition of investment securities held-to-maturity		(2,011)	–
Purchase of property and equipment		(53,929)	(24,196)
Purchase of intangible assets		(1,835)	(1,516)
Interest income received		42	316
Loans issued		–	(675)
Placements of amounts due from credit institutions		(5,011)	(135)
Proceeds from sale of property and equipment		1,567	1,891
Net cash from investing activities		(110,937)	(54,515)
Cash flows from / (used in) financing activities			
Repurchase of debt securities issued	18	(1,350)	–
Proceeds from debt securities issued		–	34,247
Proceeds from borrowings		30,662	37,047
Repayment of borrowings		(55,296)	(35,314)
IPO related transaction costs	23	(2,520)	–
Proceeds from derivative financial instruments		–	2,000
Interest expense paid		(8,796)	(11,083)
Net cash flows (used in)/from financing activities		(37,300)	26,897
Effect of exchange rates changes on cash and cash equivalents		(2,457)	1,274
Net decrease in cash and cash equivalents		(133,941)	(7,300)
Cash and cash equivalents, beginning	6	145,153	32,784
Cash and cash equivalents, end	6	11,212	25,484

The accompanying notes on pages 41 to 80 form an integral part of these interim condensed consolidated financial statements.

(Thousands of Georgian Lari unless otherwise stated)

1. Background

In 2014 the JSC Insurance Company Aldagi (“Aldagi”) and its subsidiaries (“Aldagi group”) began a corporate reorganisation in order to separate the healthcare services and medical insurance business, from the property and casualty insurance business.

As at 1 August 2014, Aldagi’s medical insurance business segment was separated and transferred to a newly established legal entity, JSC Insurance Company Imedi L (“Imedi L”). At the same time, healthcare providers included in the Aldagi group were transferred to a newly established holding company, JSC Medical Corporation EVEX (“EVEX”).

Both Imedi L and EVEX have been ultimately owned by Bank of Georgia Holdings plc (“BGH”) since the commencement of reorganisation, but did not represent a group of entities until 27 August 2015, when BGH established a holding company, Georgia Healthcare Group PLC (“GHG” or “the Group”), and transferred its shares in Imedi L and EVEX to GHG. BGH changed its name to BGEO Group PLC (“BGEO”) in 2015. Refer to Note 23.

Financial information related to the pre 27 August 2015 period has been prepared for GHG from the financial statements of the combined entities as if GHG had been established and the transfer of the BGH’s shares in EVEX and Imedi L had been completed as at 31 December 2013.

As at 30 June 2016 and 31 December 2015 the ultimate parent of GHG is BGEO Group PLC (“BGEO”), incorporated in London, United Kingdom. GHG’s results are consolidated as part of BGEO’s financial statements.

The Group’s healthcare services business provides medical services to inpatient and outpatient customers through a network of hospitals and clinics throughout Georgia. Its medical insurance business offers a wide range of medical insurance products, including personal accident, term life insurance products bundled with medical insurance and travel insurance policies to corporate and retail clients. The Group’s pharma subsidiary, which was acquired in May 2016 (Note 4), offers a wide range of drugs as well as parapharmacy products.

In November 2015, Georgia Healthcare Group PLC, a public limited liability company newly incorporated in the United Kingdom, successfully placed its shares on the London Stock Exchange by way of a Premium Listing through an Initial Public Offering (“IPO”). The Offering comprised 38,681,820 shares equating to an offering size of approximately GBP 66 million, representing approximately 29% of GHG’s share capital on Admission, excluding the Over-allotment Option. Citigroup Global Markets Limited was granted an over-allotment option exercised in November 2015 in respect of up to 3,868,180 shares, representing approximately 10 percent of the offering.

The legal address of GHG PLC is No. 84 Brook Street, London W1K 5EH, United Kingdom.

As at 30 June 2016 and 31 December 2015 the following shareholders owned more than 3% of the total outstanding shares of the Group. Other shareholders individually owned less than 3% of the outstanding shares.

<i>Shareholder</i>	<i>30 June 2016</i>	<i>31 December 2015</i>
BGEO Group PLC	65%	65%
Wellington Management Company	7%	—
T Rowe LTD	5%	5%
LGM Investments Ltd	—	3%
Wellington Management Company	—	3%
Others	23%	24%
Total	100%	100%

(Thousands of Georgian Lari unless otherwise stated)

1. Background (continued)

The Group included the following subsidiaries and associates incorporated in Georgia:

Subsidiary	Ownership/Voting			Industry	Date of incorporation	Date of acquisition
	30-Jun-2016	31-Dec-2015				
JSC Georgia Healthcare Group	100%	100%		Healthcare	29-Apr-15	Not Applicable
JSC GPC	100%	–		Healthcare	19-Jul-08	4-May-16
JSC Insurance Company Imedi L	100%	100%		Insurance	31-Jul-14	31-Jul-14
LLC Biznes Centri Kazbegze	100%	100%		Other	22-Jun-10	24-Aug-11
JSC Medical Corporation EVEX	100%	100%		Healthcare	1-Aug-14	1-Aug-14
GNCo	50%	50%		Healthcare	4-Jun-01	5-Aug-2015
LLC Nefrology Development Clinic Centre	40%	40%		Healthcare	28-Sep-10	5-Aug-2015
High Technology Medical Centre, University Clinic	50%	50%		Healthcare	16-Apr-99	5-Aug-2015
LLC Deka	95%	95%		Healthcare	12-Jan-12	30-June-15
LLC Evex-Logistics	100%	100%		Healthcare	13-Feb-15	Not Applicable
LLC Paediatric Institute, Centre of Allergy and Rheumatology	100%	100%		Healthcare	6-Mar-00	19-Feb-14
LLC Referral Centre of Pathology	100%	100%		Healthcare	29-Dec-14	Not Applicable
JSC St. Nicholas Surgery Clinic	93%	93%		Healthcare	10-Nov-00	20-May-08
JSC Kutaisi County Treatment and Diagnostic Centre for Mothers and Children	67%	67%		Healthcare	5-May-03	29-Nov-11
LLC Academician Z. Tskhakaia National Centre of Intervention Medicine of Western Georgia	67%	67%		Healthcare	15-Oct-04	29-Nov-11
LLC Tskaltubo Regional Hospital	67%	67%		Healthcare	29-Sep-99	29-Nov-11
LLC Unimedi Achara	100%	100%		Healthcare	29-Jun-10	30-Apr-12
LLC Unimedi Samtskhe	100%	100%		Healthcare	29-Jun-10	30-Apr-12
LLC Unimedi Kakheti	100%	100%		Healthcare	29-Jun-10	30-Apr-12
NPO EVEX Learning Centre	100%	100%		Other	20-Dec-13	20-Dec-13
LLC M. Iashvili Children Central Hospital	100%	67%		Healthcare	3-May-11	19-Feb-14
LLC Catastrophe Medicine Paediatric Centre	100%	100%		Healthcare	18-Jun-13	1-Mar-15
LLC Emergency Service*	–	–		Healthcare	28-Jul-09	1-Jun-16
JSC Poti Central Clinical Hospital*	–	–		Healthcare	29-Oct-02	1-Jan-16

Associate	Ownership/Voting			Industry	Date of incorporation	Date of acquisition
	30-Jun-2016	31-Dec-2015				
LLC Geolab	25%	25%		Healthcare	3-May-11	5-Aug-2015
LLC 5th Clinical Hospital	35%	–		Healthcare	3-May-11	20-Aug-13

* The Group has de-facto control over the subsidiary (Note 4)

(Thousands of Georgian Lari unless otherwise stated)

2. Basis of Preparation

Basis of preparation

The financial information set out in these interim condensed consolidated financial statements does not constitute the Group's statutory financial statements within the meaning of section 434 of the Companies Act 2006. Those financial statements were prepared for the year ended 31 December 2015 under IFRS, as adopted by the European Union and have been reported on by GHG's auditors and delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements for the six months period ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority. The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2015, signed and authorised for release on 7 April 2016.

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgement at the date of the interim condensed consolidated financial statements, actual results may differ from these estimates.

These interim condensed consolidated financial statements are presented in thousands of Georgian Lari ("GEL"), except per share amounts and unless otherwise indicated.

The interim condensed consolidated financial statements is unaudited but has been reviewed by the auditors and their review opinion is included in this report.

Going concern

The GHG's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from the approval of the interim condensed consolidated financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the interim condensed consolidated financial statements continue to be prepared on the going concern basis.

Reclassifications

During period ended 30 June 2016 the Group reconsidered the presentation of its consolidated statement of financial position for the purpose of more accurate presentation of certain accounts stated in the table below. The presentation of comparative figures has been adjusted to conform to the presentation of the current period amounts:

<i>Consolidated statement of financial position</i>	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Other assets	32,773	(11,056)	21,717
Inventories	–	11,056	11,056
Current income tax liabilities	5,228	(4,613)	615
Deferred income tax liabilities	19,306	4,613	23,919
<i>Consolidated statement of comprehensive income</i>	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Net insurance premiums earned	26,202	1,449	27,651
Cost of insurance services and agents' commissions	–	21,550	21,550
Net insurance claims incurred	20,101	(20,101)	–

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of Significant Accounting Policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below.

IFRS 14 - Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of Significant Accounting Policies (continued)

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. These amendments do not have any impact on the Group's consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments do not have any impact on the Group's consolidated financial statements.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

(Thousands of Georgian Lari unless otherwise stated)

3. Summary of Significant Accounting Policies (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations

Acquisitions in period ended 30 June 2016 (unaudited)

JSC GPC

On 4 May 2016 JSC GHG (“Acquirer”), a wholly owned subsidiary of the Group, acquired 100% of the shares of JSC GPC (“GPC”), a pharmaceuticals company operating in Georgia from individual investors.

