GEORGIA HEALTHCARE GROUP

1st Quarter Results

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

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Georgia Healthcare Group PLC ("**GHG**" or the "**Group**" – LSE: GHG LN), announces the Group's first quarter 2019 consolidated financial results. Unless otherwise mentioned, comparatives are for the first quarter of 2018. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted in the European Union ("**EU**"), are unaudited and extracted from management accounts.

FINANCIAL PERFORMANCE HIGHLIGHTS

GHG announces today the Group's 1Q19 consolidated results, reporting 13.3% y-o-y growth in revenues to GEL 235.2 million (US$87.4 million/GBP 77.9 million) and 90 bps improvement in adjusted ROIC[1]. The Group posted a profit of GEL 18.3 million (US$6.8 million/GBP 6.1 million) and earnings per share ("**EPS**") of GEL 0.09 (US$0.03 per share/GBP 0.03 per share), both excluding IFRS 16 impact.

GEL million; unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**
GHG – the leading integrated player in the Georgian healthcare ecosystem			
Revenue, gross	235.2	207.7	13.3%
EBITDA *excluding IFRS 16*	37.4	31.4	19.1%
Net Profit *excluding IFRS 16*	18.3	16.0	14.1%
EPS, GEL *excluding IFRS 16*	0.09	0.08	16.4%
ROIC adjusted[1] *(%)*	14.4%	13.5%	0.9 ppts
Hospitals business			
Revenue, gross	74.8	64.3	16.3%
EBITDA *excluding IFRS 16*	19.2	17.1	12.1%
EBITDA margin *(%) excluding IFRS 16*	25.6%	26.6%	-1.0 ppts
Net Profit *excluding IFRS 16*	5.9	5.9	-0.9%
Clinics business[2]			
Revenue, gross	11.1	9.4	17.7%
EBITDA *excluding IFRS 16*	2.1	1.4	51.0%
EBITDA margin *(%) excluding IFRS 16*	18.7%	14.6%	4.1 ppts
Net Profit *excluding IFRS 16*	(0.2)	(0.7)	NMF
Pharmacy and distribution business			
Revenue	145.8	126.9	14.9%
Gross profit margin *(%)*	26.3%	24.7%	1.6 ppts
EBITDA *excluding IFRS 16*	15.6	12.6	23.1%
EBITDA margin *(%) excluding IFRS 16*	10.7%	10.0%	0.7 ppts
Net Profit *excluding IFRS 16*	12.1	10.8	12.2%
Medical insurance business			
Net insurance premiums earned	17.5	13.3	31.5%
Loss ratio *(%)*	85.3%	84.3%	0.9 ppts
Combined ratio (%) *excluding IFRS 16*	97.9%	100.0%	-2.1 ppts
EBITDA *excluding IFRS 16*	0.6	0.2	175.5%
Net Profit/ (Loss) *excluding IFRS 16*	0.5	(0.1)	NMF
Diagnostic			
Revenue	1.15	0.70	NMF
Gross profit margin *(%)*	28.0%	26.1%	1.8 ppts
EBITDA *excluding IFRS 16*	0.05	0.08	NMF
EBITDA margin (%) *excluding IFRS 16*	4.2%	11.1%	NMF
Net Profit/ (Loss) *excluding IFRS 16*	(0.0)	0.0	NMF

[1] Return on invested capital ("ROIC") adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase
[2] Clinics business results now includes community clinics and polyclinics, new structure explained in more details on page 7

CHIEF EXECUTIVE OFFICER'S STATEMENT

During the first quarter of 2019, the Group made significant progress in delivering strong earnings growth, improved cash generation and a significant improvement in the Group's return on capital invested, together with further progress in delivering the strategy of each of its businesses.

Our first quarter performance demonstrates the start of our capturing the benefits of our last few years' investments. We see double-digit growth opportunities throughout the business over the medium-term, from leveraging the strength of our existing franchise without having to make significant further investment capital expenditure. We will continue to build out our growth opportunities, in developing medical tourism, and laboratory diagnostic services, expanding the outpatient clinics and dental services, adding new pharmacies, and new products such as private label products and to develop other new opportunities. As a result, we are strongly positioned to grow the business, improve our operating cash flows, reduce balance sheet leverage and continue to achieve improved returns on invested capital.

In the first quarter of 2019, strong organic growth led to a double-digit revenue increase in every business unit and 13.3% revenue growth at the Group level. This, combined with a strong focus on cost management, led to positive operating leverage and EBITDA growth, excluding the impact of IFRS 16, of 19.1% to GEL 37.4 million. The Group's balance sheet remains robust and, during the quarter, borrowings started to reduce. Earnings per share, excluding the impact of IFRS 16, increased by 16.4%, the Group improved its return on invested capital[3] significantly, from 13.5% to 14.4%, and posted GEL 27.0 million operating cash in 1Q19, up 6.5% y-o-y, translating into 72.1% EBITDA to cash conversion ratio.

With effect from 1 January 2019, the Group adopted IFRS 16 "Leases", the most significant impact of which is the reclassification of rent expense, to interest and depreciation expense. This has therefore improved reported EBITDA in the quarter by GEL 5.1 million, to GEL 42.5 million, whilst also increasing interest expense and depreciation by a similar amount. Whilst, over time, the net effect of these reclassifications on net profit will be zero, timing difference mean that in the first quarter of 2019, net profit was reduced by GEL 0.9 million, and we expect the full-year impact on net profit to be around GEL 2.5 million. For comparison purposes, the commentaries in this report exclude the impact of IFRS 16, however the financial statements show the full statutory reporting position.

In addition, following the opening of Mega Laboratory ("Mega Lab") in December 2018 and due to changes in management structure, we have updated our business unit structure and now report five separate business units: Hospitals; Clinics, Pharmacy and Distribution; Medical Insurance and Diagnostics. Further details are shown on page 7.

Excluding the impact of IFRS 16, the Group delivered a profit of GEL 18.3 million in the first quarter of 2019, an increase of 14.1% compared to the first quarter of last year. Strong progress in terms of both revenues and bed utilisation have been achieved in our two flagship hospitals, as they continue to ramp up their utilisation programmes. The roll-out and patient number growth in our polyclinic network also continues to deliver strong revenue uplift. Further good levels of sales growth and the completion of the integration of the pharmacy businesses have resulted in continued strong EBITDA margins and earnings growth; and the medical insurance business has returned to profitability.

Revenues totalled GEL 235.2 million for the quarter, an increase of 13.3%, supported by consistent double-digit revenue growth across the business units. Group EBITDA was GEL 37.4 million in the first quarter, a 19.1% increase year-on-year. The EBITDA margin of the hospitals business stood at 25.6% (27.8% excluding the roll-out impact), whilst the pharma business EBITDA increased 23.1% year-on-year to GEL 15.6 million, and its EBITDA margin continues to exceed expectations, increasing by 70 basis points year-on-year to 10.7%, an extremely strong performance and substantially in excess of our targeted "more than 8%" margin.

In January 2019, a new pension system became mandatory in Georgia, with participation mandatory for employees under the age of 40, and optional for employees older than 40. Each employee contributes 2% of their income to an individual retirement account, which then benefits from further 2% contributions from both the employer, and (subject to ceilings based on income) the Government. The group participates in this programme, and the total anticipated cost to the Group in 2019 is approximately GEL 4.5 million. Notwithstanding this impact, the group has delivered positive operating leverage during the first quarter of the year, and expects to continue doing so.

Hospitals business. Our hospitals business delivered record high quarterly revenue in 1Q19. We have now completed our major investments in the development of both Regional Hospital and Tbilisi Referral Hospital, and we are delivering ongoing improvements in both bed utilisation and revenues. Both hospitals are now delivering double-digit EBITDA margins, and we expect these to continuing increasing as we work over the rest of the year to build both hospitals towards maturity. Our early recruitment of a number of specialist elective care medical teams has ensured that initial utilisation rates have been very strong, and the first quarter occupancy rate in Regional Hospital was over 35%, up nearly three percentage points

[3] ROIC adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase

quarter-on-quarter. The bed occupancy rate of Tbilisi Referral Hospital reached over 52% in the first quarter of 2019, up nearly six percentage points compared to the fourth quarter of last year.

Clinics business. Our polyclinic network continues to grow, and these polyclinics now clearly stand out from their competition as new, modern facilities that provide a diverse range of high-quality services in one location. The number of registered patients in Tbilisi has grown to c.160,000 as of now, and we are targeting to reach c.200,000 registered patients over the next few months. In December last year, we entered the Georgian dental market and we now have dental clinics in eight polyclinics in Tbilisi, and have dentals offices in other large cities in the regions. Polyclinics posted a 23% growth in revenue while the business overall (including community clinics) grew revenue by 18% and increased its EBITDA margin by four percentage points y-o-y.

