GEORGIA HEALTHCARE GROUP

Fourth Quarter and Full Year 2019 Preliminary Results

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

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The information in this Announcement in respect of full year 2019 preliminary results, which was approved by the Board of Directors on 23 February 2020, does not constitute the Group's full financial statements. The financial statements for the year ended 31 December 2018 were filed with the Registrar of Companies, and the audit report was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The financial statements for the year ended 31 December 2019 will be included in the Annual Report and Accounts to be published in March 2020 and filed with the Registrar of Companies in due course.

An investor/analyst conference call, organised by GHG, will be held on Monday, 24 February 2020, at 12:00 UK / 13:00 CET / 07:00 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 fourth quarter and full year 2019 consolidated financial results. Unless otherwise mentioned, comparatives are for the fourth 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 4Q19 and FY19 consolidated results, reporting 13.3% y-o-y growth in full year revenues to GEL 963.1 million (US$335.8 million/GBP 256.2 million) and a 100 basis point improvement in adjusted ROIC[2]. The Group posted full year profit of GEL 69.1 million (US$24.1 million/GBP 18.4 million) and earnings per share ("**EPS**") of GEL 0.36 (US$0.12 per share/GBP 0.09 per share), both excluding IFRS 16 lease accounting impact.

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

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

GEL million; unless otherwise noted	**4Q19**	**4Q18**	**Change, Y-o-Y**	**FY19**	**FY18**	**Change, Y-o-Y**
The Group						
Revenue, gross[1]	259.7	227.5	14.2%	963.1	849.9	13.3%
EBITDA *excluding IFRS 16*	42.8	36.9	16.0%	154.2	132.3	16.6%
Net Profit *excluding IFRS 16*	23.1	15.2	52.1%	69.1	53.2	29.8%
EPS, GEL *excluding IFRS 16*	0.12	0.08	59.6%	0.36	0.27	33.4%
ROIC adjusted[2] *(%)*	16.6%	14.3%	2.3ppts	14.9%	13.9%	1.0ppts
Hospitals business						
Revenue, gross	73.6	72.0	2.1%	291.2	268.3	8.6%
EBITDA *excluding IFRS 16*	19.9	19.0	4.2%	74.7	70.0	6.7%
EBITDA margin *(%) excluding IFRS 16*	27.0%	26.4%	0.6ppts	25.6%	26.1%	-0.5ppts
Net Profit *excluding IFRS 16*	6.0	5.5	9.6%	19.1	19.3	-0.8%
Clinics business						
Revenue, gross	11.9	10.0	18.5%	44.4	38.3	15.9%
EBITDA *excluding IFRS 16*	3.1	1.9	60.8%	8.9	5.9	50.3%
EBITDA margin *(%) excluding IFRS 16*	26.0%	19.1%	6.9ppts	19.9%	15.4%	4.5ppts
Net Profit *excluding IFRS 16*	0.4	(0.4)	NMF	(0.8)	(3.0)	-73.8%
Pharmacy and distribution business						
Revenue	172.7	141.0	22.4%	614.7	518.6	18.5%
Gross profit margin *(%)*	26.0%	26.4%	-0.4ppts	25.5%	25.5%	0.0ppts
EBITDA *excluding IFRS 16*	19.2	15.2	25.9%	65.3	52.2	25.1%
EBITDA margin *(%) excluding IFRS 16*	11.1%	10.8%	0.3ppts	10.6%	10.1%	0.5ppts
Net Profit *excluding IFRS 16*	16.2	9.6	67.8%	46.6	34.2	36.4%
Medical insurance business						
Net insurance premiums earned	19.6	13.9	41.0%	75.4	55.1	36.7%
Loss ratio *(%)*	84.6%	78.2%	6.4ppts	81.4%	77.3%	4.1ppts
Combined ratio (%) *excluding IFRS 16*	97.6%	96.6%	1.0ppts	94.1%	94.0%	0.1ppts
EBITDA *excluding IFRS 16*	0.7	0.6	0.2%	5.2	4.1	28.7%
Net Profit/ (Loss) *excluding IFRS 16*	0.6	0.5	22.0%	4.5	2.9	51.6%

[1] The Group's gross revenue (before deducting its corrections and rebates) is based on the official invoices submitted to and formally accepted by the customers (State, insurance companies, provider clinics and individuals) and accruals for already performed but not yet billed service.
[2] Return on invested capital ("ROIC") adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase

Diagnostic						
Revenue	1.7	0.9	90.7%	5.1	2.9	73.3%
Gross profit margin *(%)*	13.7%	10.3%	3.4ppts	24.7%	18.3%	6.4ppts
EBITDA *excluding IFRS 16*	0.0	0.1	NMF	0.2	0.1	21.8%
EBITDA margin (%) *excluding IFRS 16*	2.8%	6.6%	NMF	3.2%	4.5%	NMF
Net Profit/ (Loss) *excluding IFRS 16*	(0.1)	0.0	NMF	(0.3)	(0.1)	NMF

CHIEF EXECUTIVE OFFICER'S STATEMENT

During 2019, the Group maintained a clear focus on our key strategic objectives and made good progress in each business segment to deliver earnings momentum, strong cash generation and an improved return on capital invested. The completion of our major three-year capital expenditure programme has led to significantly reduced investment requirements and allowed us to start reducing debt levels. This has resulted in net profit and EPS growth which significantly exceeded the 13% growth in Group revenue and 17% growth in EBITDA. Earnings per share increased by 33% to GEL 0.36, our return on capital invested (excluding newly launched facilities that are in roll-out phase) increased by a percentage point to 14.9% and the Group's EBITDA to cash conversion ratio reached 81% and resulted in operating cash flow of GEL 125 million. As a result of the improved cash generation, our board plans to recommend a 44% increase in the annual dividend at the Annual General Meeting in May.

As we continue to make progress in delivering the strategy of each of our businesses and leveraging the strength of our franchise, we expect to continue to grow our revenue by double-digits while maintaining our high-quality asset base without significant further capital expenditure. In addition, the Group will continue to build out important, profitable new growth opportunities. These include developing medical tourism, creating new retail laboratory diagnostic services, expanding the outpatient clinics and adding new pharmacies and new products. Some of these business initiatives such as medical tourism and pharmacies in Armenia tap demand outside Georgia, with insignificant capital commitment, effectively enlarging our market. We will also continue to invest in our exciting IT and digital projects which are significantly improving not only our efficiency but also our service quality and the customer experience. Together with the continued organic development we expect in our core operations, all this positions us well to grow the business over the medium-term at improved returns on capital, while also increasing operating cash flows.

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

The Group. The Group's 2019 results reflect delivery on a number of core initiatives in each business. Gross revenues totalled GEL 963 million, up 13% year-on-year. EBITDA of GEL 154 million represented a 17% increase year on year, and net profit increased by 30% over the same period, to GEL 69 million. The Group net profit, excluding FX loss and non-recurring expenses, was up 27% y-o-y, to GEL 74 million. Having completed the Group's significant three-year investment programme, we are now seeing the benefits translated into even stronger net profit and earnings per share growth as well as a solid 26% y-o-y increase in operating cash flow.

Performance was good across all five of our business segments. Our pharmacy and distribution business performed particularly well with 19% revenue growth (14% growth net of the newly added centralised procurement entity) and an EBITDA margin in excess of 10% for the year, and over 11% in the fourth quarter. Our clinics business posted 50% EBITDA growth. Results in the hospitals business are consistently improving as we focus on capacity utilisation, continue to roll-out our two new flagship hospitals and deliver recognised clinical quality. The medical insurance business delivered robust revenue growth and a healthy combined ratio of 94% leading to a net profit increase in excess of 50% y-o-y to GEL 4.5 million.

With inflation in Georgia above its target rate, the National Bank of Georgia ("NBG") tightened the monetary policy and increased the refinancing rate by a total of 250 bps in September-November 2019. This has affected the Group's interest expense, as 75% of GHG borrowings carry a floating interest rate. Our lower borrowings balance (down 7% in 2019 y-o-y) and our group-wide exercise to reduce borrowing costs will partly offset this. Most notably, in the third quarter, the hospitals segment reduced borrowing costs by re-financing higher cost debt with GEL 50 million in lower cost local currency denominated bonds. These bonds carried the lowest margin (310 bps above the base rate) ever achieved by a corporate borrower in Georgia.