The provisional fair values of identifiable assets and liabilities of the GPC as at the date of acquisition were:

	<i>Provisional fair value recognised on acquisition</i>
Assets	
Cash and cash equivalents	1,455
Receivables from sales of pharmaceuticals ¹	7,885
Inventory	31,282
Investment in associate	2,116
Property and equipment	8,105
Intangible assets	861
Current income tax assets	352
Deferred income tax assets	200
Prepayments	1,723
Other assets	2,156
Total assets	56,135
Liabilities	
Borrowings	15,198
Accounts payable	33,366
Accruals for employee compensation	1,331
Other liabilities	4,729
Total liabilities	54,624
Total identifiable net assets	1,511
Non-controlling interests	–
Goodwill arising on acquisition	29,622
Consideration²	31,133

¹ The fair value of the receivables from sales of pharmaceuticals amounted to GEL 7,885. The gross amount of receivables is GEL 10,884. GEL 2,999 of the receivables has been impaired.

² Consideration comprised GEL 31,133, which consists of cash payment of GEL 26,686 and a holdback amount with a fair value of GEL 4,685.

Net cash outflow for the acquisition was as follows:

Cash paid	26,686
Cash acquired with the subsidiary	(1,455)
Net cash outflow	25,231

The Group decided to increase its presence and investment in the Tbilisi healthcare market by entering the pharmaceuticals segment through the acquisition of GPC. Management considers that the deal will have a positive impact on the value of the Group.

Since acquisition, GPC has recorded GEL 30,691 and GEL 402 of revenue and loss respectively. For the six month period ended 30 June 2016 revenue and loss of the acquired entity were GEL 97,605 and GEL 183 respectively.

If the combination had taken place at the beginning of the year, the Group would have recorded GEL 240,029 and GEL 45,445 of revenue and profit respectively.

The net assets presented above are estimated provisionally as at the acquisition date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 ‘Business Combinations’.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in period ended 30 June 2016 (unaudited) (continued)

JSC GPC (continued)

The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group's operations. For the tax legislation purposes goodwill is recognised on a stand-alone balance sheet of a company only subsequent to the legal merger of the relevant cash generating unit. Until then goodwill as an asset does not exist separately for tax purposes, rather its full amount is part of the historical cost of the investment on the company's balance sheet. Subsequent to the merger, for tax legislation purposes, the full amount of the goodwill is recognised as an intangible asset per the tax code and is subsequently amortised applying the algorithm provided by the tax code. Such amortisation is fully deductible for the tax purposes.

LLC Emergency Service

On 1 June 2016 JSC Medical Corporation EVEX ("Acquirer"), a wholly owned subsidiary of the Group, obtained de-facto control on LLC Emergency Service ("ES"), a healthcare company operating in Georgia from individual investors.

The provisional fair values of identifiable assets and liabilities of the ES as at the date of acquisition were:

	<i>Provisional fair value recognised on acquisition</i>
Assets	
Cash and cash equivalents	6
Receivables from healthcare services ¹	418
Inventory	1
Property and equipment	637
Total assets	1,062
Liabilities	
Borrowings	137
Accounts payable	344
Accruals for employee compensation	198
Total liabilities	679
Total identifiable net assets	383
Non-controlling interests	–
Goodwill arising on acquisition	2,467
Consideration²	2,850

1. The fair value of the receivables from healthcare services amounted to GEL 418. The gross amount of receivables is GEL 555. GEL 137 of the receivables has been impaired.

2. Consideration comprised GEL 2,850, which is due within 2.5 years.

Net cash outflow for the acquisition was as follows:

Cash paid	500
Cash acquired with the subsidiary	(6)
Net cash outflow	494

The Group decided to increase its presence and investment in the Tbilisi healthcare market by acquiring ES. Management considers that the deal will have a positive impact on the value of the Group.

Since acquisition, ES has recorded GEL 307 and GEL 39 of revenue and profit respectively. For the six months period ended 30 June 2016 revenue and profit of the acquired entity were GEL 1,796 and GEL 212 respectively.

If the combination had taken place at the beginning of the year, the Group would have recorded GEL 174,605 and GEL 45,399 of revenue and profit respectively.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in period ended 30 June 2016 (unaudited) (continued)

LLC Emergency Service (continued)

The net assets presented above are estimated provisionally as at the issue date. The Group continues a thorough examination of these net assets and if identified, adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'.

The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group's operations. For the tax legislation purposes goodwill is recognised on a stand-alone balance sheet of a company only subsequent to the legal merger of the relevant cash generating unit. Until then goodwill as an asset does not exist separately for tax purposes, rather its full amount is part of the historical cost of the investment on the company's balance sheet. Subsequent to the merger, for tax legislation purposes, the full amount of the goodwill is recognised as an intangible asset per the tax code and is subsequently amortised applying the algorithm provided by the tax code. Such amortisation is fully deductible for the tax purposes.

JSC Poti Central Clinical Hospital

On 1 January 2016 JSC Medical Corporation EVEX ("Acquirer"), a wholly owned subsidiary of the Group, obtained de-facto control on JSC Poti Central Clinical Hospital ("Poti"), a healthcare company operating in Georgia from individual investors. The provisional fair values of identifiable assets and liabilities of the Poti as at the date of acquisition were:

	<i>Provisional fair value recognised on acquisition</i>
Assets	
Cash and cash equivalents	11
Receivables from healthcare services ¹	595
Inventory	71
Property and equipment	14,539
Intangible assets	3
Prepayments	3
Other assets	91
Total assets	15,313
Liabilities	
Accounts payable	4,348
Accruals for employee compensation	187
Deferred income tax liabilities	1,381
Total liabilities	5,916
Total identifiable net assets	9,397
Non-controlling interests	–
Goodwill arising on acquisition	208
Consideration²	9,605

1. The fair value of the receivables from healthcare services amounted to GEL 595. The gross amount of receivables is GEL 647. GEL 52 of the receivables has been impaired.
2. Consideration comprises of pre-existing loans to Poti.

Net cash outflow for the acquisition was as follows:

Cash paid	–
Cash acquired with the subsidiary	11
Net cash inflow	11

The Group decided to increase its presence and investment in the regional healthcare market by acquiring Poti. Management considers that the deal will have a positive impact on the value of the Group.

Since acquisition, Poti has recorded GEL 1,320 and GEL 1,854 of revenue and profit respectively. The profit includes a non-recurring gain of GEL 1,618 resulting from a change in Georgian tax code.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in period ended 30 June 2016 (unaudited) (continued)

JSC Poti Central Clinical Hospital (continued)

The net assets presented above are estimated provisionally as at the issue date. The Group continues thorough full examination of these net assets and if identified, proper adjustments will be made to the net assets and amount of the goodwill during the 12-month period from the acquisition date, as allowed by IFRS 3 'Business Combinations'

The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group's operations. For the tax legislation purposes goodwill is recognised on a stand-alone balance sheet of a company only subsequent to the legal merger of the relevant cash generating unit. Until then goodwill as an asset does not exist separately for tax purposes, rather its full amount is part of the historical cost of the investment on the company's balance sheet. Subsequent to the merger, for tax legislation purposes, the full amount of the goodwill is recognised as an intangible asset per the tax code and is subsequently amortised applying the algorithm provided by the tax code. Such amortisation is fully deductible for the tax purposes.

Acquisitions in year ended 31 December 2015

LLC Deka

On 30 June 2015 JSC Medical Corporation EVEX ("Acquirer"), a wholly owned subsidiary of the Group, acquired 95% of the shares of LLC Deka ("Deka"), a healthcare company operating in Georgia from individual investors. The fair values of identifiable assets and liabilities of the Deka as at the date of acquisition were:

	<i>Fair value recognised on acquisition</i>
Assets	
Cash and cash equivalents	89
Property and equipment	43,814
Other assets ¹	219
Total assets	44,122
Liabilities	
Borrowings	54
Accounts payable	1,283
Accruals for employee compensation	135
Current income tax liabilities	483
Deferred income tax liabilities	6,198
Total liabilities	8,153
Total identifiable net assets	35,969
Non-controlling interests	1,768
Goodwill arising on acquisition ²	–
Consideration³	28,842

1. The fair value of the receivables from healthcare services amounted to GEL 0. The gross amount of receivables is GEL 395 which has been fully impaired.
2. Prior to acquisition, owners of Deka encountered certain financial difficulties which resulted in a lower acquisition cost causing a gain from a bargain purchase.
3. Consideration comprised GEL 28,842, which consists of cash payment of GEL 28,280 and a holdback amount with a fair value of GEL 562.

Net cash outflow for the acquisition was as follows:

Cash paid	28,280
Cash acquired with the subsidiary	(89)
Net cash outflow	28,191

The Group decided to increase its presence and investment in the Tbilisi healthcare market by acquiring Deka. Management considers that the deal will have a positive impact on the value of the Group.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in year ended 31 December 2015 (continued)

LLC Deka (continued)

In full year 2015, since acquisition, Deka has recorded GEL 1,089 and GEL 193 of revenue and profit respectively. Full year revenue and profit of the acquired entity were GEL 2,289 and GEL 313 respectively. If the combination had taken place at the beginning of the year, the Group would have recorded GEL 240,265 and GEL 23,737 of revenue and profit respectively.

The Group has elected to measure the non-controlling interests in Deka at the non-controlling interests' proportionate share of the Deka's identifiable net assets. The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group's operations. For the tax legislation purposes goodwill is recognised on a stand-alone balance sheet of a company only subsequent to the legal merger of the relevant cash generating unit. Until then goodwill as an asset does not exist separately for tax purposes, rather its full amount is part of the historical cost of the investment on the company's balance sheet. Subsequent to the merger, for the tax legislation purposes, full amount of the goodwill is recognised as an intangible asset per the tax code and is subsequently amortised applying the algorithm provided by the tax code. Such amortisation is fully deductible for the tax purposes.

As at 31 December 2015 the net assets as well as the amount of goodwill was estimated provisionally as allowed by "Business Combinations" (IFRS 3). During the period ended 30 June 2016 the Group completed full examination of the net assets. As a result, positive adjustment to carrying value of non-controlling interests amounted to GEL 280.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in year ended 31 December 2015 (continued)

LLC Catastrophe Medicine Paediatric Centre

On 1 March 2015 JSC Medical Corporation EVEX, a wholly owned subsidiary of the Group, acquired 100% share in LLC Catastrophe Medicine Paediatric Centre (“EMC”), a healthcare company operating in Georgia from individual investors.