Pharmacy and Distribution business. Our pharmacy chain and distribution business posted record quarterly revenues of GEL 145.8 million, with 14.9% year-on-year growth supported by both strong organic growth and the further expansion in the number of pharmacies - which now total 276 pharmacies in major cities. We plan to further expand this network to over 300 pharmacies over the next couple of years. The first private label para-pharmacy products have already been introduced in our pharmacies this month. We expect these to further enhance our position as market leader in this segment. In addition, the acquisition of a number of new corporate accounts supported significant growth in wholesale revenues. Positive operating leverage of 50 basis points has been achieved, notwithstanding increased costs following the Georgian pension system reforms, and this has supported the 33.6% growth in profit from the business net of FX and IFRS 16 impact, to GEL 12.1 million in the quarter.

Medical insurance business. Our medical insurance business has made substantial progress over the last 12 months continues to increase its client base and is now contributing to the profitability of the Group. Net insurance premiums earned increased by 31.5%, supported by the acquisition of a single large client, and the combined ratio improved by 210 basis points to 97.9%. More importantly, we continue to improve the level of medical insurance claims retained within the Group and, in the first quarter of 2019, 39.2% of medical expense claims were retained within the Group. We expect this ratio to continue to increase further over the next few years.

Diagnostics business. In December 2018, we completed the construction and opened Mega Lab, the largest diagnostics laboratory in Georgia and the Caucasus region. The diagnostics business has already reached break even EBITDA in 1Q19, with costs of our lab services at Group's healthcare facilities having been maintained at the same level. This is a significant achievement for a newly launched business.

The multi-disciplinary laboratory is equipped with the most modern infrastructure and state-of-the-art equipment and in addition to basic laboratory tests, the new laboratory allows us to offer complex tests, some of which have never previously been available in Georgia and for which, until Mega Lab, blood samples had to be sent abroad for testing. The launch is in line with our strategy to invest in and develop new medical services to keep filling existing service gaps in the country, supporting the market's continuing development and our service export strategy. Mega Lab plans to develop a retail network and capitalise on the scale of our pharmacy and distribution business, and will also work on additional external contracts, serving healthcare facilities outside the group.

Capital framework and Dividend Policy. In March 2019, we completed a review into the Group's capital allocation framework, after considering the likely capital required over the next few years to finance our growth and maintain our assets. Accordingly, management and the Board decided the following:

- To recommend to shareholders at the 2019 Annual General Meeting, a final dividend of GEL 0.053 per share, to be paid in respect of the 2018 financial year. This represents a payout of 20% of 2018 earnings.
- To adopt a new dividend policy reflecting our intent that 20%-30% of annual profit attributable to shareholders will be distributed as dividends, and
- To target managing the Group balance sheet, on an ongoing basis, at an average less than 2.0 times net debt to EBITDA from the end of 2020.

Subject to approval at the 2019 AGM on 22 May 2019, the Group will pay a dividend for 2018 of GEL 0.053 per share payable in British Pounds Sterling at the prevailing rate. The payment date is expected to be 12 July 2019.

* * *

On the back of country's strong economic growth, with real GDP at 4.7% in 1Q19, supported by external flows and strong FDI, I am pleased with the Group's progress made during the first quarter. Each business continues to achieve strong operational performance, and the Group overall is delivering excellent momentum in its earnings growth, strong cash generation, balance sheet deleveraging, and improving return on invested capital priorities.

Nikoloz Gamkrelidze,

CEO of Georgia Healthcare Group PLC

DISCUSSION OF GROUP RESULTS

GHG overview

Georgia Healthcare Group PLC is the UK incorporated holding company of the largest integrated player in the fast-growing predominantly privately-owned Georgia Healthcare ecosystem of GEL 3.5 billion aggregated value.

Starting from 2019 the Group has updated its business structure and the healthcare services business was divided into the following two segments: **clinics**, which include polyclinics and community clinics, and **hospitals**, which include referral hospitals. Now GHG comprises five business lines: hospitals business, clinics business, pharmacy and distribution business, medical insurance business and diagnostics business. Each business line has its own chief operating officer and supporting back office function, pursuing significant growth opportunities and concentrating on a clearer strategy.

GHG is the single largest market participant in the healthcare services industry in Georgia, accounting for 24.9% of the country's total hospital bed capacity, as of 31 March 2019. Our healthcare services business offers the most comprehensive range of inpatient and outpatient services targeting virtually all segments of the Georgian market, through its vertically integrated network of hospitals and clinics. Currently:

- **hospitals business** operates 18 referral hospitals with a total of 2,967 beds, providing secondary or tertiary level healthcare services, located in Tbilisi and major regional cities.
- **clinics business** operates 35 healthcare facilities, out of which:
  - 19 are community clinics with a total of 353 beds, providing outpatient and basic inpatient healthcare services, located in regional towns and municipalities.
  - 16 are district polyclinics, providing outpatient diagnostic and treatment services, located in Tbilisi and major regional cities.

GHG is the largest pharmaceuticals retailer and wholesaler in Georgia, with a c.30% market share by revenue. Our **pharmacy and distribution business** consists of a retail pharmacy chain and a wholesale business, selling pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain operates under two separate brand names, **Pharmadepot** and **GPC**, with a total of 276 pharmacies, of which 21 are located within our healthcare facilities. The pharmacy and distribution business is the country's largest retailer in terms of both revenue and number of bills issued.

GHG is also the largest provider of medical insurance in Georgia, with a 26.6% market share based on 4Q18 net insurance premiums. Our **medical insurance business** consists of private medical insurance operations in Georgia. We have a wide distribution network and offer a variety of medical insurance products primarily to the Georgian corporate sector and also to retail clients. We have 229,000 persons insured as at March 2019. The medical insurance business plays an important role in our business model, as it is a significant feeder for our polyclinics, pharmacies and hospitals.

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

IFRS 16 impact overview. The Group adopted IFRS 16 "Leases" from 1 January 2019. A key change arising from IFRS 16 is that rent expense is reclassified to interest and depreciation expense. In 1Q19, IFRS 16 impact on Group's EBITDA was GEL 5.1 million, out of which the pharmacy and distribution business accounted for GEL 4.4 million. The negative impact on the Group's net profit was GEL 0.9, out of which GEL 0.3 million resulted from foreign exchange loss. According to the Group's preliminary calculation, IFRS 16 annual positive impact on the Group's 2019 EBITDA will be around GEL 20 million, of which the pharmacy and distribution business will account for c.GEL 18 million. The negative impact on the Group's 2019 net profit is estimated around GEL 2.5 million; however, this negative impact on net profit is just a timing difference that decreases over time and eventually becomes positive with net effect of zero. Assets and liabilities also increased by the amount of discounted cash flows of future rent payments. Below in this report, to allow for comparisons, the numbers are disclosed with and excluding IFRS 16.

Income statement, GHG consolidated

GEL thousands; unless otherwise noted	1Q19	1Q18	Change, Y-o-Y
Revenue, gross	**235,211**	**207,689**	**13.3%**
Corrections & rebates	(559)	(693)	-19.3%
Revenue, net	**234,652**	**206,996**	**13.4%**
Costs of services	**(158,497)**	**(143,153)**	**10.7%**
Gross profit	**76,155**	**63,843**	**19.3%**
Salaries and other employee benefits	(23,395)	(20,439)	14.5%
General and administrative expenses *excluding IFRS 16 impact*	(14,808)	(12,637)	17.2%
Impairment of receivables	(1,172)	(1,188)	-1.3%
Other operating income	629	1,820	-65.4%
EBITDA excluding IFRS 16	**37,409**	**31,399**	**19.1%**
IFRS 16 impact on EBITDA[4]	5,126	-	NMF
Depreciation and amortization excluding IFRS 16	*(8,679)*	*(7,715)*	*12.5%*
Depreciation and amortization	(13,177)	(7,715)	70.8%
Net interest income (expense) excluding IFRS 16	*(10,362)*	*(8,563)*	*21.0%*
Net interest income (expense)	(11,638)	(8,563)	35.9%
Net gains/(losses) from foreign currencies excluding IFRS 16	*145*	*1,899*	*-92.4%*
Net gains/(losses) from foreign currencies	(148)	1,899	NMF
Net non-recurring income/(expense)	(155)	(1,006)	-84.6%
Profit before income tax expense	**17,417**	**16,014**	**8.8%**
Income tax benefit/(expense)	(85)	(2)	NMF
Profit for the period excluding IFRS 16	**18,273**	**16,012**	**14.1%**
Profit for the period	**17,332**	**16,012**	**8.2%**
Attributable to:			
- shareholders of the Company	11,310	10,542	7.3%
- non-controlling interests	6,022	5,470	10.1%

Gross Revenue. Group revenues increased by 13.3% y-o-y, driven by the double-digit revenue growth across all GHG segments, with the major contributors being the pharmacy and distribution and hospitals businesses.

In 1Q19, the Group's revenue diversification across its segments was: 58% from pharmacy and distribution, 30% from the hospitals, 7% from medical insurance, 4% from clinics, and the remaining 1% from the newly added diagnostics business. By payor mix, 53% of the Group's total revenue was from out-of-pocket payments[5]; 24% from UHC payments; and 23% from other sources.