Hospitals business. During 2019, our hospitals business revenues grew 9% to GEL 291 million. The revenue growth was supported by the 58% growth in our two newly launched hospitals, especially at Caucasus Medical Centre where according to recently conducted Net Promoter Score ("NPS") survey, the customers' experience and satisfaction reached a score of 77% – a remarkable outcome for a newly launched facility. The business is also making progress on its medical tourism strategy. Active marketing campaigns and other development initiatives implemented in our five target country markets led to 37% y-o-y increase in the number of international patients, which led to 2019 revenues of GEL 4.5 million (up 33% y-o-y) from medical tourism. As explained in detail later in this report, however, the 9% revenue growth represented a slowdown in growth momentum caused by government changes made to the Universal Healthcare Programme ("UHC") reimbursement programme in November 2019 and a temporary delay in issuance of guarantee letters under UHC in the final weeks of 2019 (since reversed) that affected planned treatments. EBITDA nonetheless increased 7% y-o-y to GEL 75 million and the EBITDA margin was 25.6%. We achieved this result despite our two new flagship hospitals being in their roll-out phase, the impact of the government measures referred to above, and the cost impact of the new Georgian pension system introduced in early 2019. Excluding the roll-out impact of our two new flagship hospitals, the EBITDA margin was 28.2%.

Clinics business. Our polyclinic network continues to grow, and the Evex polyclinics clearly stand out from the competition as new, modern facilities that provide a diverse range of high-quality services in a single location. The number of registered patients continues to grow quarter by quarter and our polyclinics business became the market leader in Tbilisi by number of registered patients that reached c.193,000 in 2019 (up 47,000 y-o-y). During the year, revenues increased by 16%, with polyclinics growing at 23% and community clinics at 11%, the EBITDA grew by 50% and the EBITDA margin increased from 15.4% to 19.9% over the same period. We will continue to pursue our polyclinics strategy of increasing the client base, supported by the further roll-out of dental clinics and other services, which will allow us to consolidate our position as the largest, highest quality provider in this highly fragmented market.

Pharmacy and Distribution business. Our pharmacy chain and distribution business has been a stand-out performer which delivered record revenues of GEL 615 million, up 19% y-o-y. The balance of the overall revenue growth was contributed by our centralised medicine procurement entity, which was transferred to the GHG pharmacy and distribution business in 2019. The business posted 14% organic revenue growth, supported by double-digit organic growth in both the retail and distribution businesses. Our gross profit margin is driven by the scale benefit and increased sales of personal care and beauty products. After introduction of private label para-pharmacy products (personal care, beauty, etc.) in May 2019, which posted c.GEL 1.0 million revenue during the year, we increased our commitment to the beauty retail market by signing a 10-year franchise agreement with The Body Shop, a leading British cosmetics, skin care and perfume company. In December 2019, we launched our first standalone, flagship The Body Shop store in Tbilisi, and started to operate our "shop-in-shop" model presenting The Body Shop stands in our high end – GPC pharmacies. Entering the beauty retail market is an important example of our strategy to develop new growth opportunities and shape new markets. Adding The Body Shop brand to the portfolio upgrades our range of personal care products, contributes to same-store growth and increases margins.

The business continues to deliver positive operating leverage. This is supported 25% growth in EBITDA and an EBITDA margin that continues to exceed our expectations, increasing by 50 basis points year-on-year to 10.6%. This extremely strong performance is substantially above our targeted "more than 9%" margin.

Medical insurance business. Our medical insurance business has made substantial progress over the last 12 and the business is now contributing meaningfully to the profitability of the Group. Net insurance premiums earned increased by 37% during the year, supported by the addition of a large state client in the first quarter. The combined ratio remained at a healthy 94%, translating into 29% EBITDA and more than 50% net profit growth of the business. More importantly, we continue to improve the proportion of medical insurance services delivered by GHG with 42.5% of medical expense claims retained within the Group, compared to 39.4% last year. We expect this ratio to continue to improve over the next few years.

We did not win the tender in 2020 for the large state client, which will reduce y-o-y medical insurance business revenue in 2020 but have an immaterial impact on business' earnings, as the loss ratio for the client was far above the average for the business.

Diagnostics business. In December 2018, we completed the construction and opened Mega Lab, the largest diagnostics laboratory in Georgia and the Caucasus region. The diagnostics business is already delivering break-even EBITDA, with costs of our lab services to the Group's healthcare facilities having been maintained at the same level. Over 670,000 tests were performed during 2019 for 277,000 patients – a significant achievement for a start-up facility.

In line with our strategy as discussed at our June 2019 Investor Day, we have started to develop lab retail and have already opened 10 blood collection points in our GPC pharmacies, serving c.1,800 customers and performing c.3,500 tests, with the plan to have c.50 blood collection points over the next few years. The business will also work on additional external contracts, serving healthcare facilities outside the Group.

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Clinical Quality. Clinical quality in our hospitals, clinics and polyclinics continues as a major focus for the three businesses, as we continue our mission to lead a sea change in clinical quality in Georgia. Recently established clinical boards and clinical KPI monitoring are bringing quality standards in our healthcare facilities towards international benchmarks. Our Sepsis Recognition and Treatment Campaign, created and rolled out by our clinical team in 2019, is an example of an initiative targeting our most important quality opportunities. As a result of this campaign, which included staff training and implementation of new sepsis guidelines in our healthcare facilities, our diagnosis and treatment effectiveness improved significantly.

IT development. Our focus in IT development is on projects that are crucial to our patient/customer experience and to the performance of our businesses and synergies across the Group. In 2019 we've continued implementation of two revolutionary software initiatives.

First, in the sphere of electronic medical records (EMR), we launched a comprehensive EMR system in all of our polyclinics and community clinics, substituting 100% of the paperwork. We then successfully implemented an electronic medical ordering system in all our referral hospitals (representing c.60% of full EMR functionality). We will be continuing the roll-out of EMR in our hospitals in 2020.

Second, at the end of 2019 we launched our innovative new digital consumer health platform "EKIMO". Version 1.0 already consolidates the entire vertical spectrum of primary care in the country (primary care doctors and clinics, diagnostics, pharmacies, medical insurance and more) and is open to any local healthcare provider. With this initiative we are well on the way to achieving the Group's mission of building and providing a consolidated, patient-centric customer journey for the country's entire healthcare ecosystem, thereby improving the quality of healthcare and the value proposition for our patients and customers.

Investing in people development. We continue various training and development programmes for our employees to help them contribute to better clinical quality and financial performance through personal and professional development. A key objective of the Group is to invest in the next generation of doctors and position ourselves as the employer of choice. During the year, we spent a total of GEL 4 million on talent development. Our "GHG leadership programme" is one of the most popular leadership courses among our employees and over 200 middle level managers are engaged in the programme to improve their leadership and managerial skills.

The year 2019 was outstanding for our GHG medical residency programme. The programme is post-graduate preparation for the next generation of doctors and facilitates an increase in the number of qualified physicians, and is now established as the most popular post-graduate medical study programme in the country. The GHG residency programme had its first graduates in 2019: of the 44 residents who completed the three-year programme, 30 of the most promising are now employed at GHG facilities. Currently, over 200 talented people remain involved in the programme in 29 different medical fields.

Share exchange facility. In November 2019, Georgia Capital PLC – our majority shareholder which had owned 57% of the Group – announced an opportunity for shareholders of GHG to exchange their shares in the Group for shares in Georgia Capital PLC ("GCAP"). The Board of GHG believed it appropriate for the proposal to be shared with GHG shareholders, and welcomed GCAP's continued confidence in GHG's management and strategy and support for GHG as an independent, listed company and, in particular, GCAP's recognition of the significant progress GHG has made over the last few years. Valid acceptances in respect of 40,894,166 GHG shares were received, which were scaled back by 56.25%, in accordance with the requirements of the UK Listing Rules which limited the number of GCAP shares that could be exchanged to avoid an adverse impact on GHG's public listing and index eligibility. On completion of the Exchange Facility, GCAP's shareholding in GHG increased from 57.0% to 70.6%.