The fair values of identifiable assets and liabilities of the EMC as at the date of acquisition were:

	<i>Fair value recognised on acquisition</i>
Assets	
Cash and cash equivalents	25
Receivables from healthcare services ¹	111
Property and equipment	104
Other assets	7
Total assets	247
Liabilities	
Accounts payable	7
Accruals for employee compensation	51
Other liabilities	58
Total liabilities	116
Total identifiable net assets	131
Non-controlling interests	–
Goodwill arising on acquisition	869
Consideration²	1,000

¹ The fair value of the receivables from healthcare services amounted to GEL 111. The gross amount of receivables is GEL 111 no receivables have been impaired.

² Consideration comprised GEL 1,000 which was fully paid in cash.

Net cash inflow for the acquisition was as follows:

Cash paid	1,000
Cash acquired with the subsidiary	(25)
Net cash inflow	975

The Group decided to increase its presence and investment in the Tbilisi healthcare market by acquiring EMC. Management considers that the deal will have a positive impact on the value of the Group.

In full year 2015, since acquisition, EMC has recorded GEL 2,309 and GEL 406 of revenue and profit respectively. Full year revenue and profit of the acquired entity were GEL 2,769 and GEL 486 respectively. If the combination had taken place at the beginning of the 2015 year, the Group would have recorded GEL 239,525 and GEL 23,697 of revenue and profit respectively.

The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group’s operations. For the tax legislation purposes goodwill is recognised on a stand-alone balance sheet of a company only subsequent to the legal merger of the relevant cash generating unit. Until then goodwill as an asset does not exist separately for tax purposes, rather its full amount is part of the historical cost of the investment on the company’s balance sheet. Subsequent to the merger, for the tax legislation purposes, full amount of the goodwill is recognised as an intangible asset per the tax code and is subsequently amortised applying the algorithm provided by the tax code. Such amortisation is fully deductible for the tax purposes.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in year ended 31 December 2015 (continued)

GNCo

On 5 August 2015 JSC Medical Corporation EVEX (“Acquirer”), a wholly owned subsidiary of the Group, acquired 50% of the shares of GNCo (“GNCo”), with effective management and operational control over the company, a healthcare company operating in Georgia from individual investors. The fair values of identifiable assets and liabilities of the GNCo as at the date of acquisition were:

	<i>Fair value recognised on acquisition</i>
Assets	
Cash and cash equivalents	427
Receivables from healthcare services ¹	8,210
Prepayments	14
Property and equipment	84,002
Intangible assets	16
Other assets	1,464
Total assets	94,133
Liabilities	
Borrowings	15,624
Accounts payable	9,833
Accruals for employee compensation	5,372
Deferred income tax liabilities	6,257
Other liabilities	3,132
Total liabilities	40,218
Total identifiable net assets	53,915
Non-controlling interests	27,212
Goodwill arising on acquisition	12,282
Consideration²	38,985

¹ The fair value of the receivables from healthcare services amounted to GEL 8,210. The gross amount of receivables is GEL 17,765. GEL 9,555 of the receivables has been impaired.

² Consideration comprised GEL 38,985, which consists of cash payment of GEL 19,346 and a holdback amount with a fair value of GEL 21,513 (the two figures do not add up to total consideration amount as of acquisition date due to fluctuation of foreign exchange rate between acquisition date and reporting date).

Net cash outflow for the acquisition was as follows:

Cash paid	19,346
Cash acquired with the subsidiary	(427)
Net cash outflow	18,919

The Group decided to increase its presence and investment in the Tbilisi healthcare market by acquiring GNCo. Management considers that the deal will have a positive impact on the value of the Group.

In full year 2015, since acquisition, GNCo has recorded GEL 16,584 and GEL 2,226 of revenue and profit respectively. Full year revenue and profit of the acquired entity were GEL 40,807 and GEL 5,319 respectively. If the combination had taken place at the beginning of the 2015 year, the Group would have recorded GEL 263,288 and GEL 26,710 of revenue and profit respectively.

The Group has elected to measure the non-controlling interests in GNCo at the non-controlling interests’ proportionate share of the GNCo’s identifiable net assets. The primary factor that contributed to the cost of business combination that resulted in the recognition of goodwill on acquisition is the positive synergy that is expected to be brought into the Group’s operations. For the tax legislation purposes goodwill is recognised on a stand-alone balance sheet of a company only subsequent to the legal merger of the relevant cash generating unit. Until then goodwill as an asset does not exist separately for tax purposes, rather its full amount is part of the historical cost of the investment on the company’s balance sheet. Subsequent to the merger, for the tax legislation purposes, full amount of the goodwill is recognised as an intangible asset per the tax code and is subsequently amortised applying the algorithm provided by the tax code. Such amortisation is fully deductible for the tax purposes.

(Thousands of Georgian Lari unless otherwise stated)

4. Business Combinations (continued)

Acquisitions in year ended 31 December 2015 (continued)

GNCo (continued)

As at 31 December 2015 the net assets as well as the amount of goodwill was estimated provisionally as allowed by “Business Combinations” (IFRS 3). During the period ended 30 June 2016 the Group completed full examination of the net assets. As a result, positive adjustment to carrying value of goodwill amounted to GEL 853.

(Thousands of Georgian Lari unless otherwise stated)

5. Segment Information

For management purposes, the Group is organised into three operating segments based on the products and services – Healthcare services, Pharma and Medical insurance. All revenues, expenses, assets and liabilities of the Group result from Georgia.

Healthcare services are the inpatient and outpatient medical services delivered by the referral hospitals, community hospitals and ambulatory clinics owned by the Group throughout the whole Georgian territory.

Medical insurance comprises a wide range of medical insurance products, including personal accident insurance, term life insurance products bundled with medical insurance and travel insurance policies, which are offered by the Group's wholly owned subsidiary Imedi L.

Pharma comprises a wide range of drugs and parapharmacy products which are offered through a chain of well-developed drug-stores by the Group's wholly owned subsidiary JSC GPC.

Management monitors the operating results of each of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as in the table below, is measured in the same manner as profit or loss in the consolidated financial statements.

Transactions between operating segments are on an arm's length basis as with transactions with third parties.

More than 50% of the Group's revenue is derived from the State. However, management believes that the government cannot be considered as a single client, because the customers of the Group are the patients that receive medical services and not the counterparties that pay for these services. Therefore, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue in the period ended 30 June 2016 or 30 June 2015.

(Thousands of Georgian Lari unless otherwise stated)

5. Segment Information (continued)

Statement of comprehensive income and selected items from the statement of financial position by segments are presented below:

	<i>Unaudited</i>				
	<i>Period ended 30 June 2016</i>				
	<i>Healthcare Services</i>	<i>Pharma</i>	<i>Medical Insurance</i>	<i>Intersegment transactions and consolidation</i>	<i>Total</i>
Healthcare services revenue	118,096	–	–	(4,746)	113,350
Revenue from pharma	–	30,691	–	–	30,691
Net insurance premiums earned	–	–	29,128	(54)	29,074
Revenue	118,096	30,691	29,128	(4,800)	173,115
Cost of healthcare services	(64,397)	–	–	2,697	(61,700)
Cost of sales of pharmaceuticals	–	(25,059)	–	–	(25,059)
Cost of insurance services and agents' commissions	–	–	(26,836)	2,049	(24,787)
Costs of services	(64,397)	(25,059)	(26,836)	4,746	(111,546)
Gross profit	53,699	5,632	2,292	(54)	61,569
Other operating income	1,871	191	35	–	2,097
Salaries and other employee benefits	(11,369)	(2,690)	(2,147)	54	(16,152)
General and administrative expenses	(6,000)	(2,533)	(1,427)	–	(9,960)
Impairment of healthcare services, insurance premiums and other receivables	(1,978)	–	(238)	–	(2,216)
Other operating expenses	(1,235)	(46)	(46)	–	(1,327)
	(20,582)	(5,269)	(3,858)	54	(29,655)
EBITDA	34,988	554	(1,531)	–	34,011
Depreciation and amortisation	(8,382)	(258)	(406)	–	(9,046)
Interest income	645	–	697	(649)	693
Interest expense	(5,903)	(427)	(137)	649	(5,818)
Net (losses)/gains from foreign currencies	(2,122)	(272)	170	–	(2,224)
Net non-recurring income/(expense)	157	–	(973)	–	(816)
Profit before income tax expense	19,383	(403)	(2,180)	–	16,800
Income tax benefit	28,105	–	320	–	28,425
Profit and total comprehensive income for the year	47,488	(403)	(1,860)	–	45,225
Assets and liabilities					
Total assets	675,998	56,334	71,120	10,637	814,089
Total liabilities	216,391	55,225	54,229	(18,984)	306,861
Other segment information					
Property and equipment	488,105	7,950	5,684	–	501,739
Intangible assets	7,412	829	2,629	–	10,870

*(Thousands of Georgian Lari unless otherwise stated)***5. Segment Information (continued)**

	<i>Period ended 30 June 2015</i>			<i>Total</i>
	<i>Healthcare Services</i>	<i>Medical Insurance</i>	<i>Intersegment transactions and consolidation</i>	
Healthcare services revenue	86,577	–	(4,024)	82,553
Net insurance premiums earned	–	27,814	(163)	27,651
Revenue	86,577	27,814	(4,187)	110,204
Cost of healthcare services	(48,462)	–	2,253	(46,209)
Cost of insurance services and agents' commissions	–	(23,321)	1,771	(21,550)
Costs of services	(48,462)	(23,321)	4,024	(67,759)
Gross profit	38,115	4,493	(163)	42,445
Other operating income	1,567	129	–	1,696
Salaries and other employee benefits	(10,837)	(1,928)	163	(12,602)
General and administrative expenses	(3,687)	(1,263)	–	(4,950)
Impairment of healthcare services, insurance premiums and other receivables	(1,737)	(109)	–	(1,846)
Other operating expenses	(1,076)	(79)	–	(1,155)
	(17,337)	(3,379)	163	(20,553)
EBITDA	22,345	1,243	–	23,588
Depreciation and amortization	(4,600)	(289)	–	(4,889)
Interest income	397	1,110	(284)	1,223
Interest expense	(10,481)	(1,144)	284	(11,341)
Net gains from foreign currencies	4,880	569	–	5,449
Net non-recurring expense	(767)	–	–	(767)
Profit before income tax expense	11,774	1,489	–	13,263
Income tax benefit / (expense)	708	(655)	–	53
Profit and total comprehensive income for the period	12,482	834	–	13,316
Assets and liabilities				
Total assets	703,309	67,371	(12,400)	758,280
Total liabilities	247,762	47,937	(12,400)	283,299
Other segment information				
Property and equipment	439,131	5,587	–	444,718
Intangible assets	2,457	2,617	–	5,074