Gross Profit. We continued to deliver increasing gross profit in 1Q19. The Group's gross margin improved by 170 bps y-o-y, to 32.4% (30.7% in 1Q18). The pharmacy and distribution business contributed a major part of the growth, benefiting from the Group's significant scale advantage when negotiating price discounts with manufacturers. The next contributor to the Group's margin enhancement was our clinics business, which increased its gross profit margin as the newly launched polyclinics successfully progress through their ramp-up phase.

In 1Q19 the mandatory pension reform (effective from January 2019) affected and increased the Group's salary expenses by GEL 1.0 million in total. Despite this, as a result of efficiency and cost control measures, the cost base on a gross profit as well as on operating expenses level were well controlled and the Group has maintained close to zero operating leverage.

EBITDA *excluding IFRS 16*. The Group delivered strong quarterly EBITDA growth, up 19.1% y-o-y. The hospitals business was the main contributor to the Group's 1Q19 EBITDA, contributing 51% in total, with a 25.6% EBITDA margin. The next largest contributor was the pharmacy and distribution business, with a 42% share, posting a strong EBITDA margin of 10.7%. Our clinics and medical insurance businesses contributed 5% and 2% to the Group's quarterly EBITDA respectively.

Depreciation and amortisation *excluding IFRS 16*. Y-o-y increased depreciation and amortisation expense reflects the Group's recent investment in sizeable development projects, mainly launching two flagship hospitals and polyclinics. The depreciation expense of these investments is fully reflected in our last two quarters earnings and it remained flat q-o-q.

Net interest expense *excluding IFRS 16*. The y-o-y increase in net interest expense was in line with the increased balance of borrowed funds to finance planned capital expenditure. The q-o-q decrease in net interest expense, down 5.3%, is mainly a result of pharmacy and distribution and hospitals businesses' reduced borrowings balances, down 8.7% and 1.1% respectively. We expect the Group's leverage to decrease gradually in line with the debt principal repayment schedule, further reducing interest expense.

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

Profit *excluding IFRS 16*. The pharmacy and distribution business was the main driver of the 1Q19 Group profit, up 12.2% y-o-y, contributing GEL 12.1 million, followed by the hospitals business, contributing GEL 5.9 million. The medical insurance business also contributed positively to the Group's quarterly profit – GEL 0.5 million.

Selected balance sheet items, GHG consolidated

GEL thousands; unless otherwise noted	31-Mar-19	31-Dec-18	Change, Q-o-Q
Total assets, of which:	**1,331,760**	**1,240,506**	**7.4%**
Cash and bank deposits	27,596	47,961	-42.5%
Receivables from healthcare services	115,312	106,841	7.9%
Receivables from sale of pharmaceuticals	19,571	20,440	-4.3%
Insurance premiums receivable	53,244	23,643	125.2%
Property and equipment, *of which*	767,454	698,037	9.9%
IFRS 16 impact	*76,379*	-	
Goodwill and other intangible assets	151,561	152,298	-0.5%
Inventory	146,499	146,164	0.2%
Prepayments	17,579	13,064	34.6%
Other assets	32,944	32,058	2.8%
Total liabilities, of which:	**747,390**	**665,475**	**12.3%**
Borrowed funds	373,745	390,390	-4.3%
Accounts payable	104,001	105,092	-1.0%
Insurance contract liabilities	50,420	22,544	123.7%
Finance lease liabilities	78,145[6]	8,676	NMF
Other liabilities	141,079	138,773	1.7%
Total shareholders' equity attributable to:	**584,370**	**575,031**	**1.6%**
Shareholders of the Company	*516,252*	*508,194*	*1.6%*
Non-controlling interest	*68,118*	*66,837*	*1.9%*

- Our balance sheet remained largely flat q-o-q, apart from IFRS 16 effect which increased our property and equipment and finance lease liabilities balances.
- The majority of medical insurance contracts mature and renew in January every year, causing the insurance premium receivable as well as insurance contract liabilities balances to increase in 1Q19 compared to year end. From February 2019 our medical insurance business has added a significant new corporate client, which has also contributed to q-o-q growth in insurance premium receivable and insurance contract liabilities balances.

[6] Out of which GEL 69.5 million accounts for IFRS 16 impact

DISCUSSION OF SEGMENT RESULTS

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

Discussion of Hospitals Business Results

1Q19 operating highlights:

- Following the split of our healthcare services business, our management has revised the classification of our hospitals and clinics. Three of our clinics have become sufficiently large enough to merit hospitals classification and one of our hospitals was classified as a clinic due to the nature of services offered. For comparison purposes, we will discuss our hospitals and clinics results for both 1Q19 and 1Q18 according to the new structure.
- Our adjusted hospital bed occupancy rate[7] was at 67.2% in 1Q19 (65.1% in 1Q18).
- The average length of stay at hospitals[8] was 5.4 days in 1Q19 (5.5 days in 1Q18).

Income Statement, Hospitals business

GEL thousands; unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**
Hospitals revenue, gross	**74,774**	**64,290**	**16.3%**
Corrections & rebates	(462)	(595)	-22.4%
Hospitals revenue, net	**74,312**	**63,695**	**16.7%**
Costs of hospitals business	**(43,021)**	**(36,482)**	**17.9%**
Gross profit	**31,291**	**27,213**	**15.0%**
Salaries and other employee benefits	(7,952)	(6,831)	16.4%
General and administrative expenses *excluding IFRS 16*	(3,427)	(3,328)	3.0%
Impairment of receivables	(1,137)	(1,186)	-4.1%
Other operating income	387	1,232	-68.6%
EBITDA excluding IFRS 16	**19,162**	**17,100**	**12.1%**
EBITDA margin excluding IFRS 16	*25.6%*	*26.6%*	
IFRS 16 impact on EBITDA[9]	179	-	NMF
Depreciation and amortization excluding IFRS 16	*(6,516)*	*(5,571)*	*17.0%*
Depreciation and amortisation	(6,679)	(5,571)	19.9%
Net interest income (expense) excluding IFRS 16	*(6,582)*	*(4,712)*	*39.7%*
Net interest income (expense)	(6,613)	(4,712)	40.3%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(93)*	*(21)*	*NMF*
Net gains/(losses) from foreign currencies	(115)	(21)	NMF
Net non-recurring income/(expense)	(104)	(871)	-88.1%
Profit before income tax expense	**5,830**	**5,925**	**-1.6%**
Income tax benefit/(expense)	-	(2)	NMF
Profit for the period excluding IFRS 16	**5,867**	**5,923**	**-0.9%**
Profit for the period	**5,830**	**5,923**	**-1.6%**

Revenue, *hospitals*

Our hospitals business posted strong double-digit y-o-y revenue growth, mainly driven by successful ramp-up of our newly launched hospitals. Strong growth in occupancy rate in existing hospitals, up 210 bps y-o-y, is mainly attributable to unusual high flu epidemic in the country, in the beginning of 2019.

[7] Adjusted to exclude the Tbilisi Referral Hospital and Regional Hospital; the calculation also excludes emergency beds
[8] The calculation excludes emergency beds
[9] Represents IFRS 16 impact on General and administrative expenses

Progress of our newly opened hospitals

Tbilisi Referral Hospital – opened in April 2017 with 220 newly renovated beds. In December 2017 additional capacity – 112 beds - was added and the hospital was fully launched. After gradually adding new services, the hospital's occupancy rate reached 52.2% in 1Q19 (up 570 bps q-o-q), while posting revenue of GEL 6.4 million (up 8.9% q-o-q). The hospital also started to post a double-digit EBITDA margin in the first quarter of 2019.

Regional Hospital – opened in March 2018 with 306 newly renovated beds. Regional hospital continues its successful ramp up phase, exceeding our initial expectations. The occupancy rate in 1Q19 reached 35.6% (up 290 bps q-o-q) and revenues totalled GEL 8.9 million (up 7.7% q-o-q). Positioned as hospital of choice in the country, in line with our initial plan, c.60% of Regional Hospital's revenue comes from elective care services and 41.2% of revenue is paid out-of-pocket. The Regional Hospital also started to post a double-digit EBITDA margin in the first quarter of 2019.

Revenue by sources of payment

(GEL thousands, unless otherwise noted)	**1Q19**	**1Q18**	**Change, Y-o-Y**
Hospitals revenue, net	**74,312**	**63,695**	**16.7%**
Government-funded healthcare programmes	51,570	42,863	20.3%
Out-of-pocket payments by patients	17,696	16,275	8.7%
Private medical insurance companies, *of which*	5,046	4,557	10.7%
GHG medical insurance	*2,509*	*1,706*	*47.1%*

All payment sources contributed to our revenue growth, while the Government-funded healthcare programme remains the main contributor, accounting 69.4%[10] in total revenue from hospitals business.