The Georgian macroeconomic environment. The Georgian economy continued to deliver robust real growth numbers, estimated at 5.2% for 2019, supported by strong double-digit growth of external demand. Overall tourist numbers continued to increase, despite a reduction in tourists from Russia following the direct flight ban introduced in July 2019. The current account deficit shrank significantly and according to NBG's preliminary estimates hit a historically low level of 4.4% in 2019, reflecting improvement in net exports and robust FX inflows, trends that we expect to see continued. While the impact of the reduced number of Russian tourists on the economy has been small, the negative expectations created by the flight ban partly explain the 7.0% depreciation of the GEL vs US Dollar exchange rate since 20 June 2019, before strengthening in December and early 2020. The GEL depreciation in turn had an impact on headline inflation, which increased to 7.0% in December 2019. To curb this inflation, the National Bank of Georgia increased the monetary policy rate from 6.5% to 9.0% in the second half of 2019. Overall, we expect further macroeconomic growth over the next few years to support further growth in the Georgian healthcare services market.

Dividend distribution. After adopting a new dividend policy in March 2019 - 20%-30% of annual profit attributable to shareholders to be distributed as dividends, at the 2020 AGM the Board intends to recommend to shareholders an annual dividend for 2019 (based on net profit attributable to shareholders, including the effect of application of IFRS 16) of GEL 0.076 per share payable in British Pounds Sterling at the prevailing rate. This represents a payout ratio of 25% and a 44% increase over last year's dividend.

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During 2019, our businesses have continued to deliver on key clinical, quality and financial priorities. The significant investment programme of the last few years continues to be well reflected in business performance. We have made good progress in our balance sheet management objectives to improve ROIC, cash flows, pay down debt to reduce interest costs, and therefore grow earnings more strongly than revenue and EBITDA. We expect these trends to continue, further focusing on our businesses' operational performance, financial performance and capital allocation strategy, while business organic growth together with new projects such as beauty, aesthetics and lab retail will enable us to deliver significant growth momentum over the next few years.

Nikoloz Gamkrelidze,

CEO of Georgia Healthcare Group PLC

DISCUSSION OF GROUP FINANCIAL RESULTS

GHG overview

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

In 2019 the Group has updated its business reporting structure. The healthcare services business was divided into the following two segments: **clinics**, which include polyclinics and community clinics, and **hospitals**, which include referral hospitals. Now GHG comprises five business lines: hospitals, clinics, pharmacy and distribution, medical insurance and diagnostics. Each business line has its own chief operating officer reporting to the Group CEO, pursuing value creation through revenue growth, profit growth and asset productivity (ROIC). With the exception of pharmacy and distribution, which has a small presence in Armenia, each business operates exclusively in Georgia. In Georgia:

GHG is the single largest market participant in the healthcare services industry, accounting for more than 23% of the country's total hospital bed capacity, as of 31 December 2019. Through its vertically integrated network of hospitals and clinics, our healthcare services business offers the most comprehensive high-quality range of inpatient and outpatient services targeting virtually all segments of the Georgian market.

Currently:

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

GHG is the largest pharmaceuticals retailer and wholesaler, with a c.32% market share by revenue. Our **pharmacy and distribution business** consists of a retail pharmacy chain and a wholesale business which sells pharmaceuticals and medical supplies to hospitals inside and outside the Group and to pharmacies outside the Group. The pharmacy chain operates under two separate brand names, **Pharmadepot** and **GPC**, with a total of 296 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, with a 32% market share based on 3Q19 net insurance premiums. Our **medical insurance business** consists of private medical insurance operations in Georgia. We have a wide distribution network and offer a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. We have c.236,000 persons insured as at December 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 opened the largest diagnostics laboratory (not only in Georgia but in 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; offering them provides faster service to our clinicians and retains the value in the Group.

Significant events, accounting change and legislative developments

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

- **New pension reform.** In January 2019, a new pension system became mandatory in Georgia. Participation is mandatory for employees under the age of 40 and optional for employees older than 40. Each employee contributes 2% of their income to an individual retirement account, which then benefits from further 2% contributions from both the employer, and (subject to ceilings based on income) the Government. The Group participates in this programme. The total cost to the Group in 2019 was approximately GEL 4.3 million.

- **Lari currency depreciation.** In 2Q19 the Georgian Lari started to depreciate and devalued by more than 6% against both, the US dollar and the Euro. In 3Q19 Lari depreciated by a further 3.0% against US dollar but appreciated against Euro by 1.1%. In 4Q19 the positive trends described in the CEO's statement resulted in appreciation of the Lari by 3% against the US dollar and a further 0.6% against Euro.

  The movements in exchange rates led to foreign currency exchange losses in the second and third quarters and gain in fourth quarter, which (excluding the IFRS 16 effect), were mainly due to the revaluation of foreign currency denominated payable balances of the pharmacy and distribution business. Exchange rates remained relatively stable in January and February of 2020.

- **IFRS 16 impact.** The Group adopted IFRS 16 "Leases" from 1 January 2019. The key change arising from IFRS 16 is that rent expense is reclassified from operating expense to interest and depreciation expense. The IFRS 16 impact on Group's EBITDA was positive GEL 5.8 million in 4Q19 and GEL 21.3 million in FY19, out of which the pharmacy and distribution business accounted for GEL 5.2 million and GEL 18.9 million, respectively. The IFRS 16 impact on quarterly net profit was also positive at GEL 1.3 million, resulting from GEL 1.9 million foreign exchange gain on the revaluation of the finance lease liabilities balance. For the full year, the impact on the Group's net profit was negative at GEL 7.6 million, out of which GEL 4.6 million is attributable to foreign exchange loss on the revaluation of the finance lease liabilities balance. About 85% of the finance lease liabilities balance or about GEL 77 million as of December 2019 represents foreign currency denominated leases, the value of which increased in line with the depreciation of the national currency during 2019. As the impact is solely the result of the accounting change, we do not comment on it further in this report although the full effects are reflected in the accounts.

  Assets and liabilities also increased by the amount of discounted cash flows of future rent payments. Below in this report, to allow for comparisons, the numbers are disclosed with and excluding IFRS 16.

- **New Bonds.** On November 6, 2019, hospitals business completed the public placement of GEL 50 million unsecured local bonds due 2024 (the "Bonds") on the Georgian market. The Bonds bear interest at a floating rate of 310 basis points above the National Bank of Georgia refinancing rate. This is the historically lowest margin floating rate corporate bond issued on the Georgian market. The proceeds were used to refinance higher cost borrowings, and partially offset the increase in NBG's refinancing rate described on page 11.

Income statement, GHG consolidated

GEL thousands; unless otherwise noted	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Revenue, gross	**259,730**	**227,511**	**14.2%**	**963,078**	**849,917**	**13.3%**
Corrections & rebates[3]	(457)	(1,159)	-60.6%	(2,520)	(3,611)	-30.2%
Revenue, net	**259,273**	**226,352**	**14.5%**	**960,558**	**846,306**	**13.5%**
Costs of services	**(176,479)**	**(152,974)**	**15.4%**	**(652,993)**	**(577,705)**	**13.0%**
Gross profit	**82,794**	**73,378**	**12.8%**	**307,565**	**268,601**	**14.5%**
Salaries and other employee benefits	(23,512)	(22,221)	5.8%	(94,510)	(84,509)	11.8%
General and administrative expenses *excluding IFRS 16 impact*	(17,500)	(15,001)	16.7%	(63,140)	(54,436)	16.0%
Impairment of receivables	(1,181)	(1,013)	16.6%	(4,322)	(4,448)	-2.8%
Other operating income	2,218	1,762	25.9%	8,627	7,066	22.1%
EBITDA excluding IFRS 16	**42,819**	**36,905**	**16.0%**	**154,220**	**132,274**	**16.6%**
IFRS 16 impact on EBITDA[4]	5,775	-	NMF	21,320	-	NMF
Depreciation and amortization excluding IFRS 16	*(9,500)*	*(8,634)*	*10.0%*	*(36,365)*	*(33,883)*	*7.3%*
Depreciation and amortisation	(14,261)	(8,634)	65.2%	(54,972)	(33,883)	62.2%
Net interest income (expense) excluding IFRS 16	*(11,025)*	*(10,943)*	*0.7%*	*(42,273)*	*(39,470)*	*7.1%*
Net interest income (expense)	(12,583)	(10,943)	15.0%	(47,987)	(39,470)	21.6%
Net gains/(losses) from foreign currencies excluding IFRS 16	*1,473*	*(1,550)*	*NMF*	*(3,813)*	*(2,879)*	*32.4%*
Net gains/(losses) from foreign currencies	3,332	(1,550)	NMF	(8,392)	(2,879)	NMF
Net non-recurring income/(expense)	(345)	(473)	-27.0%	(1,053)	(2,187)	-51.9%
Profit before income tax expense	**24,737**	**15,305**	**61.6%**	**63,136**	**53,855**	**17.2%**
Income tax benefit/(expense)	(314)	(111)	NMF	(1,586)	(616)	157.5%
Profit for the period excluding IFRS 16	**23,108**	**15,194**	**52.1%**	**69,130**	**53,239**	**29.8%**
Profit for the period	**24,423**	**15,194**	**60.7%**	**61,550**	**53,239**	**15.6%**

Gross Revenue. We delivered double digit revenue growth in both reporting periods. In both periods, revenue growth was mainly driven by double-digit growth in the pharmacy and distribution business, followed by all other GHG segments. At 9%, revenue growth in the hospitals business lagged for the reasons discussed on page 13.