(Thousands of Georgian Lari unless otherwise stated)

6. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Current and on-demand accounts with banks	10,612	145,095
Cash on hand	600	58
Total cash and cash equivalents	11,212	145,153

Cash and cash equivalents of Imedi L on a stand-alone basis are GEL 1,874 (2015: GEL 6,069). The requirement of the Insurance State Supervision Service of Georgia (“ISSSG”) is to maintain a minimum level of cash and cash equivalents at 10% of the total insurance contract liabilities subject to mandatory reserve requirements as defined by the ISSSG regulatory reserve requirement resolution, which as at the reporting date amounts to GEL 797 (2015: GEL 957). Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

7. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Time deposits with banks, foreign currency	6,432	6,203
Time deposits with banks, local currency	8,751	6,042
Total amounts due from credit institutions	15,183	12,245

As at 30 June 2016 amounts due from credit institutions are represented by short (remaining maturity from reporting date of 1 to 12 months) and medium-term placements with banks and earn annual interest of 1.11% to 14.1% (2015: 1.11% to 14.1%). As at 30 June 2016 amounts due from credit institutions include GEL 2,091 (2015: GEL 2,142) of restricted cash under the export facility agreement with ING Bank N.V.

8. Insurance Premiums Receivables

Insurance premiums receivables comprise:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Insurance premiums receivable from policyholders	37,180	23,355
Less – Allowance for impairment	(2,905)	(2,692)
Total insurance premiums receivables, net	34,275	20,663

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2016 and 31 December 2015.

9. Receivables from Healthcare Services

Receivables from healthcare services comprise:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Receivables from State	63,261	58,126
Receivables from individuals and other	14,450	8,797
Receivables from insurance companies	5,466	6,769
	83,177	73,692
Less – Allowance for impairment	(12,779)	(7,829)
Total receivables from healthcare services, net	70,398	65,863

The carrying amounts disclosed above reasonably approximate their fair values as at 30 June 2016 and 31 December 2015.

(Thousands of Georgian Lari unless otherwise stated)

9. Receivables from Healthcare Services (continued)

The Group's largest receivable is from the State, representing amounts receivable under the Universal Healthcare Programme ("UHC") introduced by the State in March 2013. Through the UHC, the State provides basic healthcare coverage to the entire population, including more than 2 million people who previously lacked any medical insurance and purchased healthcare services only on an out-of-pocket basis. Currently fully operational, the implementation of UHC took place in several stages:

- March 2013. Urgent in-patient and limited out-patient healthcare was offered free of charge for individuals who were previously not covered by State or private insurance programmes (accounting for approximately 2 million people, including children above the age of six and adults);
- July 2013. UHC was extended to cover intensive therapy, planned surgeries, treatment of oncology diseases (including radiotherapy, chemotherapy and hormone therapy) as well as childbirth expenses;
- April 2014. UHC superseded the State Insurance Programme (SIP) – the first of two existing State insurance programmes that had provided healthcare coverage to "economically vulnerable" citizens since 2007;
- September 2014. UHC superseded the second SIP (under the Decree №165) that covered pensioners, children under 6 and students.

A summary description of UHC is as follows:

- UHC is fully financed by the Georgian Government and administered by the Social Service Agency. In most cases beneficiaries have an annual limit of 15,000 Lari per incident. This threshold limits the services to which a patient can have access, resulting in the need for co-payment for most critical elective services;
- UHC beneficiaries are eligible to select a healthcare provider of their choice, as long as it is enrolled in the programme;
- Any provider, private or public, is eligible to participate in the programme;
- The actual prices that are charged to patients by healthcare providers are not regulated by the State. However, the reimbursement scheme (i.e. the amount paid by the State to healthcare providers) differs depending on the type of services:
 - The capitation method is used for elective outpatient services;
 - Emergency medical care tariffs are based on the minimum historic prices under the previous State medical insurance programmes, with the possibility of changes over time;
 - For elective in-patient services, the amount reimbursed by the State is based on the average of the lowest 25th percentile of the prices charged by countrywide providers, with the patient making a co-payment for any excess charges.

UHC reimbursement scheme for the selected services in Georgia is as follows:

Service	Reimbursement from the State
Scheduled ambulatory service	70%
Service of a family doctor and basic laboratory tests	100%
Emergency in-patient services	70/100% with a limit for a single accident of 15,000 Lari
Scheduled surgeries and associated tests	70%; annual limit –15,000 Lari
Treatment of oncology diseases	80%; annual limit –12,000 Lari
Childbirth	500 Lari; caesarean section –800 Lari

(Thousands of Georgian Lari unless otherwise stated)

10. Property and Equipment

The movements in property and equipment were as follows:

	<i>Land and office buildings</i>	<i>Hospitals & clinics</i>	<i>Furniture and fixtures</i>	<i>Computers</i>	<i>Medical equipment</i>	<i>Motor vehicles</i>	<i>Leasehold improvements</i>	<i>Assets under construction</i>	<i>Total</i>
Cost									
1 January 2015	2,031	209,265	7,947	4,241	49,016	2,762	1,300	4,373	280,935
Acquisition through business combinations (Note 4)	–	92,693	2,442	2	22,702	133	–	7,341	125,313
Additions	–	11,708	1,978	4,262	42,123	1,887	5,298	2,314	69,570
Transfers from investment property	1,586	–	–	–	–	–	–	–	1,586
Disposals	–	(1,513)	(72)	(316)	(755)	(256)	(280)	–	(3,192)
Transfers	(29)	337	(2,470)	124	2,550	188	851	(1,551)	–
31 December 2015	3,588	312,490	9,825	8,313	115,636	4,714	7,169	12,477	474,212
Acquisition through business combinations (Note 4)	4,640	13,296	1,088	1,323	1,254	617	1,063	–	23,281
Additions	–	12,696	1,723	504	32,847	143	929	–	48,842
Disposals	–	(5,412)	(126)	(319)	(198)	(908)	(9)	–	(6,972)
Transfers and corrections	(46)	7,689	(1,948)	(1,836)	(15,884)	(635)	(137)	(7,689)	(20,486)
30 June 2016(Unaudited)	8,182	340,759	10,562	7,985	133,655	3,931	9,015	4,788	518,877
	<i>Land and office buildings</i>	<i>Hospitals & clinics</i>	<i>Furniture and fixtures</i>	<i>Computers</i>	<i>Medical equipment</i>	<i>Motor vehicles</i>	<i>Leasehold improvements</i>	<i>Assets under construction</i>	<i>Total</i>
Accumulated depreciation									
1 January 2015	135	2,631	1,520	1,737	11,295	472	207	–	17,997
Depreciation charge	20	3,760	1,025	1,265	5,738	342	163	–	12,313
Disposals	–	(114)	(23)	(5)	(477)	(99)	(98)	–	(816)
Transfers	(2)	49	30	22	(64)	4	(39)	–	–
31 December 2015	153	6,326	2,552	3,019	16,492	719	233	–	29,494
Depreciation charge	21	1,633	559	628	5,274	272	115	–	8,502
Disposals	–	(243)	(94)	(7)	–	(27)	–	–	(371)
Transfers and corrections	–	–	(1,963)	(1,836)	(15,884)	(635)	(169)	–	(20,487)
30 June 2016(Unaudited)	174	7,716	1,054	1,804	5,882	329	179	–	17,138
Net book value:									
1 January 2015	1,896	206,634	6,427	2,504	37,721	2,290	1,093	4,373	262,938
31 December 2015	3,435	306,164	7,273	5,294	99,144	3,995	6,936	12,477	444,718
30 June 2016(Unaudited)	8,008	333,043	9,508	6,181	127,773	3,602	8,836	4,788	501,739

(Thousands of Georgian Lari unless otherwise stated)

10. Property and Equipment (continued)

The Group pledges its office and hospital buildings and assets under construction as collateral for its borrowings. The carrying amount of the buildings and assets under construction pledged as at 30 June 2016 was GEL 283,445 (2015: GEL 322,076).

The Group engages an independent appraiser to determine the fair value of its land and office buildings. Fair value is determined by reference to market-based evidence. The most recent revaluation report for the Group's buildings was dated 31 December 2015. If the land and office buildings were measured using the cost model, the carrying amounts of the buildings as at 30 June 2016 and 31 December 2015 would be as follows:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Cost	6,739	3,521
Accumulated depreciation and impairment	(203)	(151)
Net carrying amount	6,536	3,370

11. Goodwill and Other Intangible Assets

The movements in goodwill were as follows:

	<i>Goodwill</i>
31 December 2015	20,713
Acquisition through business combinations (Note 4)	32,297
Change in provisional value of goodwill of HTMC	853
30 June 2016(Unaudited)	53,863

Other intangible assets comprise of licenses and computer software with carrying value as at 30 June 2016 of GEL 10,870 (2015: GEL 5,074). As at 30 June 2016 cost of other intangible assets equalled GEL 12,331 (2015: GEL 6,119) and accumulated amortisation equalled GEL 1,461 (2015: GEL 1,045). The Group did not identify impairment of intangible assets as at 30 June 2016.

The table below presents carrying values of goodwills by subsidiary companies.