Gross profit, *hospitals*

Cost of hospitals as % of revenue	**1Q19**	**1Q18**	**Change, Y-o-Y**
Direct salary rate	33.8%	34.1%	-0.3 ppts
Materials rate	17.4%	16.6%	0.8 ppts
Gross margin	**41.8%**	**42.3%**	**-0.5 ppts**

The recent launches of hospitals that remain in their roll-out phase naturally increased our cost base, which slightly exceeded the hospitals revenue growth rate. Despite the new pension reform (described on page 5 above in more detail) which increased our cost of salaries and other employee benefits by c.2%, as a result of focused efficiency initiatives the direct salary rate was down by 30 bps y-o-y. The increase in the materials rate reflects the roll out of the new hospitals. Excluding the effect of newly launched hospitals, the materials rate remained well-controlled and stood at 15.6% in 1Q19 (16.4% in 1Q18). The cost of providers was affected by adding diagnostics business and centralising hospital laboratory services into Mega Lab, discussed below in the diagnostics segment overview.

As a result, the hospitals gross margin stood at 41.8% in 1Q19, representing slight decrease of 50 bps y-o-y, due to the ramp-up phase of the new hospitals.

Operating expenses, *hospitals*

Growth in salaries and other employee benefits expenses was in line with the growth in respective revenues. Cost control measures were able to offset the effect of the new pension reform, which accounted for a GEL 0.2 million increase. We also managed to maintain general and administrative expenses (excluding IFRS 16 impact) at a favourable level, increasing only 3.0% y-o-y.

The decrease in other operating income reflects the transfer of hospitals centralised medicine procurement entity to the GHG pharmacy and distribution business in 2019. Besides, in 1Q18 the Group generated higher gain from sale of PPE.

EBITDA excluding IFRS 16, *hospitals*

The healthy increase in our 1Q19 EBITDA reflects the contributions of our two new flagship hospitals, increased demand for current services at our existing facilities and implemented efficiency initiatives. Y-o-y EBITDA margin, however, was down 100 bps and stood at 25.6%, mainly due to the new pension reform, that added GEL 0.7 million in salary expense and translated in 90 bps reduction in EBITDA margin, and the decrease in other operating income explained above.

[10] Government funded healthcare programmes revenue share in total revenues from hospitals is higher compared to the same share in revenues from healthcare services that we used to report (which now, due to the split of hospitals and clinics results, are reported separately). This is because UHC mostly covers inpatient services, while the revenue share from government in our clinics business is lower, at 55.5%, due to the limited coverage of outpatient services from UHC that our polyclinics provide.

Excluding the dilutive effect of roll-outs, despite the high seasonal utility costs and the new pension reform, the hospitals business posted strong EBITDA margin of 27.8% in 1Q19.

Profit, *hospitals*

Since the launch of Regional Hospital (March 2018) and Mega Lab (December 2018), the accounting impact of the Group's investments in new hospitals on depreciation and amortisation expense is now fully reflected in our last two quarters results. Thus, q-o-q depreciation expense (excluding IFRS 16 impact) remained stable.

The slight decrease in q-o-q net interest expense (excluding IFRS 16 impact), reflects the decreased balance of borrowings according to their repayments schedule and is expected to decline further over the next few years, as we reduce our debt balance.

Discussion of Clinics Business Results[11]

1Q18 operating highlights:

- In December 2018 we entered into the Georgian dental market by launching dental clinics in the Group's polyclinics. Currently 8 of our polyclinics, located in Tbilisi and in other large cities, house dental cabinets.
- The number of registered patients in Tbilisi polyclinics has now reached c.160,000 (compared to c.145,000 in December 2018). We aim to further grow our polyclinic business both organically and through further acquisitions and reach c.200,000 registered patients over the next few months.

Income Statement, Clinics Business

GEL thousands; unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**
Clinics revenue, gross	**11,107**	**9,434**	**17.7%**
Corrections & rebates	(97)	(98)	-1.0%
Clinics revenue, net	**11,010**	**9,336**	**17.9%**
Costs of clinics business	**(6,244)**	**(5,423)**	**15.1%**
Gross profit	**4,766**	**3,913**	**21.8%**
Salaries and other employee benefits	(1,756)	(1,643)	6.9%
General and administrative expenses *excluding IFRS 16*	(1,082)	(902)	20.0%
Impairment of receivables	(75)	(16)	NMF
Other operating income	223	23	NMF
EBITDA excluding IFRS 16	**2,076**	**1,375**	**51.0%**
EBITDA margin excluding IFRS 16	*18.7%*	*14.6%*	
IFRS 16 impact on EBITDA[12]	454	-	NMF
Depreciation and amortization excluding IFRS 16	*(1,228)*	*(1,349)*	*-9.0%*
Depreciation and amortisation	(1,626)	(1,349)	20.5%
Net interest income (expense) excluding IFRS 16	*(957)*	*(980)*	*-2.3%*
Net interest income (expense)	(1,086)	(980)	10.8%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(27)*	*(4)*	*NMF*
Net gains/(losses) from foreign currencies	(61)	(4)	NMF
Net non-recurring income/(expense)	(52)	286	NMF
Profit before income tax expense	**(295)**	**(672)**	**-56.1%**
Income tax benefit/(expense)	-	(2)	NMF
Profit for the period excluding IFRS 16	**(188)**	**(674)**	**-72.1%**
Profit for the period	**(295)**	**(674)**	**-56.2%**

Revenue, *clinics*

Our clinics business also posted double-digit revenue growth driven by both, the polyclinics as well as community clinics.

Revenue by types of clinics

(GEL thousands, unless otherwise noted)	**1Q19**	**1Q18**	**Change, Y-o-Y**
Clinics revenue, net	**11,010**	**9,336**	**17.9%**
Polyclinics	5,562	4,507	*23.4%*
Community	5,448	4,829	*12.8%*

[11] Under the Group's new structure, the clinics business results now includes community clinics and polyclinics, explained in more details on page 7
[12] Represents IFRS 16 impact on General and administrative expenses

In 1Q19, 51% of the clinics' revenue came from polyclinics and 49% from community clinics.

The growth in revenue from polyclinics was driven by our expansion strategy and increased number of registered patients. We added dental clinics in our polyclinics and continue to consolidate our position as the largest player in the highly fragmented outpatient market in Georgia. Most importantly, we continue to increase the number of registered patients in our Tbilisi polyclinics, that has now reached c.160,000 (up from c.145,000 in 4Q18 and c.108,000 in 1Q18), further supporting polyclinics revenue growth.

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

Revenue by sources of payment in clinics

(GEL thousands, unless otherwise noted)	1Q19	1Q18	Change, Y-o-Y
Healthcare services revenue, net	**11,010**	**9,336**	**17.9%**
Government-funded healthcare programmes	6,106	5,286	*15.5%*
Out-of-pocket payments by patients	3,136	2,762	*13.5%*
Private medical insurance companies, *of which*	1,768	1,288	*37.3%*
GHG medical insurance	1,589	1,127	*41.0%*

The main contributor to clinics revenue growth was Government-funded healthcare programmes, accounting for a 55% share in total revenue from clinics. The strong growth in clinics revenue from private insurance companies is mainly supported by the increased number of GHG insured clients, who prefer to use polyclinics, due to the different incentives such as direct settlement of claims, and quality of care.

Gross profit, *clinics*

Cost of clinics as % of revenue	1Q19	1Q18	Change, Y-o-Y
Direct salary rate	34.6%	36.5%	-1.9 ppts
Materials rate	6.1%	6.4%	-0.3 ppts
Gross margin	**42.9%**	**41.5%**	**1.4 ppts**

Despite the new pension reform, the direct salary rate was down 190 bps in 1Q19, y-o-y. The y-o-y decrease in cost of materials rate is partially attributable to redirecting the laboratory tests to Mega Lab, eliminating cost of reagents while increasing the cost of medical service providers for the same period. Well managed cost of clinics translated into an increased gross margin, up 140 bps y-o-y.

Operating expenses, *clinics*

The clinics business posted strong y-o-y positive operating leverage of 15.8 ppts y-o-y. Our focus on efficiency initiatives in the clinics business resulted in only moderate growth in salaries and other employee benefits, favourably lagging behind revenue growth. The increase in general and administrative expenses (excluding IFRS 16 impact) mainly relates to marketing campaigns to attract and increase the base of registered customers at our Tbilisi polyclinics.

EBITDA excluding IFRS 16, *clinics*

Increased revenue and well controlled cost base translated into 51.0% increase in 1Q19 y-o-y EBITDA, while posting 18.7% EBITDA margin, up 410 pbs y-o-y.

Polyclinics EBITDA margin continues to increase gradually as a number of the polyclinics made progress towards their run rate potential and the base of registered patients continues to increase. The polyclinics' EBITDA margin rose to 14.6% in 1Q19, up 110 bps y-o-y.