In 2019, the Group's revenue distribution across its segments was: 59% from pharmacy and distribution, 28% from the hospitals, 8% from medical insurance, 4% from clinics, and the remaining 1% from the newly added diagnostics business. By payor mix, 54% of the Group's total revenue was from out-of-pocket payments[5]; 23% from UHC payments; and 23% from other sources.

Gross Profit. The Group continued to increase gross profit and improved its gross margin by 30 bps y-o-y, posting 31.9% in 2019, major driver of which was the clinics business, improving its margin by 220 bps for the same period. The Group also posted strong quarterly gross margin of 31.9%, a slight y-o-y reduction (down 40 bps). The reduction was attributable to medical insurance business, which experienced a 6.4% increase in its loss ratio due to adding large corporate clients, and a small decline in the pharmacy and distribution business' margin; these margin declines were partially offset by the significant increase in clinics business quarterly gross margin, up 530 ppts.

Pension reform increased the Group's salary expenses by GEL c.1.1 million in 4Q19 and by c.4.3 million in FY19. Despite this, as a result of well-managed efficiency and cost control measures, the Group posted positive operating leverage in both reporting periods, 3.2 ppts in 4Q19 and 2.0 ppts in FY19, major drivers of which for the full year were clinics and pharmacy and distribution businesses while for the quarter, apart from those two, hospitals business has also posted positive operating leverage of 4.1 ppts.

EBITDA *excluding IFRS 16*. The Group delivered solid quarterly and full year EBITDA growth, up 16.0% and 16.6% y-o-y, respectively. The hospitals business was the main contributor to the Group's FY19 EBITDA, contributing 49% in total, with a 25.6% EBITDA margin. The next largest contributor was the pharmacy and distribution business, with a 42% share, posting a double-digit EBITDA margin of 10.6%. Our clinics and medical insurance businesses contributed 6% and 3% to the Group's FY19 EBITDA respectively. For the year, clinics business posted significant increase in its EBITDA margin, up 4.5 ppts, now reaching 19.9%.

Depreciation and amortisation and Net interest expense *excluding IFRS 16*. Movements in y-o-y and q-o-q depreciation expense mainly relate to small investments by all segments in different capital expenditure projects such as launching new services in our healthcare facilities and opening new pharmacies. The q-o-q increase in interest expense (up 4.5%) is due to the tightened monetary policy, National Bank of Georgia increased refinancing rate by 250 bps since the beginning of September 2019 (from 6.5% to 9.0%), due to continuing inflationary pressure. Though our hospitals business borrowed funds balance decreased slightly q-o-q (down 1.3%), 75% of the business' borrowings bear interest at a floating

[3] The line includes corrections of invoiced amounts resulting from errors and/or omissions by doctors and other staff (absence of signatures, incorrect codes and etc.) and rebates which represent price corrections to clients at GHG's discretion. Rebates are provided in rare circumstances and in 2019 and 2018 the portion of rebates was close to zero.
[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

rate, increasing its quarterly interest expense. In response to refinancing rate increase, the pharmacy and distribution business started to repay loans and managed to reduce its borrowings by 10.1%, translating into 4.2% reduction in its q-o-q interest expense.

Loss from foreign currencies *excluding IFRS 16*. The movement in foreign currency gain/loss is mainly attributable to the pharmacy and distribution business. About 70% of inventory purchases in the pharmacy and distribution business are denominated in foreign currency: c.40% in EUR and c.30% in USD. In 4Q19, local currency appreciated by 3.0% against USD and by 0.6% against EUR, which resulted in quarterly FX gain of GEL 1.5 million from the revaluation of mainly accounts payable balances. Overall, in 2019 the local currency devalued by 7.1% against USD and 4.5% against EUR, translating into the Group's full year FX loss of GEL 3.8 million. As discussed on page 9 above, the loss including IFRS 16 is also attributable mainly to pharma.

Profit *excluding IFRS 16*. The Group posted 52.1% quarterly increase in profit and 29.8% increase in full year profit, despite a higher FX loss than in 2018.

Selected balance sheet items, GHG consolidated

GEL thousands; unless otherwise noted	31-Dec-19	30-Sep-19	Change, Q-o-Q	31-Dec-18	Change, Y-o-Y
Total assets, of which:	**1,351,207**	**1,329,688**	**1.6%**	**1,224,109**	**10.4%**
Cash and bank deposits	32,005	24,700	29.6%	47,961	-33.3%
Receivables from healthcare services	130,212	120,179	8.3%	106,841	21.9%
Receivables from sale of pharmaceuticals	17,508	20,540	-14.8%	20,440	-14.3%
Insurance premiums receivable	26,892	37,559	-28.4%	23,643	13.7%
Property and equipment	671,658	676,119	-0.7%	672,841	-0.2%
Right of use assets	84,115	82,297	2.2%	8,799	NMF
Goodwill and other intangible assets	162,247	154,692	4.9%	152,298	6.5%
Inventory	174,462	160,121	9.0%	146,164	19.4%
Prepayments	12,289	14,786	-16.9%	13,064	-5.9%
Other assets	39,819	38,695	2.9%	32,058	24.2%
Total liabilities, of which:	**748,933**	**750,126**	**-0.2%**	**665,475**	**12.5%**
Borrowed funds	363,585	387,487	-6.2%	390,390	-6.9%
Accounts payable	128,700	99,522	29.3%	105,092	22.5%
Insurance contract liabilities	25,489	29,945	-14.9%	22,544	13.1%
Lease liabilities, *of which*	90,791	90,295	0.5%	8,676	NMF
IFRS 16 impact	*82,115*	*81,619*	*0.6%*	*-*	*NMF*
Other liabilities	140,368	142,877	-1.8%	138,773	1.1%
Total shareholders' equity attributable to:	**602,274**	**579,562**	**3.9%**	**558,634**	**7.8%**
Shareholders of the Company	*530,899*	*509,463*	*4.2%*	*492,550*	*7.8%*
Non-controlling interest	*71,375*	*70,099*	*1.8%*	66,084	*8.0%*

- The majority of medical insurance contracts expire and renew in January every year, causing the insurance premiums receivable as well as insurance contract liabilities balances to increase in 1Q19 and reduce gradually in line with contract amortisation terms (explaining the reductions in the 4Q figures compared to 3Q).
- In 4Q19, the Group changed its accounting policy with respect to PPE and transitioned from the revaluation model to the cost model, where assets are carried at initial cost less accumulated depreciation. There was a negative effect on the PPE and Total shareholder's equity balance of GEL 16.4 million. The Group retrospectively restated all prior periods presented.
- In 4Q19, the Group reclassified assets that emerged from adoption of IFRS 16 from the "PPE" to the "Right of use assets" caption. The Group retrospectively restated all prior periods presented.
- The decrease in the balance of borrowed funds in 4Q19 is mainly attributable to pharmacy and distribution business. Due to increased refinancing rate, the business extended the payment terms to suppliers and prepaid its borrowings, which resulted in an accounts payables balance increase for the same period.