	<i>Effective annual growth rate in three- year financial budgets</i>	<i>WACC applied for impairment</i>	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
JSC Insurance Company Aldagi	10.00%	13.7%	3,260	3,260
JSC My Family Clinic	10.00%	13.7%	508	508
JSC Insurance Company Partner	10.00%	13.7%	103	103
JSC Insurance Company Imedi L International	10.00%	13.7%	99	99
Caraps Medline	10.00%	13.7%	3,534	3,534
Traumatology	10.00%	13.7%	911	911
GNCco	10.00%	13.7%	12,282	11,429
LLC Catastrophe Medicine Paediatric Centre	10.00%	13.7%	869	869
JSC GPC	10.00%	13.7%	29,622	–
LLC Emergency Service	10.00%	13.7%	2,467	–
JSC Poti Central Clinical Hospital	10.00%	13.7%	208	–
Total			53,863	20,713

In calculating the Weighted Average Cost of Capital (“WACC”) the following assumptions were made:

- A moderate, stable 3% growth of real GDP was assumed based on the Government's forecasts.
- Actual return on average equity was assumed to be close approximation of required return for shareholders.

Management believes that reasonably possible changes in key assumptions used to determine the recoverable amount of CGUs will not result in an impairment of goodwill.

The Group performs goodwill impairment testing annually. The latest impairment test performed by the Group was as at 31 December 2015. The Group did not identify impairment of goodwill as at 31 December 2015. There are no indicators of impairment at 30 June 2016.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation, using cash flow projections based on financial budgets approved by senior management covering from a one to three-year period.

(Thousands of Georgian Lari unless otherwise stated)

12. Taxation

The corporate income tax expense comprises:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Current tax benefit / (expense)	828	(682)
Deferred tax benefit– origination and reversal of temporary differences	27,597	735
Income tax benefit	28,425	53

Georgian legal entities must file individual tax declarations. The statutory corporate tax rate was 15% in the period ended 30 June 2016 and 30 June 2015.

In May 2016, the parliament of Georgia signed a document approving a change in the current corporate taxation model which is applicable starting from 1 January 2017 for all entities apart from financial institutions, including insurance business and is applicable starting from 1 January 2019 to financial institutions, including our medical insurance subsidiary – Imedi L. The new model implies zero rate on retained earnings and 15% tax rate on distributed earnings. The Group considers the new regime as substantively enacted effective June 2016 and thus has re-measured its deferred tax assets and liabilities. The deferred tax assets and liabilities remaining as of 30 June 2016 are attributable to only those temporary differences that are expected to be realised or reversed before the new Corporate Income Tax code becomes effective. The change had immediate impact on deferred tax asset and deferred tax liability balances. The Group calculated the portion of the deferred expected to be utilised before 1 January 2017 for healthcare services and pharma subsidiaries and the portion of deferred tax expected to be utilised before 1 January 2019 for medical insurance business and fully wrote-off the unutilised portion of deferred tax assets and liabilities.

The effective income tax rate differs from the statutory income tax rates. Reconciliation of the income tax expense based on statutory rates with actual is as follows:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
IFRS income before tax	16,800	13,263
Statutory tax rate	15%	15%
Theoretical income tax expense at the statutory rate	2,520	1,989
Georgian tax code change effect	(25,135)	(1,588)
Recovery of deferred tax assets	(4,176)	–
Non-taxable income	(1,857)	(462)
Non-deductible expenses	223	8
Income tax benefit	(28,425)	(53)

Non-taxable income mainly comprises the amount of utilised investment tax credit. Reinvestment of profits in medical business is free from taxation in accordance with Georgian tax legislation. Judgment is applied to assess and determine the portion of the current year profit that the Group will reinvest in its core economical activities during the next three years. The probable future reinvestment amount of current year profit is based on the medium term business plan (three years following the current year) prepared by the management.

(Thousands of Georgian Lari unless otherwise stated)

12. Taxation (continued)

Deferred tax assets and liabilities as at 30 June 2016 and their movements for the period then ended comprise:

	<i>1 January 2015</i>	<i>In the income statement</i>	<i>Acquired through business combination</i>	<i>31 December 2015</i>	<i>In the income statement</i>	<i>Acquired through business combination</i>	<i>Unaudited 30 June 2016</i>
Tax effect of deductible temporary differences							
Tax loss carried forward	3,135	1,012	–	4,147	(3,630)	–	517
Insurance premiums receivables	705	415	–	1,120	(631)	–	489
Receivable from healthcare services	798	732	–	1,530	(1,530)	–	–
Receivable from sale of pharmaceuticals	–	–	–	–	(214)	214	–
Accruals for employee compensation	433	433	988	1,854	598	200	2,652
Borrowings	–	23	–	23	(6)	–	17
Accounts payable	–	–	–	–	(21)	63	42
Other assets	356	(42)	–	314	(242)	–	72
Deferred tax assets	5,427	2,573	988	8,988	(5,676)	477	3,789
Tax effect of taxable temporary differences:							
Property and equipment	17,090	1,054	13,443	31,587	(33,338)	1,915	164
Investment in associate	–	–	–	–	10	289	299
Debt securities issued	–	117	–	117	(117)	–	–
Insurance contract liabilities	6	37	–	43	(86)	–	(43)
Intangible assets	264	91	–	355	(15)	–	340
Other liabilities	857	(848)	–	9	273	(542)	(260)
Deferred tax liabilities	18,217	451	13,443	32,111	(33,273)	1,662	500
Net deferred tax (liability)/asset	(12,790)	2,122	(12,455)	(23,123)	27,597	(1,185)	3,289
Deferred income tax assets	703	2,573	(2,480)	796	2,044	477	3,317
Deferred income tax liabilities	(13,493)	(451)	(9,975)	(23,919)	25,553	(1,662)	(28)

(Thousands of Georgian Lari unless otherwise stated)

12. Taxation (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Georgia currently has a number of laws related to various taxes imposed by State governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), and a turnover based tax, amongst others. Laws related to these taxes have not been in force for significant periods in contrast to more developed market economies. Therefore, regulations are often unclear or non-existent and few precedents have been established. This creates tax risks in Georgia that are substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues. The Group's operations and financial position will continue to be affected by Georgian political developments, including the application and interpretation of existing and future legislation and tax regulations. Such possible occurrences and their effect on the Group could have a material impact on the Group's operations or its financial position in Georgia.

13. Prepayments

Prepayments comprise:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Prepayments for property and equipment and intangible assets	42,056	6,119
Prepayments for operating expenses	7,018	2,998
Total prepayments	49,074	9,117

14. Other Assets

Other assets comprise:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015, as reclassified</i>
Non-medical receivables	4,118	4,501
Deferred acquisition costs	1,641	1,050
Prepaid operating taxes	1,953	1,401
Loans issued	2,605	10,314
Receivables originated from letters of credit	–	3,086
Other	1,309	2,948
Total other assets, gross	11,626	23,300
Less – allowance for impairment	(1,583)	(1,583)
Total other assets, net	10,043	21,717

As at 31 December 2015 loans issued by the Group consisted mainly of the loans granted to the Block Georgia Group and Poti, the parent company of Poti. During six months period ended 30 June 2016 the Group obtained control over Poti in exchange for offsetting of pre-existing loans and liabilities (Note 4).

(Thousands of Georgian Lari unless otherwise stated)

15. Insurance Contract Liabilities

Insurance contract liabilities comprise:

	<i>Unaudited</i> <i>30 June 2016</i>	<i>31 December</i> <i>2015</i>
Insurance contracts liabilities		
- Unearned premiums reserve (“UPR”)	30,562	17,985
- Reserves for claims reported but not settled (“RBNS”)	1,502	1,716
- Reserves for claims incurred but not reported (“IBNR”)	877	1,650
Total insurance contracts liabilities	32,941	21,351

Movements in the insurance contract liabilities during the period can be analysed as follows:

	<i>Unaudited</i> <i>30 June 2016</i>	<i>31 December</i> <i>2015</i>
At the beginning of the period	21,351	17,583
Premiums written during the period	41,651	61,648
Premiums earned during the period	(29,074)	(58,369)
Claims incurred during the period	22,907	42,882
Claims paid during the period	(23,894)	(42,393)
At the end of the period	32,941	21,351

16. Borrowings

Borrowings comprise:

	<i>Unaudited</i> <i>30 June 2016</i>	<i>31 December</i> <i>2015</i>
Borrowings from local financial institutions	90,210	97,789
Borrowings from foreign financial institutions	11,942	14,423
Borrowings from shareholders	5,281	5,013
Total borrowings	107,433	117,225

In the period ended 30 June 2016 borrowings from local financial institutions had an average interest rate of 11.27% per annum (2015: 13.75%), maturing on average in 1,279 days (2015: 1,713 days). The only borrowings from an international financial institution had an interest rate of Libor + 1.9% per annum (2015: Libor + 1.9%), maturing in 1,279 days (2015: 1,352 days). Some borrowings are received upon certain conditions, such as maintaining different limits for leverage, capital investments, minimum amount of immovable property and others. At 30 June 2016 and 31 December 2015 Group complied with all these lender covenants. The Group does not have any undrawn loan commitments.

17. Accounts Payable

Accounts payable comprise:

	<i>Unaudited</i> <i>30 June 2016</i>	<i>31 December</i> <i>2015</i>
Accounts payable for healthcare materials and supplies	40,067	20,281
Accounts payable for healthcare services	3,182	3,340
Accounts payable for office supplies	8,435	5,311
Other accounts payable	898	1,244
Total accounts payable	52,582	30,176

18. Debt securities issued

In June 2015 EVEX completed the issuance of two-year local bonds of US\$15 million (GEL 34.2 million). The bonds were issued at par value with an annual coupon rate of 9.5% payable semi-annually. In the six month period ended 30 June 2016, the Group early redeemed USD 577 (GEL 1,350) of the debt securities and incurred insignificant loss on the transaction.

(Thousands of Georgian Lari unless otherwise stated)

19. Payables for Share Acquisitions

Payables for share acquisitions (also referred to as a “holdback” or an “acquisition holdback”) are stated at fair value and represent outstanding amounts payable for business combinations and acquisition of non-controlling interest in existing subsidiaries.

Payables for business combination is a portion of the total consideration, payment of which is deferred for a specified period of time in the future and, usually, is contingent upon certain events or conditions precedent or covenants established by the buyer. These conditions are: (i) The audited total equity balance in accordance with IFRS should not be materially different compared to management accounts existing as at the date of deal; (ii) Material unrecorded liabilities should not be identified; (iii) Any liabilities of the acquiree and/or its related parties towards the acquirer should not remain unpaid for greater than predetermined period after acquisition. Once these conditions precedent are fulfilled, the holdback amount is then paid fully or adjusted, as prescribed in the share purchase agreement for each particular business combination.