Profit, *clinics*

As the number of polyclinics still remain in the roll-out phase the clinics contributed negatively to the Group's profit. Currently the main priority of the business remains the polyclinics chain expansion and increasing the base of registered customers, as our polyclinics represent a first point of customer interaction for our overall business, bringing additional referrals to our hospitals and pharmacies. Combined with the newly launched dental clinics, we believe that the polyclinics business will become one of the largest sources of future growth, while we expect only moderate growth from the community clinics.

Discussion of Pharmacy and Distribution Business Results

1Q19 operating highlights:

- Retail customer interactions per month was c.2.4 (c.2.2 in 1Q18)
- Average bill size was GEL 13.7 (GEL 13.9 in 1Q18)
- c.0.7 million loyalty card members as at 31 March 2019

Income Statement, pharmacy and distribution business

GEL thousands; unless otherwise noted	1Q19	1Q18	Change, Y-o-Y
Pharmacy and distribution revenue	**145,779**	**126,868**	**14.9%**
Costs of Pharmacy and distribution	**(107,481)**	**(95,550)**	**12.5%**
Gross profit	**38,298**	**31,318**	**22.3%**
Salaries and other employee benefits	(12,664)	(11,194)	13.1%
General and administrative expenses *excluding IFRS 16*	(9,909)	(8,250)	20.1%
Impairment of receivables	(58)	(20)	190.0%
Other operating income	(106)	790	NMF
EBITDA excluding IFRS 16	**15,561**	**12,644**	**23.1%**
EBITDA margin excluding IFRS 16	*10.7%*	*10.0%*	
IFRS 16 impact on EBITDA[13]	4,402	-	NMF
Depreciation and amortization excluding IFRS 16	*(688)*	*(548)*	*25.5%*
Depreciation and amortisation	(4,538)	(548)	NMF
Net interest income (expense) excluding IFRS 16	*(2,949)*	*(2,757)*	*7.0%*
Net interest income (expense)	(4,052)	(2,757)	47.0%
Net gains/(losses) from foreign currencies excluding IFRS 16	*206*	*1,886*	*-89.1%*
Net gains/(losses) from foreign currencies	(27)	1,886	NMF
Net non-recurring income/(expense)	6	(411)	NMF
Profit before income tax expense	**11,352**	**10,814**	**5.0%**
Income tax benefit/(expense)	-	-	-
Profit for the period excluding IFRS 16	**12,136**	**10,814**	**12.2%**
Profit for the period	**11,352**	**10,814**	**5.0%**

Revenue, pharmacy and distribution

We enjoyed strong, 14.9% revenue growth in our retail and distribution businesses as shown in the table below.

Revenue by types, pharmacy and distribution

(GEL thousands, unless otherwise noted)	1Q19	1Q18	Change, Y-o-Y
Pharmacy and distribution revenue	**145,779**	**126,868**	**14.9%**
Revenue from Retail	103,673	95,080	9.0%
Revenue from Distribution	42,106	31,788	32.5%
Gross profit Margin	**26.3%**	**24.7%**	1.6 ppts

The increase in y-o-y revenues from retail is attributable to recent expansion and organic sales growth in the business. Over the last 12 months we have added 20 new pharmacies to our chain and, by the end of 1Q19, the number of pharmacies reached 276. The average bill size was down by 1.7% y-o-y due to different promotions and various discount activities designed to share our procurement synergies with customers by providing affordable pricing on key products. The price discounts translated into increased number of bills issued in our pharmacies (up 6.9% y-o-y), the positive effect of which was reflected in the business' y-o-y same-store growth - 4.3% in 1Q19. The share of para-pharmacy sales in retail revenue stood at 29.3% in 1Q19 (28.8% in 1Q18).

The pharmacy and distribution business continues to make strong progress in growing wholesale revenue by signing new corporate accounts. Apart from new clients, the distribution revenue growth relates to the transfer in 2019 of our hospitals centralised medicine procurement entity to the GHG pharmacy and distribution business wholesale segment.

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

Gross profit, *pharmacy and distribution*

Gross profit margin in the pharmacy and distribution business improved significantly, up 160 bps in 1Q19 y-o-y as the business continues to extract procurement synergies and to negotiate better prices with suppliers. The increase was mainly driven by the increased margin on non-medication categories (personal care, beauty and other para-pharmacy products), total sales of which were GEL 32.4 million in 1Q19 with 31.6% gross profit margin, compared to GEL 28.3 million in 1Q18 with 27.8% gross profit margin.

Our gross profit margins also benefited from the increased sales of private label products. Currently, 37 private label medicines are presented in our pharmacies, with annualised revenue contribution of c.GEL 5 million. This month, private label personal care products were also introduced in our pharmacies under the brand name "Attirance".

Operating expenses, *pharmacy and distribution*

The business posted y-o-y positive operating leverage of 50 bps in 1Q19. Salaries and other employee benefits, despite the pension reform, favourably lagged behind the same period revenue growth. Apart from business expansion, the y-o-y increase in general and administrative expenses (excluding IFRS 16 impact) in 1Q19 is attributable to the marketing activities and promotions discussed above.

EBITDA and profit, *pharmacy and distribution*

Our 1Q19 EBITDA margin at 10.7% continues to substantially exceed our "more than 8%" medium term target.

In 1Q19 interest expense included GEL 0.2 million on the mark to market of the Pharmadepot (the pharmacy and distribution brand acquired in 2017) acquisition holdback (GEL 0.3 million in 1Q18) which is a non-cash expense. The q-o-q decrease in interest expense (excluding IFRS 16 impact), down 12.6%, is due to the reduced balance of borrowings, down 8.7% for the same period. Consequently, the pharmacy and distribution business profit (excluding IFRS 16 impact) was up 12.2% y-o-y, while the same number net of foreign currency gain/losses was up 33.6% y-o-y.

Discussion of Medical Insurance Business Results

1Q19 operating highlights:

- As at 31 December 2018, business market share based on net insurance premium revenue was 26.6%. In 2019, we became the largest medical insurer in Georgia with 229,000 insured in 1Q19 (158,900 in 1Q18; 157,500 in 4Q18) with market share over 30%.
- Our insurance renewal rate was 74.4% in 1Q19 (70.6% in 1Q18).

Income Statement, medical insurance business

GEL thousands; unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**
Net insurance premiums earned	**17,493**	**13,302**	**31.5%**
Cost of insurance services	**(15,683)**	**(11,894)**	**31.9%**
Gross profit	**1,810**	**1,408**	**28.6%**
Salaries and other employee benefits	(917)	(783)	17.1%
General and administrative expenses *excluding IFRS 16*	(440)	(350)	25.7%
Impairment of receivables	(103)	(98)	5.1%
Other operating income	212	27	NMF
EBITDA excluding IFRS 16	**562**	**204**	**175.5%**
EBITDA margin excluding IFRS 16	***3.2%***	***1.5%***	
IFRS 16 impact on EBITDA[14]	*85*	-	NMF
Depreciation and amortisation excluding IFRS 16	*(189)*	*(204)*	*-7.4%*
Depreciation and amortisation	(269)	(204)	31.9%
Net interest income/ (expense) excluding IFRS 16	127	(114)	NMF
Net interest income/ (expense)	113	(114)	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	63	38	65.8%
Net gains/(losses) from foreign currencies	59	38	55.3%
Net non-recurring income/(expense)	-	-	0.0%
Profit before income tax expense	**550**	**(76)**	**NMF**
Income tax benefit/(expense)	(85)	-	NMF
Profit / (Loss) for the period excluding IFRS 16	**478**	**(76)**	**NMF**
Profit / (Loss) for the period	**465**	**(76)**	**NMF**

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

Revenue, medical insurance

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

Gross profit, medical insurance

In 1Q19 the loss ratio was 85.3%, slightly up y-o-y due to the addition of big clients, such as MOD, having slightly higher loss ratio than the existing contracts.

Our insurance business expansion has significantly improved claims retention rates within the Group, as the business plays a feeder role in originating and directing patients to our healthcare facilities, mainly to polyclinics and to pharmacies. In 1Q19, our medical insurance claims expense was GEL 14.9 million, of which GEL 6.5 million (44.2% of the total) was inpatient, GEL 5.8 million (38.6% of total) was outpatient and GEL 2.6 million (17.2% of total) was accounted for by drugs.

Claims retention rates

	1Q19	1Q18	Change, Y-o-Y
Total claims retained within the Group	39.2%	38.2%	1.0 ppts
Total claims retained in Polyclinics	40.4%	38.7%	1.7 ppts

Due to the medical insurance business' increased client base (reaching 229,000 insured as of March 2019) and new flagship hospital launches in Tbilisi, where our medical insurance business has the highest concentration of its insured clients, more of our medical insurance customers will be utilising our inpatient services. At the same time, with our polyclinics expansion strategy, we expect the retention rate to improve further in the future, on a larger base, providing a significant revenue boost for our healthcare services business. Our facilities are increasingly favoured by customers over competitor facilities due to the quality and convenience of our service, access to one-stop-shop style polyclinics and the ease of claim reimbursement procedures.