Statements of cash flows, GHG consolidated[6]

GEL thousands; unless otherwise noted	**FY19**	**FY18**	**Change, Y-o-Y**
EBITDA	154,220	132,274	16.6%
Net cash flows from operating activities	**125,201**	**99,580**	**25.7%**
EBITDA to Cash Conversion	**81.2%**	**75.3%**	
Net cash used in investing activities, *of which*:	**(47,947)**	**(85,347)**	**-43.8%**
Purchase of PPE and intangibles	*(41,978)*	*(70,123)*	*-40.1%*
Net cash flows from financing activities	**(93,056)**	**(26,917)**	**245.7%**
Effect of exchange rate changes	(1,935)	(2)	NMF
Net increase (decrease) in cash and cash equivalents	**(17,737)**	**(12,686)**	**39.8%**
Cash at period, beginning	36,154	48,840	-26.0%
Cash at period, ending	18,417	36,154	-49.1%
Bank deposits, beginning	11,807	14,768	-20.1%
Bank deposits, ending	13,588	11,807	15.1%
Cash and bank deposits, beginning	**47,961**	**63,608**	**-24.6%**
Cash and cash deposits, ending	**32,005**	**47,961**	**-33.3%**

Cash flows from operating activities. Net cash flows from operating activities increased in FY19 on the back of stronger EBITDA and a substantially improved EBITDA to cash conversion ratio (up 5.9% to 81.2%). As the newly opened facilities and services progress towards their run rate the benefits of these projects have begun to materialise, including the gradual reduction in working capital needs.

Cash flows from investing activities. Net cash used in investing activities continues to decline. 2018 was the final year of our major investment programme and investment volume slowed further in 2019 (outflow for purchase of PPE and intangibles down 40.1% y-o-y) as the projects completed. Purchase of PPE and intangibles mainly reflects our investments in new medical services, opening new pharmacies, as well as investment in Group's strategic projects such as medical tourism, lab and beauty retail markets development, as well as investing in different IT and software development projects. In FY19, net cash used in investing activities also includes GEL 5.2 million (GEL 12.9 million in FY18) payment of holdback for the pharmacy and distribution business acquisition.

Cash flows from financing activities. With our improved operational cash flow and lower capital investment requirements, the Group has stabilised needs for borrowings and started to repay its loans. Net outflow from financing activities reflects reduction of borrowings balance by GEL 26.8 million since 31 December 2018 (down 6.9%), interest payments, the Group's dividend payment of GEL 7 million and the dividend paid to non-controlling interest shareholders.

The overall effect resulted in cash and bank deposits at 31 December 2019 of GEL 32.0 million.

For the full cash flow statement please refer to selected financial information section, below on page 26.

[6] Statement of cash flows is presented excluding 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

Following the split of our healthcare services business (described on page 8), we revised the classification of our hospitals and clinics in 2019. Three of our clinics became sufficiently large to merit hospitals classification and one of our facilities previously reported as a hospital was re-classified as a clinic due to the nature of services offered. For comparison purposes, we discuss our hospitals and clinics results for both 2019 and 2018 reporting periods according to the new structure.

Income Statement, Hospitals business

GEL thousands; unless otherwise noted	**4Q19**	**4Q18**	**Change, Y-o-Y**	**FY19**	**FY18**	**Change, Y-o-Y**
Hospitals revenue, gross	**73,553**	**72,046**	**2.1%**	**291,237**	**268,271**	**8.6%**
Corrections & rebates	(423)	(1,035)	-59.1%	(2,206)	(3,060)	-27.9%
Hospitals revenue, net	**73,130**	**71,011**	**3.0%**	**289,031**	**265,211**	**9.0%**
Costs of hospitals business	**(43,247)**	**(41,718)**	**3.7%**	**(169,286)**	**(154,151)**	**9.8%**
Gross profit	**29,883**	**29,293**	**2.0%**	**119,745**	**111,060**	**7.8%**
Salaries and other employee benefits	(7,769)	(7,148)	8.7%	(31,363)	(28,322)	10.7%
General and administrative expenses *excluding IFRS 16*	(3,349)	(3,557)	-5.8%	(14,169)	(13,862)	2.2%
Impairment of receivables	(989)	(956)	3.5%	(4,152)	(4,449)	-6.7%
Other operating income	2,077	1,412	47.1%	4,631	5,562	-16.7%
EBITDA excluding IFRS 16	**19,853**	**19,044**	**4.2%**	**74,692**	**69,989**	**6.7%**
EBITDA margin excluding IFRS 16	*27.0%*	*26.4%*		*25.6%*	*26.1%*	
IFRS 16 impact on EBITDA[7]	157	-	NMF	578	-	NMF
Depreciation and amortization excluding IFRS 16	*(6,998)*	*(6,539)*	*7.0%*	*(27,035)*	*(25,483)*	*6.1%*
Depreciation and amortisation	(7,224)	(6,539)	10.5%	(27,839)	(25,483)	9.2%
Net interest income (expense) excluding IFRS 16	*(7,226)*	*(6,703)*	*7.8%*	*(27,000)*	*(23,563)*	*14.6%*
Net interest income (expense)	(7,302)	(6,703)	8.9%	(27,200)	(23,563)	15.4%
Net gains/(losses) from foreign currencies excluding IFRS 16	*627*	*(26)*	*NMF*	*(714)*	*(136)*	*NMF*
Net gains/(losses) from foreign currencies	728	(26)	NMF	(1,075)	(136)	NMF
Net non-recurring income/(expense)	(282)	(362)	-22.1%	(816)	(1,488)	-45.2%
Profit before income tax expense	**5,930**	**5,414**	**9.5%**	**18,340**	**19,319**	**-5.1%**
Income tax benefit/(expense)	-	37	NMF	-	(35)	NMF
Profit for the period excluding IFRS 16	**5,973**	**5,451**	**9.6%**	**19,127**	**19,284**	**-0.8%**
Profit for the period	**5,930**	**5,451**	**8.8%**	**18,340**	**19,284**	**-4.9%**

Revenue, *hospitals*

Our hospitals business quarterly revenue increased moderately, as revenue growth was affected by a new government regulation described on page 9. The impact of this change, effective since November 21, was approximately GEL 1.5 million on hospitals business revenue in 4Q19. Additionally, due to the UHC budget overspending, at the end of 2019 Social Service Agency ("SSA") delayed the issuance of guarantee letters for planned treatments for patients, leading to reduction of elective care services performed at our hospitals. Having reduced the pressure on the 2019 budget overspend, starting form 2020 SSA renewed the issuance of guarantee letters for the patients.

The main driver of the business' quarterly and full year revenue growth was Caucasus Medical Centre (formerly Regional Hospital or Deka, fully opened in March 2018), which continues to make good progress in its ramp-up phase. CMC posted a 29.7% and 83.4% y-o-y increase in quarterly and full year revenues, respectively, and an occupancy rate of 37.9% in 4Q19. By posting 22.4% EBITDA margin in 4Q19, the hospital is nearing its mature level. Our other hospital that is still in its roll-out phase, Tbilisi Referral Hospital (formerly Sunstone, fully opened in December 2017), also contributed to business' full year revenue growth, up 27.6% y-o-y, with occupancy rate of 46.3%.

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

Revenue by sources of payment in hospitals

(GEL thousands, unless otherwise noted)	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Hospitals revenue, net	**73,130**	**71,011**	**3.0%**	**289,033**	**265,211**	**9.0%**
Government-funded healthcare programmes	48,899	48,205	1.4%	197,528	179,470	10.1%
Out-of-pocket payments by patients	19,276	17,669	9.1%	71,966	68,027	5.8%
Private medical insurance companies, *of which*	4,955	5,137	-3.5%	19,539	17,714	10.3%
GHG medical insurance	*2,892*	*1,754*	64.9%	*8,319*	*5,131*	62.1%

All payment sources contributed to our revenue growth. The Government-funded healthcare programme remains the main contributor, accounting for c.68%[8] in total revenue of the hospitals business. The contribution from private medical insurance is mainly driven by the substantial increase in revenues from GHG's own medical insurance clients, translating into increased claims retention rate within the Group for inpatient services, up 210 bps.

Gross profit, *hospitals*

Cost of hospitals as % of revenue	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Direct salary rate	35.3%	35.0%	+0.3 ppts	35.1%	35.3%	-0.2 ppts
Materials rate	17.7%	16.9%	+0.8 ppts	17.0%	16.3%	+0.7 ppts
Gross margin	**40.6%**	**40.7%**	**-0.1 ppts**	**41.1%**	**41.4%**	**-0.3 ppts**

Despite the new pension reform (described on page 9 above in more detail), which increased our cost of salaries and other employee benefits by c.2%, we managed to maintain direct salary rate in the range of c.35% in both reporting periods. The increase in the materials rate reflects the nature of services performed in our two newly launched flagship hospitals, performing high-tech medical procedures, having higher materials rate than the business average. Excluding the effect of newly launched hospitals in the relevant periods, the materials rate remained well-controlled and stood at 15.4% in 4Q19, flat y-o-y, and 15.1% in FY19, down 30 bps. The increased cost of materials and other supplies, as well as an increased cost of utilities and other for FY19 – also due to the ramp-up phase of newly launched hospitals, slightly subdued the business' gross margin.