As at 30 June 2016 payable for share acquisitions comprised a holdback for the acquisition of JSC GPC of GEL 4,685 and a holdback for acquisition of LLC Emergency Service of GEL 2,850. As at 31 December 2015 the amount payable for share acquisitions of the Group comprised amounts payable for and deriving from the acquisitions of GNCo of GEL 21,513 and Deka of GEL 562.

20. Finance Lease Liabilities

Finance lease liabilities comprises of the minimum lease payments and repurchase option price, exercisable in up to one year period, of three ambulatory clinics located in Tbilisi.

21. Other Liabilities

Other liabilities comprise:

	<i>Unaudited</i> <u>30 June 2016</u>	<u>31 December 2015</u>
Payable for purchase of property and equipment	28,560	5,295
Operating taxes payable	7,352	3,881
Insurance claims payable	2,530	2,177
Provision for ongoing litigations	1,793	1,533
Payable for professional services	–	232
Other	4,731	1,604
Total other liabilities	<u>44,966</u>	<u>14,722</u>

Provisions for ongoing litigations result from the acquired companies GNCo (GEL 1,533) and JSC GPC (GEL 260). The provisions were created on acquisition and were taken into account in the process of determining consideration for the business combination upon the company acquisition. There have been no changes in provisions for ongoing litigation since acquisition date.

22. Commitments and Contingencies

Legal

In the ordinary course of business, the Group and the Company are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group or the Company.

(Thousands of Georgian Lari unless otherwise stated)

22. Commitments and Contingencies (continued)

Taxation

Georgian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant tax authorities. Recent events within Georgia suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the period of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

Financial commitments and contingencies

The Group's financial commitments and contingencies comprise the following:

	<i>Unaudited 30 June 2016</i>	<i>31 December 2015</i>
Capital commitments	29,132	17,176
Lease commitments		
- Leases expiring not later than 1 year	11,389	3,639
- Leases expiring later than 1 year but not later than 5 years	23,487	16,278
Total financial commitments and contingencies	64,008	37,093

In the period ended 30 June 2016 capital commitments comprised construction contracts for the reconstruction of Deka, hospitals in Samtskhe and the oncology centre in Kutaisi. In year ended 31 December 2015 capital commitments comprised construction contracts for hospitals in Samtskhe and the oncology centre in Kutaisi. The Group did not have contingent rents or sublease payments. The amount of lease expense recognised is disclosed in Note 31 as included in occupancy, maintenance and rent.

(Thousands of Georgian Lari unless otherwise stated)

23. Equity

In April 2015 the Group obtained a convertible loan from BGEO in the amount of USD 12 million (GEL 28,280 as of conversion date). In May 2015 the loan was converted to 13,446,125 of GHG shares with par value of GEL 1 (par value changed to GBP 0.1 after IPO). The difference of GEL 14,834 between the carrying amount of the converted loan and par value of shares issued was recognised within additional paid-in capital.

In the six month period ended 30 June 2016 and in the year ended 31 December 2015 the following changes occurred in the amount of issued shares:

	<i>Number of ordinary shares</i>	<i>Amount of ordinary shares</i>
1 January 2015	28,334,829	28,335
Imedi L and EVEX shares	(28,334,829)	–
Holding company establishment	76,053,875	(9,284)
Loan conversion	13,446,125	13,446
Proceeds from IPO (Note 1)	38,681,820	14,073
Issue of treasury shares	3,500,000	1,272
31 December 2015	131,681,820	47,842
Capital reduction	–	(43,058)
30 June 2016(Unaudited)	131,681,820	4,784

As at 30 June 2016 the total authorised shares of GHG amounted to 131,681,820 at par value of 0.01 British Pound all of which were fully paid. As at 31 December 2015 the total authorised shares of GHG amounted to 131,681,820 at par value of 0.1 British Pound all of which were fully paid.

In January 2016, the Group undertook a reduction of capital in order to create distributable reserves for the Company. The difference between the nominal value of the Company's shares (GBP 0.01) and the aggregate carrying value of the Group's Share Capital, Additional paid-in capital and Treasury shares was credited to the merger reserve created in connection with the capital reduction. It was the intention of the Group that the maximum amount of distributable reserves be created. The Group implemented a Court-approved reduction of capital which reduced the original nominal value of GHG shares thereby creating distributable reserves.

The number of treasury shares held by the Company as at 31 December 2015 was 3,500,000. These shares were purchased on 9 November 2015 in the open market for GEL 1,272. The treasury shares are kept by the Company for the purposes of its future employee share-based compensation.

The Share capital of the Company was paid by the shareholders in Georgian Lari and they were entitled to dividends in Georgian Lari before the IPO. After establishment of GHG PLC (Note 1) the Company share capital was denominated in GBP and shareholders are entitled to dividends in GBP. No dividends were announced or distributed in 2016 or 2015 year.

Proceeds from the IPO in November 2015 equalled GEL 233,975. In 2016 the Group has identified transaction costs related to the IPO of GEL 2,520. In 2015 the Group identified transaction costs related to IPO of GEL 11,836. These costs have been debited directly to equity through Additional paid-in capital and mainly comprise London Stock Exchange listing related fees of GEL 602, business travel expenses of GEL 430, IPO related cash bonuses accrued of GEL 200, professional service expenses related to the IPO including audit and consultancy expenses as well as investment bankers' fees of GEL 13,098, representative and other individually immaterial expenses of GEL 291 and the tax effect of the IPO transaction costs of GEL 265, deducted from the transaction costs.

Regulatory capital requirements in Georgia are set by the ISSSG and are applied to Imedi L solely on a stand-alone basis. The ISSSG requirement is to maintain a minimum Capital of GEL 1,500, of which 80% should be kept in current accounts. A bank confirmation letter is submitted to ISSSG on a quarterly basis in order to prove compliance with the above-mentioned regulatory requirement. Imedi L regularly and consistently complies with the ISSSG regulatory capital requirement.

For the purpose of calculating both basic and diluted earnings per share the Group used Profit and total comprehensive income for the period attributable to shareholders of the Company of GEL 37,676 (30 June 2015: GEL 11,854) as a numerator and the weighted average number of shares outstanding during the six months period ended 30 June 2016 of 128,181,820 (30 June 2015: 49,384,275) as a denominator.

(Thousands of Georgian Lari unless otherwise stated)

23. Equity (continued)

Nature and purpose of other reserves

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of office buildings and decreases to the extent that such decrease reverses an increase in the fair value of the same asset previously recognised in equity. As at 30 June 2016 revaluation reserve for property and equipment equalled GEL 438 (2015: 438).

Gains (losses) from sale/acquisition of shares in existing subsidiaries

In March 2016, the Group acquired the remaining 33.3% minority shareholding of its largest pediatric hospital, Iashvili Referral Hospital. The Group has held a 66.7% controlling interest in Iashvili since February 2014. In exchange for the 33.3% minority shareholding in Iashvili, GHG paid cash consideration of US\$ 1.0 million and transferred non-cash consideration - all of its fixed assets in Tbilisi Maternity Hospital "New Life" - to the seller of the minority stake. The resulting gain from the acquisition was GEL 468.

In February 2015 JSC Georgia Healthcare Group acquired an additional 25% stake in LLC Children New Clinic, an existing subsidiary of which the Group previously owned a 75% stake. Acquisition of additional interests in existing subsidiaries in the year ended 31 December 2015 derives from this transaction. The consideration paid by the Group comprised GEL 2,011 for the purchase of the non-controlling interest of GEL 3,265. The resulting gain GEL 1,254 is recorded directly in equity.

As at 30 June 2016 Gains (losses) from sale/acquisition of shares in existing subsidiaries equalled GEL (15,282) (2015: GEL (15,727)).

24. Healthcare Services Revenue

Healthcare services revenue comprises:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Healthcare services revenue from State	88,346	65,788
Healthcare services revenue from out-of-pocket and other	23,605	17,095
Healthcare services revenue from insurance companies	2,533	1,512
Less: Corrections & rebates	(1,134)	(1,842)
Total healthcare services revenue	113,350	82,553

Healthcare services revenue from State represents the revenue through UHC. A full description of the programme is provided in Note 9 above.

25. Revenue from pharma

Revenue from pharma comprises:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Wholesale	7,625	-
Retail	23,066	-
Total revenue from pharma	30,691	-

(Thousands of Georgian Lari unless otherwise stated)

26. Net Insurance Premiums Earned

Net insurance premiums earned comprise:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015, as reclassified</i>
Gross premiums written	41,651	41,289
Change in unearned premiums reserve	(12,577)	(13,638)
Total net insurance premiums earned	29,074	27,651

27. Cost of Healthcare Services

Cost of healthcare services comprises:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Cost of salaries and other employee benefits	(37,950)	(29,569)
Cost materials and supplies	(18,052)	(12,148)
Cost of utilities and other	(4,904)	(3,559)
Cost of providers	(794)	(933)
Total cost of healthcare services	(61,700)	(46,209)

Cost of utilities and other comprise electricity, natural gas, cleaning, water supply, fuel supply, repair and maintenance of medical equipment. Indirect salaries that were not included in the cost of healthcare services in the period ended 30 June 2016 amounted to GEL 16,152 (period ended 30 June 2015: GEL 12,602) and were presented as a separate line item in profit or loss. The total amount of salaries and other employee benefits recognised as an expense in profit or loss in the period ended 30 June 2016 amounted to GEL 54,102 (period ended 30 June 2015: GEL 42,171).