Operating expenses, *medical insurance*

Operating expenses favourably lagged behind revenue growth, translating into strong positive operating leverage of 24.9 ppts in 1Q19.

Last year, our medical insurance business began participating in the Compulsory Motor Third Party Liability Insurance Programme, effective in the country from 1 March 2018. The profit from this is shown in other operating income.

As a result, the expense ratio (excluding IFRS 16) impact was down 310 bps at 12.6% (15.7% in 1Q18) in 1Q19 y-o-y, while combined ratio (excluding IFRS 16 impact) improved by 210 bps to 97.9% (100.0% in 1Q18) for the same period.

EBITDA and net profit, *medical insurance*

Due to efficient allocation of cash resources, our medical insurance business posted net interest income in 1Q19 and consequently contributed positively to the Group's EBITDA and profit, by GEL 0.6 million and GEL 0.5 million, respectively.

Discussion of Diagnostics Business Results

Overview, diagnostics

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

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

Before opening Mega Lab, most of the Group's healthcare facilities had their own laboratory units and the Group owned one smaller scale lab facility (Patgeo, acquired in 2016). The results below for 1Q18 shows the numbers for Patgeo, which after opening Mega Lab was fully consolidated into the diagnostics business 1Q19 results. The Group's healthcare facilities cost base for lab services remained the same with the opening of Mega Lab. Costs previously reflected as salaries and materials (mainly reagents) have simply been shifted to cost of providers.

1Q19 operating highlights:

- Number of patients served – c.67,000
- Number of tests performed – c.172,000
- Average number of tests per patient 2.6

Income Statement, Diagnostics

GEL thousands; unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**
Diagnostics revenue	**1,154**	**696**	**NMF**
Costs of diagnostics	**(831)**	**(514)**	**61.7%**
Gross profit	**323**	**182**	**NMF**
Salaries and other employee benefits	(234)	(45)	NMF
General and administrative expenses *excluding IFRS 16*	(84)	(56)	50.0%
Impairment of receivables	(4)	-	NMF
Other operating income	47	(4)	NMF
EBITDA excluding IFRS 16	**48**	**77**	**-37.7%**
EBITDA margin excluding IFRS 16	*4.2%*	*11.1%*	
IFRS 16 impact on EBITDA[15]	6	-	NMF
Depreciation and amortisation excluding IFRS 16	*(59)*	*(44)*	*34.1%*
Depreciation and amortisation	(65)	(44)	47.7%
Net interest income/ (expense) excluding IFRS 16	*-*	*-*	*0.0%*
Net interest income (expense)	-	-	0.0%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(6)*	*-*	*NMF*
Net gains/(losses) from foreign currencies	(6)	-	NMF
Net non-recurring income/(expense)	(5)	(11)	-54.5%
Profit before income tax expense	**(22)**	**22**	**NMF**
Income tax benefit/(expense)	-	-	-
Profit for the period excluding IFRS 16	**(22)**	**22**	**NMF**
Profit for the period	**(22)**	**22**	**NMF**

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

Revenue by types, diagnostics

(GEL thousands, unless otherwise noted)	1Q19	1Q18	Change, Y-o-Y
Diagnostics revenue	**1,154**	**280**	**NMF**
Contracts	1,109	280	**NMF**
Walk-in	45	-	**NMF**

In 1Q19 major part of our diagnostics business revenue came from contracts, as mentioned above mainly from the Group's hospitals and clinics, by consolidating the demand for planned laboratory tests in Mega Lab. The 4% of revenue from walk-in patients represents retail revenue which we plan to increase as the business develops retail blood collection points.

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

SELECTED FINANCIAL INFORMATION

Income Statement, ***Quarterly***	**Hospitals**					**Clinics**					**Pharmacy and distribution**					**Medical insurance**				
GEL thousands, unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**	**4Q18**	**Change, Q-o-Q**	**1Q19**	**1Q18**	**Change, Y-o-Y**	**4Q18**	**Change, Q-o-Q**	**1Q19**	**1Q18**	**Change, Y-o-Y**	**4Q18**	**Change, Q-o-Q**	**1Q19**	**1Q18**	**Change, Y-o-Y**	**4Q18**	**Change, Q-o-Q**
Revenue, gross	**74,774**	**64,290**	**16.3%**	**72,046**	**3.8%**	**11,107**	**9,434**	**17.7%**	**10,026**	**10.8%**	**145,779**	**126,868**	**14.9%**	**141,046**	**3.4%**	**17,493**	**13,302**	**31.5%**	**13,870**	**26.1%**
Corrections & rebates	(462)	(595)	-22.4%	(1,035)	-55.4%	(97)	(98)	-1.0%	(123)	-21.1%	-	-	-	-	-	-	-	-	-	-
Revenue, net	**74,312**	**63,695**	**16.7%**	**71,011**	**4.6%**	**11,010**	**9,336**	**17.9%**	**9,903**	**11.2%**	**145,779**	**126,868**	**14.9%**	**141,046**	**3.4%**	**17,493**	**13,302**	**31.5%**	**13,870**	**26.1%**
Costs of services	**(43,021)**	**(36,482)**	**17.9%**	**(41,718)**	**3.1%**	**(6,244)**	**(5,423)**	**15.1%**	**(5,522)**	**13.1%**	**(107,481)**	**(95,550)**	**12.5%**	**(103,786)**	**3.6%**	**(15,683)**	**(11,894)**	**31.9%**	**(11,628)**	**34.9%**
Cost of salaries and other employee benefits	(25,241)	(21,952)	15.0%	(25,248)	0.0%	(3,843)	(3,448)	11.5%	(3,682)	4.4%	-	-	-	-	-	-	-	-	-	-
Cost of materials and supplies	(13,019)	(10,652)	22.2%	(12,205)	6.7%	(677)	(601)	12.6%	(533)	27.0%	-	-	-	-	-	-	-	-	-	-
Cost of medical service providers	(1,012)	(837)	20.9%	(1,023)	-1.1%	(1,064)	(795)	33.8%	(932)	14.2%	-	-	-	-	-	-	-	-	-	-
Cost of utilities and other	(3,749)	(3,041)	23.3%	(3,242)	15.6%	(660)	(579)	14.0%	(375)	76.0%	-	-	-	-	-	-	-	-	-	-
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,914)	(11,218)	32.9%	(10,843)	37.5%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(769)	(676)	13.8%	(785)	-2.0%
Cost of pharma – wholesale	-	-	-	-	-	-	-	-	-	-	(34,117)	(26,097)	30.7%	(30,382)	12.3%	-	-	-	-	-
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(73,364)	(69,453)	5.6%	(73,404)	-0.1%	-	-	-	-	-
Gross profit	**31,291**	**27,213**	**15.0%**	**29,293**	**6.8%**	**4,766**	**3,913**	**21.8%**	**4,381**	**8.8%**	**38,298**	**31,318**	**22.3%**	**37,260**	**2.8%**	**1,810**	**1,408**	**28.6%**	**2,242**	**-19.3%**
Salaries and other employee benefits	(7,952)	(6,831)	16.4%	(7,148)	11.2%	(1,756)	(1,643)	6.9%	(1,706)	2.9%	(12,664)	(11,194)	13.1%	(12,198)	3.8%	(917)	(783)	17.1%	(1,213)	-24.4%
General and administrative expenses	(3,427)	(3,328)	3.0%	(3,557)	-3.7%	(1,082)	(902)	20.0%	(981)	10.3%	(9,909)	(8,250)	20.1%	(9,765)	1.5%	(440)	(350)	25.7%	(435)	1.1%
Impairment of receivables	(1,137)	(1,186)	-4.1%	(956)	18.9%	(75)	(16)	NMF	(79)	-5.1%	(58)	(20)	190.0%	27	NMF	(103)	(98)	5.1%	(103)	0.0%
Other operating income	387	1,232	-68.6%	1,412	-72.6%	223	23	869.6%	304	-26.6%	(106)	790	NMF	(88)	20.5%	212	27	NMF	158	34.2%
EBITDA ***excluding IFRS 16***	**19,162**	**17,100**	**12.1%**	**19,044**	**0.6%**	**2,076**	**1,375**	**51.0%**	**1,919**	**8.2%**	**15,561**	**12,644**	**23.1%**	**15,236**	**2.1%**	**562**	**204**	**175.5%**	**649**	**-13.4%**
EBITDA margin excluding IFRS 16	***25.6%***	***26.6%***		***26.4%***		***18.7%***	***14.6%***		***19.1%***		***10.7%***	***10.0%***		***10.8%***		***3.2%***	***1.5%***		***4.7%***	
IFRS 16 impact on EBITDA[16]	179	-	NMF	-	NMF	454	-	NMF	-	NMF	4,402	-	NMF	-	NMF	85	-	NMF	-	NMF
EBITDA as per financial statements	**19,341**	**17,100**	**13.1%**	**19,044**	**1.6%**	**2,530**	**1,375**	**84.0%**	**1,919**	**31.8%**	**19,963**	**12,644**	**57.9%**	**15,236**	**31.0%**	**647**	**204**	**217.2%**	**649**	**-0.3%**
Depreciation and amortization excluding IFRS 16	*(6,516)*	*(5,571)*	*17.0%*	*(6,539)*	*-0.4%*	*(1,228)*	*(1,349)*	*-9.0%*	*(1,247)*	*-1.5%*	*(688)*	*(548)*	*25.5%*	*(628)*	*9.6%*	*(189)*	*(204)*	*-7.4%*	*(184)*	*2.7%*
Depreciation and amortization	(6,679)	(5,571)	19.9%	(6,539)	2.1%	(1,626)	(1,349)	20.5%	(1,247)	30.4%	(4,538)	(548)	NMF	(628)	NMF	(269)	(204)	31.9%	(184)	46.2%
Net interest income (expense) excluding IFRS 16	*(6,582)*	*(4,712)*	*39.7%*	*(6,703)*	*-1.8%*	*(957)*	*(980)*	*-2.3%*	*(972)*	*-1.5%*	*(2,949)*	*(2,757)*	*7.0%*	*(3,373)*	*-12.6%*	*127*	*(114)*	*NMF*	*105*	*21.0%*
Net interest income (expense)	(6,613)	(4,712)	40.3%	(6,703)	-1.3%	(1,086)	(980)	10.8%	(972)	11.7%	(4,052)	(2,757)	47.0%	(3,373)	20.1%	113	(114)	NMF	105	7.6%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(93)*	*(21)*	*NMF*	*(26)*	*257.7%*	*(27)*	*(4)*	*NMF*	*(23)*	*17.4%*	*206*	*1,886*	*-89.1%*	*(1,565)*	*NMF*	*63*	*38*	*65.8%*	*65*	*-3.1%*
Net gains/(losses) from foreign currencies	(115)	(21)	NMF	(26)	NMF	(61)	(4)	NMF	(23)	165.2%	(27)	1,886	NMF	(1,565)	-98.3%	59	38	55.3%	65	-9.2%
Net non-recurring income/(expense)	(104)	(871)	-88.1%	(362)	-71.3%	(52)	286	NMF	(96)	-45.8%	6	(411)	NMF	(22)	NMF	-	-	0.0%	-	0.0%
Profit before income tax expense	**5,830**	**5,925**	**-1.6%**	**5,414**	**7.7%**	**(295)**	**(672)**	**-56.1%**	**(419)**	**-29.6%**	**11,352**	**10,814**	**5.0%**	**9,648**	**17.7%**	**550**	**(76)**	**NMF**	**635**	**-13.4%**
Income tax benefit/(expense)	-	(2)	NMF	37	NMF	-	(2)	NMF	(2)	NMF	-	-	-	-	-	(85)	-	NMF	(148)	-42.6%
Profit for the period excluding IFRS 16	**5,867**	**5,923**	**-0.9%**	**5,451**	**7.6%**	**(188)**	**(674)**	**-72.1%**	**(421)**	**-55.3%**	**12,136**	**10,814**	**12.2%**	**9,648**	**25.8%**	**478**	**(76)**	**NMF**	**487**	**-1.8%**
Profit for the period	**5,830**	**5,923**	**-1.6%**	**5,451**	**7.0%**	**(295)**	**(674)**	**-56.2%**	**(421)**	**-29.9%**	**11,352**	**10,814**	**5.0%**	**9,648**	**17.7%**	**465**	**(76)**	**NMF**	**487**	**-4.5%**
Attributable to:																				
- shareholders of the Company	4,317	4,504	-4.1%	4,423	-2.4%	(315)	(645)	-51.1%	(459)	-31.3%	6,867	6,734	2.0%	5,445	26.1%	465	(76)	NMF	487	-4.5%
- non-controlling interests	1,513	1,419	6.6%	1,028	47.2%	20	(29)	NMF	38	-46.5%	4,485	4,080	9.9%	4,203	6.7%	-	-	-	-	-