Operating expenses excluding IFRS 16, *hospitals*

Business expansion and the new mandatory pension reform drove the increases in salaries and other employee benefits, while general and administrative expenses (excluding IFRS 16 impact) were well controlled throughout the year, up only 2.2% y-o-y, in 2019.

The increase in 4Q19 other operating income reflects increased US dollar denominated rental income, due to GEL devaluation in 2019, gain from sale of PPE and the accounting impact of the call option. The decrease in FY19 other operating income reflects the transfer of the hospitals centralised medicine procurement entity to the GHG pharmacy and distribution business in 2019.

EBITDA excluding IFRS 16, *hospitals*

All of the above translated into EBITDA growth of 4.2 ppts and 6.7 ppts in 4Q19 and FY19, respectively. As our two new hospitals make progress in their ramp up phases and improve their margins, the quarterly EBITDA margin of the overall business was up 60 bps y-o-y, to 27.0%. However, full year EBITDA margin was down 50 bps and stood at 25.6%, mainly due to the: (1) new pension reform, that added GEL 0.7 million and GEL 2.7 million in quarterly and full year salary expense and translated in c.100 bps reductions in respective EBITDA margins; (2) changes in UHC; (3) the decrease in FY19 other operating income explained above; and (4) the roll-out phase of the newly opened facilities. Excluding the dilutive effect of roll-outs, despite the new pension reform, the hospitals business posted strong EBITDA margin of 29.2% in 4Q19 and 28.2% in FY19.

Profit excluding IFRS 16, *hospitals*

The 3.0% q-o-q (6.1% y-o-y in FY19) increase in depreciation and amortisation expense reflects investments in new medical services. Increased q-o-q interest expense, despite a slight reduction in the business' borrowings balance, reflects the refinancing rate increase and is explained in more detail on page 10. The 4Q19 gain and FY19 loss on foreign currency are explained on page 11.

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

Operational highlights:

- Our adjusted hospital bed occupancy rate[9] was at 61.8% in 4Q19 and at 61.3% FY19 (60.7% and 60.8% in 4Q18 and FY18, respectively).

- The average length of stay at hospitals[10] was at 5.4 days in 4Q19 and 5.4 in FY19 (5.2 days in 4Q18 and 5.4 days in FY18).

Discussion of Clinics Business Results[11]

Income Statement, Clinics Business

GEL thousands; unless otherwise noted	**4Q19**	**4Q18**	**Change, Y-o-Y**	**FY19**	**FY18**	**Change, Y-o-Y**
Clinics revenue, gross	**11,877**	**10,026**	**18.5%**	**44,413**	**38,322**	**15.9%**
Corrections & rebates	(34)	(123)	(1)	(314)	(551)	-43.0%
Clinics revenue, net	**11,843**	**9,903**	**19.6%**	**44,099**	**37,771**	**16.8%**
Costs of clinics business	**(6,018)**	**(5,522)**	**9.0%**	**(24,191)**	**(21,450)**	**12.8%**
Gross profit	**5,825**	**4,381**	**33.0%**	**19,908**	**16,321**	**22.0%**
Salaries and other employee benefits	(1,863)	(1,706)	9.2%	(7,315)	(6,623)	10.4%
General and administrative expenses *excluding IFRS 16*	(1,220)	(981)	24.4%	(4,670)	(3,904)	19.6%
Impairment of receivables	(21)	(79)	-73.4%	(130)	(139)	-6.5%
Other operating income	364	304	NMF	1,057	233	NMF
EBITDA excluding IFRS 16	**3,085**	**1,919**	**60.8%**	**8,850**	**5,888**	**50.3%**
EBITDA margin excluding IFRS 16	*26.0%*	*19.1%*		*19.9%*	*15.4%*	
IFRS 16 impact on EBITDA[12]	335	-	NMF	1,398	-	NMF
Depreciation and amortization excluding IFRS 16	*(1,428)*	*(1,247)*	*14.5%*	*(5,307)*	*(5,106)*	*3.9%*
Depreciation and amortisation	(1,790)	(1,247)	43.5%	(6,858)	(5,106)	34.3%
Net interest income (expense) excluding IFRS 16	*(1,076)*	*(972)*	*10.7%*	*(4,057)*	*(3,933)*	*3.2%*
Net interest income (expense)	(1,196)	(972)	23.0%	(4,566)	(3,933)	16.1%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(102)*	*(23)*	*NMF*	*(174)*	*(34)*	*NMF*
Net gains/(losses) from foreign currencies	83	(23)	NMF	(1,018)	(34)	NMF
Net non-recurring income/(expense)	(31)	(96)	-68.1%	(100)	180	NMF
Profit before income tax expense	**487**	**(419)**	**NMF**	**(2,294)**	**(3,005)**	**-23.7%**
Income tax benefit/(expense)	-	(2)	NMF	-	(2)	NMF
Profit for the period excluding IFRS 16	**449**	**(421)**	**NMF**	**(788)**	**(3,007)**	**-73.8%**
Profit for the period	**487**	**(421)**	**NMF**	**(2,294)**	**(3,007)**	**-23.7%**

Revenue, *clinics*

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

Revenue by types of clinics

(GEL thousands, unless otherwise noted)	**4Q19**	**4Q18**	**Change, Y-o-Y**	**FY19**	**FY18**	**Change, Y-o-Y**
Clinics revenue, net	**11,843**	**9,903**	**19.6%**	**44,099**	**37,771**	**16.8%**
Polyclinics	6,383	5,132	*24.4%*	23,115	18,854	*22.6%*
Community	5,460	4,771	*14.4%*	20,984	18,917	*10.9%*

In 2019, 52% of the clinics' revenue came from polyclinics and 48% from community clinics.

The growth in revenue from polyclinics was fully organic, driven by the initiation of new services such as dental and an increased number of registered patients in Tbilisi. By adding c.47,000 patients in 2019, the business became the market leader by number of registered patients, impressive growth of which is summarized in the following table.

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Number of Registered Patients	126,000	146,000	157,000	169,000	175,000	193,000

[9] Adjusted to exclude the Tbilisi Referral Hospital and Caucasus Medical Centre; the calculation also excludes emergency beds
[10] The calculation excludes emergency beds
[11] Under the Group's new structure, the clinics business results now includes community clinics and polyclinics, explained in more details on page 8
[12] Represents IFRS 16 impact on General and administrative expenses

We will continue to pursue our polyclinics expansion strategy: to consolidate our position as the largest provider in the highly fragmented outpatient market in Georgia through organic growth and further acquisitions. The y-o-y increase in revenue from community clinics, which play a feeder role for the referral hospitals, was also fully organic.

Revenue by sources of payment in clinics

(GEL thousands, unless otherwise noted)	**4Q19**	**4Q18**	**Change, Y-o-Y**	**FY19**	**FY18**	**Change, Y-o-Y**
Clinics revenue, net	**11,843**	**9,903**	**19.6%**	**44,099**	**37,771**	**16.8%**
Government-funded healthcare programmes	6,355	5,396	*17.8%*	24,135	21,178	*14.0%*
Out-of-pocket payments by patients	3,429	3,180	*7.8%*	12,184	11,485	*6.1%*
Private medical insurance companies, *of which*	2,059	1,327	*55.2%*	7,780	5,108	*52.3%*
GHG medical insurance	1,904	1,179	*61.5%*	7,167	4,451	*61.0%*

The main contributor to clinics revenue growth was Government-funded healthcare programmes, accounting for a c.55% share in total revenue from clinics in both periods. The increase in out-of-pocket payments is attributable to the polyclinics business, being up 9.4% in 4Q19 and 7.6% in FY19 (out-of-pocket payments in community clinics, where the main part of the revenue is generated from UHC, were flat). The solid growth in clinics revenue from private insurance companies is due to the increased number of GHG insured clients, who prefer to use our polyclinics, due to the different incentives such as direct settlement of claims and quality of care.