28. Cost of sales of pharmaceuticals

Cost of sales of pharmaceuticals comprises:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Wholesale	(6,545)	–
Retail	(18,514)	–
Total cost of sales of pharmaceuticals	(25,059)	–

29. Cost of insurance services and agents' commissions

Cost of insurance services and agents' commissions comprises:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015, as reclassified</i>
Insurance claims paid	(23,894)	(21,180)
Change in insurance contract liabilities	987	1,079
Net insurance claims incurred	(22,907)	(20,101)
Agents, brokers and employee commissions	(1,880)	(1,449)
Cost of insurance services and agents' commissions	(24,787)	(21,550)

(Thousands of Georgian Lari unless otherwise stated)

30. Salaries and Other Employee Benefits

Salaries and employee benefits comprise:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Salaries and other benefits	(14,235)	(10,662)
Cash bonuses	(791)	(1,530)
Share-based compensation	(1,126)	(410)
Total salaries and other employee benefits	(16,152)	(12,602)

The average number of full time employees, including those whose salaries are included in cost of healthcare services, in the six month period ended 30 June 2016 equaled 10,797 (30 June 2015: 8,295).

31. General and Administrative Expenses

General and administrative expenses comprise:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Occupancy, maintenance and rent	(3,362)	(690)
Office supplies	(1,510)	(1,146)
Marketing and advertising	(1,225)	(289)
Professional services	(875)	(339)
Communication	(510)	(464)
Travel	(341)	(169)
Representative expense	(298)	(329)
Bank fees and commissions	(244)	(100)
Security	(136)	(26)
Other	(1,459)	(1,398)
Total general and administrative expenses	(9,960)	(4,950)

In six month period ended 30 June 2016 and 30 June 2015 other general and administrative expenses mainly comprised training, property tax, property insurance and other operating tax expenses.

32. Interest Income and Interest Expense

Interest income and interest expense comprise:

	<i>Unaudited Period ended 30 June 2016</i>	<i>Period ended 30 June 2015</i>
Interest income		
Interest income from loans issued	84	623
Interest income from amounts due from credit institutions	609	600
Total interest income	693	1,223
Interest expense		
Interest expense on borrowings	(3,927)	(11,019)
Interest expense on debt securities issued	(1,891)	(322)
Total interest expense	(5,818)	(11,341)

In the six months period ended 30 June 2016 the amount of borrowing costs capitalised in relation to qualifying items of property and equipment comprised GEL 846 (2015: GEL 652).

(Thousands of Georgian Lari unless otherwise stated)

33. Net Non-Recurring Expense

Net non-recurring expense for the six month period ended 30 June 2016 comprises:

- GEL 2,348 gain from disposal of New Life clinic;
- GEL 2,973 loss from one-off write-off of old receivables;
- GEL 1,615 gain from write-off of waived payables;
- GEL 738 loss on contract terms which are expected to be improved in the second half of the year 2016;
- GEL 441 loss from one-off compensations to employees;
- GEL 336 one-off currency conversion loss from settlement of consideration paid for acquisition of JSC GPC.
- GEL 200 one-off income from penalties to constructors.
- GEL 418 loss from write-off other assets.
- GEL 73 net loss from other individually insignificant transactions.

Net non-recurring expense for six month period ended 30 June 2015 comprises:

- GEL 374 expenses on employee dismissal as a result of reorganisation of acquired clinics;
- GEL 365 initial public offering transaction costs;
- GEL 28 loss from other insignificant transactions.

(Thousands of Georgian Lari unless otherwise stated)

34. Share-based Compensation

Abacus Corporate Trustee Limited (the “Trustee”) acts as the trustee of the Group’s Executives’ Equity Compensation Plan (“EECP”). It was set up by the Group’s ultimate parent, BGEO and the Group’s share-based compensation is reviewed, approved, awarded and then settled by BGEO, through the EECP and the Trustee.

During 2015 different individuals from the top management of BGEO acted as CEO of the Group. The respective individuals are referred to as “the CEO” in the paragraphs that follow. Due to the fact that the Group does not expect payments of any dividends in subsequent years, they were not incorporated into the measurement of fair value of the plans.

GHG Plans

In February 2016 the Board of Directors of GHG resolved to award 237,500 ordinary shares of GHG to the CEO of the Group. In February 2016 the Board of Directors of BGEO resolved to award 281,000 ordinary shares of GHG to 3 executives. The shares were awarded with a three-year vesting period, with continuous employment being the only vesting condition for both awards. The Group considers 15 February 2016 as the grant date for the awards to the CEO and other executives. The Group estimates that the fair value of the shares awarded was GEL 6.28 per share as of grant date. The fair values were identified based on market prices on grant date. As at 30 June 2016, no shares have been vested.

In January 2015 the Board of Directors of BGEO resolved to award 175,000 ordinary shares of GHG to the CEO of the Group. In April 2015 the Board of Directors of BGEO resolved to award 159,000 ordinary shares of GHG to 3 executives. The shares were awarded with a four-year vesting period, with continuous employment being the only vesting condition for both awards. The Group considers 1 January 2015 and 29 April 2015 as the grant dates for the awards to the CEO and other executives, respectively. The Group estimates that the fair value of the shares awarded was GEL 2.18 per share as of the respective grant dates. The respective fair values were estimated using appropriate valuation techniques based on market and income approaches. As at 30 June 2016, one fourth of the awarded shares have vested.

BGEO Plans

In March 2015 the Board of Directors of BGEO resolved to award 24,576 ordinary shares of BGEO to 6 executives of the Group. The shares were awarded with a three-year vesting period, with continuous employment being the only vesting condition for the awards. The Group considers 19 March 2015 as the grant date for the awards. The Group estimates that the fair value of the shares awarded on 19 March 2015 was GEL 57.41 per share. The fair value was identified based on market prices on grant date. As at 30 June 2016, one third of the awarded shares have vested.

In February 2014 the Board of Directors of BGEO resolved to award 18,000 ordinary shares of BGEO to the CEO of the Group and 3,150 ordinary shares of BGEO to 3 executives. The shares awarded to CEO are subject to a two-year vesting period, whilst the shares awarded to the other 3 executives are subject to a three-year vesting period, with continuous employment being the only vesting condition for both awards. The Group considers 24 February 2014 as the grant date. The Group estimates that the fair value of the shares awarded on 24 February 2014 was GEL 67.90 per share. The fair value was identified based on market prices on grant date. As at 30 June 2016, approximately two thirds of the awarded shares have vested.

In February 2013 the Board of Directors of BGEO resolved to award 20,000 ordinary shares of BGEO to the CEO of the Group and 3,000 ordinary shares of BGEO to the 2 executives of the Group. The shares awarded to the CEO are subject to a two-year vesting period, whilst the shares awarded to the other 2 executives are subject to a three-year vesting period, with continuous employment being the only vesting condition for both awards. The Group considers 15 February 2013 as the grant date. The Group estimates that the fair value of the shares awarded on 15 February 2013 was GEL 35.56 per share.

Additionally, in February 2013 the CEO of the Group signed a new three-year fixed contingent share-based compensation agreement with BGEO for the total of 75,000 ordinary shares of BGEO. The total amount of shares allocated to each executive will be awarded in three equal installments during the three consecutive years starting January 2014, of which each award will be subject to a four-year vesting period. The Group considers 18 February 2013 as the grant date for the awards. The Group estimates that the fair value of the shares on 18 February 2013 was GEL 35.45. The fair value was identified based on market prices on grant date. As at 30 June 2016, three fourths of the awarded shares have vested.

(Thousands of Georgian Lari unless otherwise stated)

35. Capital Management

Capital under management consists of share capital, additional paid-in capital, retained earnings including profit or loss of the current period, revaluation and other reserves and non-controlling interests. The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are as follows:

- To maintain the required level of stability of the Group thereby providing a degree of security to the shareholders as well as insurance policyholders for the insurance arm;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To maintain financial strength to support new business growth and to satisfy the requirements of the shareholders, regulators as well as insurance policyholders for the insurance arm.

Some operations of the Group are subject to local regulatory requirements within the jurisdiction where it operates, currently Georgia only. Such regulations prescribe approval and monitoring of certain activities. They also impose certain restrictive provisions for the insurance arm, such as insurance capital adequacy and the minimal insurance liquidity requirement, to minimise the risk of default and insolvency and to meet unforeseen liabilities as they arise.

During the six month period ended 30 June 2016 and year ended 31 December 2015 the Group complied with all regulatory requirements as well as insurance capital and insurance liquidity regulations, in full.

The Group's capital management policy for its insurance business is to hold the least required amount of regulatory capital and, also, to hold sufficient liquid assets to cover statutory requirements based on the directives of ISSSG. Regulations of ISSSG require that an insurance company must hold liquid assets of at least 75% of its unearned premium reserve, net of gross insurance premiums receivable, and 100% of its loss reserves. Assets eligible for inclusion in liquid assets are: cash and cash equivalents, amounts due from credit institutions, loans issued, investment property as well as other financial assets, as defined by ISSSG. Amount of such minimal liquid assets is called "Statutory Reserve".

The Statutory Reserve requirement for Imedi L as at 30 June 2016 equals to the minimal amount of liquid assets of GEL 7,971 (2015: GEL 9,565). The insurance company is fully compliant with the requirement by holding actual GEL 8,921 (2015: GEL 10,607) of total eligible liquid assets.