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

Income Statement, *Quarterly*	**Diagnostics**					**Eliminations**			**GHG**				
GEL thousands, unless otherwise noted	**1Q19**	**1Q18**	**Change, Y-o-Y**	**4Q18**	**Change, Q-o-Q**	**1Q19**	**1Q18**	**4Q18**	**1Q19**	**1Q18**	**Change, Y-o-Y**	**4Q18**	**Change , Q-o-Q**
Revenue, gross	**1,154**	**696**	**NMF**	**870**	**32.6%**	**(15,095)**	**(6,901)**	**(10,348)**	**235,211**	**207,689**	**13.3%**	**227,511**	**3.4%**
Corrections & rebates	-	-	-	-	-	-	-	-	(559)	(693)	-19.3%	(1,159)	-51.8%
Revenue, net	**1,154**	**696**	**NMF**	**870**	**32.6%**	**(15,095)**	**(6,901)**	**(10,348)**	**234,652**	**206,996**	**13.4%**	**226,352**	**3.7%**
Costs of services	**(831)**	**(514)**	**61.7%**	**(780)**	**6.5%**	**14,763**	**6,712**	**10,458**	**(158,497)**	**(143,153)**	**10.7%**	**(152,974)**	**3.6%**
Cost of salaries and other employee benefits	(289)	(240)	20.4%	(256)	12.9%	1,418	938	1,140	(27,955)	(24,702)	13.2%	(28,044)	-0.3%
Cost of materials and supplies	(393)	(268)	46.6%	(398)	NMF	8,561	2,184	5,318	(5,528)	(9,337)	-40.8%	(7,818)	-29.3%
Cost of medical service providers	(1)	-	NMF	(1)	0.0%	1,278	900	1,078	(799)	(733)	9.0%	(879)	-9.1%
Cost of utilities and other	(148)	(6)	24	(125)	18.4%	220	57	134	(4,337)	(3,570)	21.5%	(3,607)	20.2%
Net insurance claims incurred	-	-	-	-	-	3,286	2,633	2,568	(11,628)	(8,585)	35.4%	(8,275)	40.5%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	(769)	(676)	13.8%	(785)	-2.0%
Cost of pharma – wholesale	-	-	-	-	-	-	-	220	(34,117)	(26,097)	30.7%	(30,162)	13.1%
Cost of pharma - retail	-	-	-	-	-	-	-	-	(73,364)	(69,453)	5.6%	(73,404)	-0.1%
Gross profit	**323**	**182**	**NMF**	**90**	**258.9%**	**(332)**	**(189)**	**110**	**76,155**	**63,843**	**19.3%**	**73,378**	**3.8%**
Salaries and other employee benefits	(234)	(45)	NMF	(70)	234.3%	129	57	115	(23,395)	(20,439)	14.5%	(22,221)	5.3%
General and administrative expenses	(84)	(56)	50.0%	(114)	-26.3%	135	248	(149)	(14,808)	(12,637)	17.2%	(15,001)	-1.3%
Impairment of receivables	(4)	-	NMF	(44)	-90.9%	205	132	142	(1,172)	(1,188)	-1.3%	(1,013)	15.7%
Other operating income	47	(4)	NMF	195	-75.9%	(135)	(247)	(219)	629	1,820	-65.4%	1,762	-64.3%
EBITDA excluding IFRS 16	**48**	**77**	**-37.7%**	**57**	**-15.8%**	**2**	**-**	**-**	**37,409**	**31,399**	**19.1%**	**36,905**	**1.4%**
EBITDA margin excluding IFRS 16	***4.2%***	***11.1%***		***6.6%***					***15.9%***	***15.1%***		***16.2%***	
IFRS 16 impact on EBITDA[17]	6	-	NMF	-	NMF	-	-	-	5,126	-	NMF	-	NMF
EBITDA as per financial statements	**54**	**77**	**-29.9%**	**57**	**-5.3%**	**2**	**-**	**-**	**42,535**	**31,399**	**35.5%**	**36,905**	**15.3%**
Depreciation and amortization excluding IFRS 16	*(59)*	*(44)*	*34.1%*	*(35)*	*68.6%*	*-*	*-*	*-*	*(8,679)*	*(7,715)*	*12.5%*	*(8,634)*	*0.5%*
Depreciation and amortization	(65)	(44)	47.7%	(35)	85.7%	-	-	-	(13,177)	(7,715)	70.8%	(8,634)	52.6%
Net interest income (expense) excluding IFRS 16	*-*	*-*	*0.0%*	*-*	*0.0%*	*-*	*-*	*-*	*(10,362)*	*(8,563)*	*21.0%*	*(10,943)*	*-5.3%*
Net interest income (expense)	-	-	0.0%	-	0.0%	-	-	-	(11,638)	(8,563)	35.9%	(10,943)	6.4%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(6)*	*-*	*NMF*	*(2)*	*200.0%*	*-*	*-*	*-*	*145*	*1,899*	*-92.4%*	*(1,550)*	*NMF*
Net gains/(losses) from foreign currencies	(6)	-	NMF	(2)	200.0%	-	-	-	(148)	1,899	NMF	(1,550)	-90.5%
Net non-recurring income/(expense)	(5)	(11)	-54.5%	7	NMF	(1)	-	-	(155)	(1,006)	-84.6%	(473)	-67.2%
Profit before income tax expense	**(22)**	**22**	**NMF**	**27**	**NMF**	**1**	**-**	**-**	**17,417**	**16,014**	**8.8%**	**15,305**	**13.8%**
Income tax benefit/(expense)	-	-	-	-	-	-	-	-	(85)	(2)	NMF	(111)	-23.4%
Profit for the period excluding IFRS 16	**(22)**	**22**	**NMF**	**27**	**NMF**	**-**	**-**	**-**	**18,273**	**16,012**	**14.1%**	**15,194**	**20.3%**
Profit for the period	**(22)**	**22**	**NMF**	**27**	**NMF**	**1**	**-**	**-**	**17,332**	**16,012**	**8.2%**	**15,194**	**14.1%**
Attributable to:													
- shareholders of the Company	(22)	22	NMF	14	NMF	1	-	-	11,310	10,542	7.3%	9,925	14.0%
- non-controlling interests	-	-	-	13	NMF	-	-	-	6,022	5,470	10.1%	5,269	14.3%