Gross profit, *clinics*

Cost of clinics as % of revenue	**4Q19**	**4Q18**	**Change, Y-o-Y**	**FY19**	**FY18**	**Change, Y-o-Y**
Direct salary rate	33.5%	36.7%	-3.2 ppts	34.7%	36.3%	-1.6 ppts
Materials rate	5.9%	5.3%	+0.6 ppts	6.1%	6.3%	-0.2 ppts
Gross margin	**49.0%**	**43.7%**	**+5.3 ppts**	**44.8%**	**42.6%**	**+2.2 ppts**

Despite the new pension reform, as a result of efficiency and cost control measures the direct salary rate improved significantly y-o-y. The materials rate remained in the range of c.6% throughout the year.

Strong business performance translated into improved quarterly and full year gross margins.

Operating expenses excluding IFRS 16, *clinics*

Our focus on efficiency resulted in strong y-o-y positive operating leverage of 21.7 ppts in 4Q19 and 16.0 ppts in FY19. The business managed to control its operating salary base, the expense of which favourably lagged respective revenue growth. The increase in general and administrative expenses (excluding the IFRS 16 impact), relates mainly to staff trainings in managerial positions after the healthcare service business split at the beginning of the year, explained in more details on page 8.

EBITDA excluding IFRS 16, *clinics*

Increased revenue and the well-controlled cost base translated into strong EBITDA growth for both periods. Clinics business continues to significantly improve its EBITDA margin, reaching 26.0% in 4Q19, driven by EBITDA margin improvement in polyclinics as a number of them make progress towards their run rate potential and the base of registered patients continues to increase. The polyclinics' EBITDA margin rose to 26.5% in 4Q19 (17.3% in 4Q18) and to 18.8% in FY19 (15.7% in FY18).

Profit excluding IFRS 16, *clinics*

Depreciation and amortization expense increased only modestly (3.9% y-o-y) and reflects mainly investments in medical services. Trends in net interest expense and foreign currency gain or loss are similar to those in the hospitals and overall business (for details see page 10).

Consequently, the clinics business for the first time contributed positively to the Group's profit in 4Q19, compared to negative contributions in previous periods. The main priority of the clinics business remains to further increase the base of registered customers, as our polyclinics represent a first point of customer interaction for our overall business. Combined with the newly launched dental offices, we believe that the polyclinics will become largest source of business' future growth, while we expect only moderate growth from the community clinics.

Discussion of Pharmacy and Distribution Business Results

Income Statement, pharmacy and distribution business

GEL thousands; unless otherwise noted	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Pharmacy and distribution revenue	**172,682**	**141,046**	**22.4%**	**614,675**	**518,578**	**18.5%**
Costs of Pharmacy and distribution	**(127,761)**	**(103,786)**	**23.1%**	**(457,820)**	**(386,372)**	**18.5%**
Gross profit	**44,921**	**37,260**	**20.6%**	**156,855**	**132,206**	**18.6%**
Salaries and other employee benefits	(13,167)	(12,198)	7.9%	(51,162)	(45,925)	11.4%
General and administrative expenses *excluding IFRS 16*	(11,893)	(9,765)	21.8%	(42,224)	(35,169)	20.1%
Impairment of receivables	(290)	27	NMF	(470)	-	NMF
Other operating income	(386)	(88)	NMF	2,304	1,103	108.9%
EBITDA excluding IFRS 16	**19,185**	**15,236**	**25.9%**	**65,303**	**52,215**	**25.1%**
EBITDA margin excluding IFRS 16	*11.1%*	*10.8%*		*10.6%*	*10.1%*	
IFRS 16 impact on EBITDA[13]	5,177	-	NMF	18,937	-	NMF
Depreciation and amortization excluding IFRS 16	*(860)*	*(628)*	*36.9%*	*(3,074)*	*(2,352)*	*30.7%*
Depreciation and amortisation	(4,942)	(628)	NMF	(18,962)	(2,352)	NMF
Net interest income (expense) excluding IFRS 16	*(2,892)*	*(3,373)*	*-14.3%*	*(11,802)*	*(11,924)*	*-1.0%*
Net interest income (expense)	(4,242)	(3,373)	25.8%	(16,753)	(11,924)	40.5%
Net gains/(losses) from foreign currencies excluding IFRS 16	*951*	*(1,565)*	*NMF*	*(2,976)*	*(2,923)*	*1.8%*
Net gains/(losses) from foreign currencies	2,505	(1,565)	NMF	(6,293)	(2,923)	NMF
Net non-recurring income/(expense)	(33)	(22)	50.0%	(131)	(859)	-84.7%
Profit before income tax expense	**17,650**	**9,648**	**82.9%**	**42,101**	**34,157**	**23.3%**
Income tax benefit/(expense)	(166)	-	NMF	(730)	-	NMF
Profit for the period excluding IFRS 16	**16,185**	**9,648**	**67.8%**	**46,590**	**34,157**	**36.4%**
Profit for the period	**17,484**	**9,648**	**81.2%**	**41,371**	**34,157**	**21.1%**

Revenue, *pharmacy and distribution*

The business has delivered another outstanding quarter and year, posting strong double-digit revenue growth in both periods in our retail and distribution businesses as shown in the table below. Excluding sales from "ELG", our centralised medicine procurement entity that was transferred to the GHG pharmacy and distribution business wholesale segment in 2019, the business posted headline growth of 19.0% in 4Q19 and 14.0% in FY19.

Revenue by types, pharmacy and distribution

(GEL thousands, unless otherwise noted)	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Pharmacy and distribution revenue	**172,682**	**141,046**	**22.4%**	**614,675**	**518,578**	**18.5%**
Revenue from Retail	122,970	104,718	17.4%	437,812	384,109	14.0%
Revenue from Distribution	49,712	36,328	36.8%	176,863	134,469	31.5%
Gross profit Margin	**26.0%**	**26.4%**	-0.4 ppts	**25.5%**	**25.5%**	0.0 ppts

The increase in y-o-y revenues from retail is attributable to expansion and organic sales growth in the business. This year we have added 26 new pharmacies to our chain, expanding from 270 to 296 stores.

The same-store growth rate was 11.6% in 4Q19 and 9.0% in FY19 and is attributable to growth in both bills issued and average bill size. The number of bills issued was up 6.7% in 4Q19 and up 6.4% in FY19, with average customer interactions in FY19 up to about 2.4 million per month (from 2.3 million in the prior year). The average bill size was up 8.8% in 4Q19 and 6.4% in FY19 and reached GEL 14.3 in 2019.

As mentioned above, part of the distribution revenue growth relates to the contribution of ELG to the business in 2019. This resulted in increased intercompany sales with GHG hospitals and clinics businesses. Excluding the ELG sales, the distribution revenue also grew strongly, by 24.8% in 4Q19 and 14.0% in FY19, as we expand the business by signing new corporate accounts.

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

Gross profit, *pharmacy and distribution*

The pharmacy and distribution business gross profit margin were well managed throughout the year, with slight fluctuations between quarters due to the business seasonality and FX movements.

There are three main drivers of the healthy margins of the business. First is the scale of the business in comparison to our competitors. As the largest purchaser of pharmaceuticals in the country we believe we have a cost advantage.

Second, our margins also benefit from strong sales in non-medication categories (personal care, beauty and other para-pharmacy products), total sales of which were GEL 39.8 million (up 29.5% y-o-y) in 4Q19 and GEL 143.6 million in FY19 (up 22.4% y-o-y), with 31.3% gross profit margin in both periods. Our para-pharmacy sales have the strongest margins and the share of para-pharmacy sales in retail revenue stood at 30.2% in 4Q19 (30.1% in 4Q18), and for the full year reached 31.0%, up by 140 bps.

Third, margins on sales of both medicines and non-medication products benefit from the increasing share of private label products in our mix. Currently, 37 private label medicines are presented in our pharmacies, with an annualised revenue contribution of c.GEL 4 million. In May 2019, private label personal care products were also introduced in our pharmacies under the brand name “Attirance”, posting around GEL 1 million in sales for the year.

Near the end of 2019 we launched our first standalone, flagship The Body Shop store in Tbilisi and started to operate the shop in shop model, presenting The Body Shop stands in our high-end GPC pharmacies. The Body Shop is a leading British cosmetic, skin care and perfume company with which the pharmacy and distribution business has recently signed 10 year franchise agreement. As of mid-February 2020, we operate two flagship The Body Shop stores in the capital and have developed The Body Shop stands in about 40 GPC pharmacies, the number of which will increase to around 50 by the end of 2020.