(Thousands of Georgian Lari unless otherwise stated)

36. Maturity analysis

The table below analyses assets and liabilities of the Group into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

<i>30 June 2016</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>
Assets			
Cash and cash equivalents	11,212	–	11,212
Amounts due from credit institutions	15,183	–	15,183
Insurance premiums receivables	34,275	–	34,275
Receivables from healthcare services	70,398	–	70,398
Receivables from sales of pharmaceuticals	6,110	–	6,110
Investment in associate	–	2,186	2,186
Inventory	42,470	–	42,470
Prepayments	49,074	–	49,074
Property and equipment	–	501,739	501,739
Goodwill and other intangible assets	–	64,733	64,733
Current income tax assets	3,349	–	3,349
Deferred income tax assets	–	3,317	3,317
Other assets	8,620	1,423	10,043
Total assets	240,691	573,398	814,089
Liabilities			
Accounts payable	52,582	–	52,582
Accruals for employee compensation	18,265	–	18,265
Payable for share acquisitions	4,685	2,850	7,535
Insurance contract liabilities	32,941	–	32,941
Borrowings	39,191	68,242	107,433
Debt securities issued	33,824	–	33,824
Finance lease liabilities	8,886	–	8,886
Current income tax liabilities	401	–	401
Deferred income tax liabilities	–	28	28
Other liabilities	44,966	–	44,966
Total liabilities	235,741	71,120	306,861
Net position	4,950	502,278	507,228
<i>Accumulated gap</i>	4,950	507,228	
<i>31 December 2015</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>Total</i>
Assets			
Cash and cash equivalents	145,153	–	145,153
Amounts due from credit institutions	12,245	–	12,245
Insurance premiums receivables	20,663	–	20,663
Receivables from healthcare services	65,863	–	65,863
Inventory	11,056	–	11,056
Prepayments	2,998	6,119	9,117
Property and equipment	–	444,718	444,718
Goodwill and other intangible assets	–	25,787	25,787
Current income tax assets	1,165	–	1,165
Deferred income tax assets	–	796	796
Other assets	21,717	–	21,717
Total assets	280,860	477,420	758,280
Liabilities			
Accounts payable	30,176	–	30,176
Accruals for employee compensation	17,679	–	17,679
Payable for share acquisitions	22,075	–	22,075
Insurance contract liabilities	21,351	–	21,351
Borrowings	8,254	108,971	117,225
Debt securities issued	993	34,544	35,537
Current income tax liabilities	615	–	615
Deferred income tax liabilities	–	23,919	23,919
Other liabilities	14,722	–	14,722
Total liabilities	115,865	167,434	283,299
Net position	164,995	309,986	474,981
<i>Accumulated gap</i>	164,995	474,981	

(Thousands of Georgian Lari unless otherwise stated)

36. Maturity analysis (continued)

Amounts and maturities in respect of the insurance contract liabilities are based on management's best estimate based on statistical techniques and past experience. Management believes that the current level of the Group's liquidity is sufficient to meet all its present obligations and settle liabilities in timely manner.

The Group also matches the maturity of financial assets and financial liabilities and imposes a maximum limit on negative gaps.

37. Fair Value Measurements

Fair value hierarchy

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The Group uses the following hierarchy for determining and disclosing the fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show analysis of assets and liabilities measured at fair value or for which fair values are disclosed by level of the fair value hierarchy. It also includes a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities:

(Unaudited)	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value 30 June 2016</i>	<i>Carrying value 30 June 2016</i>	<i>Unrecognised gain (loss) 30 June 2016</i>
Assets measured at fair value						
Property and equipment	–	–	8,008	8,008	8,008	–
Assets for which fair values are disclosed						
Cash and cash equivalents	–	11,212	–	11,212	11,212	–
Amounts due from credit institutions	–	–	15,183	15,183	15,183	–
Receivables from healthcare services	–	–	70,398	70,398	70,398	–
Receivables from sales of pharmaceuticals	–	–	6,110	6,110	6,110	–
Liabilities for which fair values are disclosed						
Borrowings	–	–	107,029	107,029	107,433	404
Debt securities issued	–	–	34,540	34,540	33,824	(716)

(Thousands of Georgian Lari unless otherwise stated)

37. Fair Value Measurements (continued)

Fair value hierarchy (continued)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value 31 December 2015</i>	<i>Carrying value 31 December 2015</i>	<i>Unrecognised gain (loss) 31 December 2015</i>
Assets measured at fair value						
Property and equipment	–	–	3,435	3,435	3,435	–
Assets for which fair values are disclosed						
Cash and cash equivalents	–	145,153	–	145,153	145,153	–
Amounts due from credit institutions	–	–	12,245	12,245	12,245	–
Receivables from healthcare services	–	–	65,863	65,863	65,863	–
Other assets: loans issued	–	–	10,314	10,314	10,314	–
Liabilities for which fair values are disclosed						
Borrowings	–	–	116,883	116,883	117,225	342
Debt securities issued	–	–	36,554	36,554	35,537	(1,017)

The Group only carries land and office buildings at fair value (level 3). Refer to Note 10.

The following is a description of the determination of fair value for financial instruments and property that are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Property and equipment, investment property

Property and investment property at fair value consist of land and buildings, for which fair value is derived by certain inputs that are not based on observable market data. The value of these assets is measured using the market approach or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable land and buildings respectively. The cost approach reflects the amount that would be required currently to replace the service capacity of the asset.

(Thousands of Georgian Lari unless otherwise stated)

37. Fair Value Measurements (continued)

Fair value hierarchy (continued)

Impact of changes in key assumptions on fair value of level 3 assets measured at fair value

Level 3 property at fair value

<i>(Unaudited)</i>	<i>30 June 2016</i>	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Other key information</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Property and equipment	8,008						
	1,653	Market approach	Price per square meter	2,057-2,284	Square meters, building	211; 619	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 168
	197	Cost approach	Replacement cost per square meter	188	Square meters, building	1,327	10% increase (decrease) in the replacement cost per square meter would result in increase (decrease) in fair value by GEL 20
			Developers' profit margin	10%			1% increase (decrease) in the developers' profit margin would result in increase (decrease) in fair value by GEL 2
			Land price per square meter	5	Square meters, land	5,782	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 1
	1,585	Market approach	Price per square meter	1,919	Square meters, building	593	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 159
	156	Market approach	Price per square meter	1,272	Square meters, building	123	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 16
	669	Market approach	Price per square meter	1,895	Square meters, building	353	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 67
	2,610	Market approach	Price per square meter	665	Square meters, building	3,926	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 261
	1,138	Market approach	Price per square meter	114	Square meters, building	10,000	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 114

(Thousands of Georgian Lari unless otherwise stated)

37. Fair Value Measurements (continued)

Fair value hierarchy (continued)

Impact of changes in key assumptions on fair value of level 3 assets measured at fair value (continued)

	<i>31 December 2015</i>	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Other key information</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Property and equipment	3,435						
	1,653	Market approach	Price per square meter	2,057-2,284	Square meters, building	211; 619	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 168
	197	Cost approach	Replacement cost per square meter	188	Square meters, building	1,327	10% increase (decrease) in the replacement cost per square meter would result in increase (decrease) in fair value by GEL 20
			Developers' profit margin	10%			1% increase (decrease) in the developers' profit margin would result in increase (decrease) in fair value by GEL 2
			Land price per square meter	5	Square meters, land	5,782	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 1
	1,585	Market approach	Price per square meter	1,919	Square meters, building	593	10% increase (decrease) in the price per square meter would result in increase (decrease) in fair value by GEL 159

The following describes the methodologies and assumptions used to determine fair values for those financial instruments that are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that the carrying amounts approximates their fair value. This assumption is also applied to variable rate financial instruments.

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on a discounted cash flow analysis using prevailing money-market interest rates for debts with similar credit risk and maturity.

38. Related Party Transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. All transactions with related parties disclosed below have been conducted on an arm's length basis.

(Thousands of Georgian Lari unless otherwise stated)

38. Related Party Transactions (continued)

The volumes of related party transactions, outstanding balances at the period/year end, and related expense and income for the period/year are as follows:

	<i>Unaudited</i> <i>30 June 2016</i>			<i>31 December 2015</i>		
	<i>Entities under</i>			<i>Entities under</i>		
	<i>Parent*</i>	<i>common control**</i>	<i>Other***</i>	<i>Parent*</i>	<i>common control**</i>	<i>Other*</i>
Assets						
Cash and cash equivalents	–	4,259	–	97,505	7	–
Amounts due from credit institutions	–	3,005	–	5,072	–	–
Insurance premiums receivable	–	653	–	1,165	218	–
Other assets: Non-medical receivables	–	–	–	–	3,742	–
Other assets: Loans issued	–	–	–	–	–	9,954
Other assets	–	2,029	–	3	41	–
	–	9,946	–	103,745	4,008	9,954
Liabilities						
Borrowings	–	39,369	–	34,618	2,066	–
Insurance contract liabilities	–	–	–	1,419	178	–
Other liabilities	–	813	–	741	229	–
	–	40,182	–	36,778	2,473	–

	<i>Unaudited</i> <i>Period ended 30 June 2016</i>			<i>Period ended 30 June 2015</i>		
	<i>Entities under</i>			<i>Entities under</i>		
	<i>Parent*</i>	<i>common control**</i>	<i>Other***</i>	<i>Parent*</i>	<i>common control**</i>	<i>Other*</i>
Income and expenses						
Net insurance premiums earned	–	1,475	–	954	138	–
General and administrative expenses	–	(436)	–	(384)	(39)	–
Interest income	–	129	–	378	–	–
Interest expense	–	(2,880)	–	(5,870)	(208)	–
Other operating income	–	–	–	–	142	–
Other operating expenses	–	–	–	–	(175)	–
	–	(1,712)	–	(4,922)	(142)	–

* Parent includes BGEO figures. Prior year balances included both Bank of Georgia and BGEO figures since Bank of Georgia represented parent company of the Group for the portion of the 2015 year. There were no transactions between the Group and BGEO in 2016 year.

** Entities under common control include BGEO Group PLC subsidiaries.

*** Other related party comprises of single entity to which the Group provides management services.

Compensation of key management personnel comprised the following:

	<i>Unaudited</i> <i>Period ended</i> <i>30 June 2016</i>	<i>Period ended</i> <i>30 June 2015</i>
Salaries and cash bonuses	4,082	973
Share-based compensation	1,751	410
Total key management compensation	5,833	1,383

39. Events After Reporting Period

In July 2016 the Group signed a binding Memorandum of Understanding, subject to relevant regulatory approvals, to acquire a 76% equity stake in JSC Pediatrics, a children emergency service provider.

In July 2016 the Group fully drew down US\$ 10 million credit line from EBRD (The European Bank for Reconstruction and Development) with Libor + 3.9% interest rate. The loan has a grace period on principal for one year, after which the loan is to be repaid on a semi-annual basis with maturity date in May 2021.

Annexes:

- 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
- 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 expenditure 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 attributable to shareholders of the Company divided by weighted average number of shares outstanding during the same period
- FTE represent full time employees
- 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) available during the year
- Average length of stay is calculated as number of inpatient days divided by number of patients
- 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 cost of pharma
- Revenue cash conversion cycle 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

COMPANY INFORMATION

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