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

Selected Balance Sheet items	Hospitals					Clinics					Pharmacy and distribution				
GEL thousands; unless otherwise noted	**31-Mar -19**	**31-Mar-18**	**Change, Y-o-Y**	**31-Dec-18**	**Change, Q-o-Q**	**31-Mar -19**	**31-Mar -18**	**Change, Y-o-Y**	**31-Dec-18**	**Change, Q-o-Q**	**31-Mar -19**	**31-Mar -18**	**Change, Y-o-Y**	**31-Dec-18**	**Change, Q-o-Q**
Assets:															
Cash and bank deposits	7,536	29,196	-74.2%	17,704	-57.4%	616	2,730	-77.4%	576	6.9%	7,268	4,423	64.3%	17,305	-58.0%
Property and equipment, *of which*	526,836	505,159	4.3%	535,520	-1.6%	112,850	100,540	12.2%	102,116	10.5%	97,317	27,389	255.3%	31,292	211.0%
IFRS 16 impact	*1,930*			*-*		*8,322*					*65,307*				
Inventory	17,439	17,794	-2.0%	16,978	2.7%	1,035	1,056	-2.0%	829	24.8%	127,512	90,463	41.0%	127,924	-0.3%
Liabilities:															
Borrowed Funds	246,565	242,720	1.6%	249,417	-1.1%	34,592	34,128	1.4%	34,585	0.0%	91,734	82,475	11.2%	100,423	-8.7%
Accounts payable	31,993	29,974	6.7%	34,651	-7.7%	3,499	3,749	-6.7%	1,986	76.2%	81,055	55,956	44.9%	79,772	1.6%
Finance lease liabilities	1,994	-	NMF	-	NMF	8,615	8,244	4.5%	8,676	-0.7%	66,702	-	NMF	-	NMF

Selected Balance Sheet items	Medical Insurance					Diagnostics					Eliminations			GHG				
GEL thousands; unless otherwise noted	**31-Mar -19**	**31-Mar -18**	**Change, Y-o-Y**	**31-Dec-18**	**Change, Q-o-Q**	**31-Mar -19**	**31-Mar -18**	**Change, Y-o-Y**	**31-Dec-18**	**Change, Q-o-Q**	**31-Mar -19**	**31-Mar -18**	**30-Sep-18**	**31-Mar -19**	**31-Mar -18**	**Change, Y-o-Y**	**31-Dec-18**	**Change, Q-o-Q**
Assets																		
Cash and bank deposits	12,124	9,087	33.4%	12,363	-1.9%	52	231	-77.5%	13	NMF	-	-	-	27,596	45,667	-39.6%	47,961	-42.5%
Property and equipment, *of which*	16,036	15,081	6.3%	15,214	5.4%	14,415	13,856	4.0%	13,895	3.7%	-	-	-	767,454	662,026	15.9%	698,037	9.9%
IFRS 16 impact	*810*					*9*								*76,379*				
Inventory	-	-	-	-	-	512	523	-2.1%	433	18.2%	-	-	-	146,499	109,836	33.4%	146,164	0.2%
Liabilities:																		
Borrowed Funds	5,939	8,598	-30.9%	5,966	-0.5%	-	-	-	-	-	(5,085)	-	-	373,745	367,922	1.6%	390,390	-4.3%
Accounts payable	-	-	-	-	-	937	1,004	-6.7%	1,222	-23.3%	(13,482)	(4,191)	(12,539)	104,001	86,491	20.2%	105,092	-1.0%
Finance lease liabilities	823	-	NMF	-	NMF	10	-	NMF	-	NMF	-	-	-	78,145[18]	8,244	NMF	8,676	NMF

[18] Out of which GEL 69.5 million accounts for IFRS 16 impact

Selected ratios and KPIs	1Q19	1Q18	4Q18
GHG			
EPS, GEL *excluding IFRS 16*	0.09	0.08	0.08
ROIC *(%)*	12.3%	10.6%	12.0%
ROIC adjusted[19] *(%)*	14.4%	13.5%	14.3%
Group rent expenditure	5,896	4,724	5,144
of which, pharmacy and distribution business	*5,325*	*4,055*	*4,442*
Group capex (maintenance)	3,184	2,295	4,050
Group capex (growth)	6,321	22,505	11,003
Number of employees	16,092	15,491	15,922
Number of physicians	3,635	3,553	3,603
Number of nurses	3,404	3,305	3,342
Nurse to doctor ratio, referral hospitals	0.94	0.93	0.93
Number of pharmacists	2,971	2,948	2,518
Total number of shares	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(2,777,744)	(2,800,166)	(2,937,273)
Shares outstanding	128,904,076	128,881,654	128,744,547
Of which:			
Total free float	54,154,256	53,763,151	53,994,727
Shares held by Georgia Capital PLC	74,749,820	75,118,503	74,749,820
Hospitals			
EBITDA margin *excluding IFRS 16*	25.6%	26.6%	26.4%
Direct salary rate (direct salary as % of revenue)	33.8%	34.1%	35.0%
Materials rate (direct materials as % of revenue)	17.4%	16.6%	16.9%
Administrative salary rate (administrative salaries as % of revenue)	10.6%	10.6%	9.9%
SG&A rate (SG&A expenses as % of revenue)	4.6%	5.2%	4.9%
Number of hospitals	18	16	16
Number of hospital beds	2,967	2,967	2,967
Hospitals bed occupancy rate[20]	62.3%	58.9%	56.3%
Hospitals bed occupancy rate, excluding Tbilisi Referral Hospital and Regional Hospital beds[20]	67.2%	65.1%	60.7%
Regional Hospital bed occupancy rate[20]	35.6%	1.2%	32.7%
Tbilisi Referral Hospital bed occupancy rate[20]	52.2%	33.5%	46.5%
Average length of stay (days)[20]	5.4	5.5	5.2
Clinics			
EBITDA margin *excluding IFRS 16*	18.7%	14.6%	19.1%
EBITDA margin of polyclinics *excluding IFRS 16*	14.6%	13.5%	13.0%
Direct salary rate (direct salary as % of revenue)	34.6%	36.5%	36.7%
Materials rate (direct materials as % of revenue)	6.1%	6.4%	5.3%
Number of community clinics	19	21	21
Number of community clinics beds	353	353	353
Number of polyclinics	16	17	16
Pharmacy and distribution			
EBITDA margin *excluding IFRS 16*	10.7%	10.0%	10.8%
Number of bills issued	7.16mln	6.70mln	7.15mln
Average bill size	13.7	13.9	13.9
Revenue from wholesale as a percentage of total revenue from pharma	28.9%	25.1%	25.8%
Revenue from retail as a percentage of total revenue from pharma	71.1%	74.9%	74.2%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	29.3%	28.8%	30.1%
Number of pharmacies	276	256	270
Medical insurance			
Loss ratio	85.3%	84.3%	78.2%
Expense ratio *excluding IFRS 16, of which*	12.6%	15.7%	18.5%
Commission ratio	4.4%	5.1%	5.7%
Combined ratio *excluding IFRS 16*	97.9%	100.0%	96.6%
Renewal rate	74.4%	70.6%	65.8%
Diagnostics			
EBITDA margin *excluding IFRS 16 impact*	4.2%	NA	NA
Number of patients served ('000)	67	NA	NA
Number of tests performed ('000)	172	NA	NA
Average revenue per test GEL	6.7	NA	NA
Average number of tests per patient	2.6	NA	NA

[19] Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase
[20] Excluding emergency beds

ANNEX

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

COMPANY INFORMATION

Georgia Healthcare Group PLC

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