Operating expenses excluding IFRS 16, *pharmacy and distribution*

The business posted y-o-y positive operating leverage of 3.7 ppts in 4Q19 and 4.1 ppts in FY19. Salaries and other employee benefits, despite the pension reform, favourably lagged behind the same period revenue growth. Apart from business expansion, the y-o-y increase in general and administrative expenses (excluding IFRS 16 impact) is attributable to the marketing activities and promotions to support retail sales growth and increased rent expense of pharmacies by around GEL 1.2 million due to the GEL devaluation in 2019 (about 85% of rental contracts are denominated in US dollars).

Increased other operating income in FY19 reflects the gain on the sale of unused land and building in second quarter.

EBITDA excluding IFRS 16, *pharmacy and distribution*

As a result, the business posted record high EBITDA margin of 11.1% in 4Q19. The business full year margin of 10.6% also substantially exceeded our updated target of 9% (previously 8%+).

Profit excluding IFRS 16, *pharmacy and distribution*

The increase in depreciation and amortisation expense reflects investments in different projects such as The Body Shop and software development. Due to the refinancing rate increase, explained in more details on page 10, the pharmacy and distribution business started to repay loans and managed to reduce its borrowings by 10.1% q-o-q, translating into 4.2% reduction in respective interest expense.

Full year foreign currency loss, reflects the increase in the GEL value of US Dollar denominated payables to suppliers due to the devaluation of GEL in 2019, also explained in more details on page 11, the effect of which is partially mitigated by solid gross margin of the retail business.

Business development and operational highlights:

- 296 pharmacies as of December 2019 (270 as of December 2018)
- Average retail customer interactions per month was c.2.5 million in 4Q19 (c.2.4 million in 4Q18) and c.2.4 million in FY19 (c.2.3 million in FY18)
- Average bill size was GEL 15.1 in 4Q19 (GEL 13.9 in 4Q18) and GEL 14.3 in FY19 (GEL 13.4 in FY18)
- c.0.8 million loyalty card members as at 31 December 2019

Discussion of Medical Insurance Business Results

Income Statement, medical insurance business

GEL thousands; unless otherwise noted	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Net insurance premiums earned	**19,556**	**13,870**	**41.0%**	**75,358**	**55,112**	**36.7%**
Cost of insurance services	**(17,225)**	**(11,628)**	**48.1%**	**(64,110)**	**(45,427)**	**41.1%**
Gross profit	**2,331**	**2,242**	**4.0%**	**11,248**	**9,685**	**16.1%**
Salaries and other employee benefits	(1,359)	(1,213)	12.0%	(5,076)	(4,434)	14.5%
General and administrative expenses *excluding IFRS 16*	(533)	(435)	22.5%	(1,856)	(1,459)	27.2%
Impairment of receivables	(139)	(103)	35.0%	(481)	(362)	32.9%
Other operating income	350	158	121.5%	1,377	621	121.7%
EBITDA excluding IFRS 16	**650**	**649**	**0.2%**	**5,212**	**4,051**	**28.7%**
EBITDA margin excluding IFRS 16	*3.3%*	*4.7%*		*6.9%*	*7.4%*	
IFRS 16 impact on EBITDA[14]	106	-	NMF	393	-	NMF
Depreciation and amortisation excluding IFRS 16	*(187)*	*(184)*	*1.6%*	*(755)*	*(759)*	*-0.5%*
Depreciation and amortisation	(278)	(184)	51.1%	(1,106)	(759)	45.7%
Net interest income/ (expense) excluding IFRS 16	*277*	*105*	*163.8%*	*790*	*21*	*NMF*
Net interest income/ (expense)	265	105	152.4%	737	21	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*2*	*65*	*-96.9%*	*80*	*215*	*-62.8%*
Net gains/(losses) from foreign currencies	21	65	-67.7%	23	215	-89.3%
Net non-recurring income/(expense)	-	-	-	-	-	-
Profit before income tax expense	**764**	**635**	**20.3%**	**5,259**	**3,528**	**49.1%**
Income tax benefit/(expense)	(148)	(148)	NMF	(856)	(579)	NMF
Profit / (Loss) for the period excluding IFRS 16	**594**	**487**	**22.0%**	**4,471**	**2,949**	**NMF**
Profit / (Loss) for the period	**616**	**487**	**26.5%**	**4,403**	**2,949**	**NMF**
Loss ratio *(%)*	84.6%	78.2%	+6.4 ppts	81.4%	77.3%	+4.1 ppts
Expense ratio without IFRS 16 *(%)*	13.1%	18.5%	-5.4 ppts	12.7%	16.8%	-4.1 ppts
Combined ratio without IFRS 16 *(%)*	97.6%	96.6%	+1.0 ppts	94.1%	94.0%	+0.1 ppts

Revenue, medical insurance

Our medical insurance business posted y-o-y double-digit revenue growth, driven by the increased number of new clients in our corporate segment, up c.78,000 insured customers in 2019 y-o-y (which includes state entities). The business started to benefit from the Group's scale, which gives us the ability to offer more competitive prices on the market. Apart from business growth, the increased number of insured clients further increases our medical insurance claims retention rate within the Group – which, apart from expansion, is the business' main priority.

Starting from February 2020 we will no longer be insure the Ministry of Defence ("MOD"). This will reduce the medical insurance business revenue but will have immaterial impact on its earnings, as the client loss ratio was far above the business' average. We had acquired the MOD in February 2019 business through a tender process.

Gross profit, medical insurance

Medical insurance claims expenses account for almost all of the cost of insurance services. In FY19, our medical insurance claims expense was GEL 61.3 million, of which GEL 25.0 million (40.7% of the total) was inpatient, GEL 25.6 million (41.8% of total) was outpatient and GEL 10.7 million (17.5% of total) was accounted for by drugs.

In 4Q19 as well as in FY19 loss ratio was up y-o-y due to the addition of large clients, such as MOD, which have a higher loss ratio compared to small corporate clients.

Claims retention rates

Various incentives such as direct settlement of claims with the provider mean that, on top of its own positive contribution to our profitability, our insurance business plays a feeder role in originating and directing patients to our healthcare facilities, mainly to polyclinics and to pharmacies. As our business has expanded, we have significantly improved the claims retention rates within the Group (i.e., reimbursements of our customers' health care costs that are paid to other Group entities).

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

	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Total claims retained within the Group	44.8%	41.7%	+3.1 ppts	42.5%	39.4%	+3.1 ppts
Total claims retained in outpatient	39.3%	38.2%	+1.1 ppts	40.2%	38.7%	+1.5 ppts

Operating expenses excluding IFRS 16, *medical insurance*

The increases in salaries and general and administrative expenses were well controlled and lagged behind respective revenue growth.

Last year, our medical insurance business began participating in the Compulsory Motor Third Party Liability Insurance Programme, effective in the country from 1 March 2018. The profit from this is shown in other operating income. Staring from 2019 the business renegotiated and increased the fee from this service which resulted in y-o-y increase in other operating income.

As a result, business improved its expense ratio (excluding IFRS 16 impact), which was down 5.4 ppts at 13.1% in 4Q19 and down 4.1 ppts at 12.7% in FY19, y-o-y. The decrease partially offset the higher quarterly loss ratio, and resulted in an increased but still quite satisfactory combined ratio (excluding IFRS 16 impact) of 97.6% for seasonally weak quarter of the business. The FY19 combined ratio remained almost flat, at 94.1%.

Operational highlights:

- As at 30 September 2019, GHG medical insurance business market share based on net insurance premium revenue was 31.9%.
- In 2019, we became the largest medical insurer in Georgia with c.236,000 insured (c.157,000 in December 2018).
- Our insurance renewal rate was 77.7% in 4Q19 (65.8% in 4Q18) and 77.5% in FY19 (69.7% in FY18).

Discussion of Diagnostics Business Results

Overview, diagnostics

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

Mega Lab is an important, separately reported, business line for the Group, the results of which are shown below in detail. The process of centralising Group's internal lab demand – through collecting samples from the Group's hospitals and polyclinics throughout Georgia - is now complete. 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-third of the laboratory's capacity, Mega Lab has started to develop a retail network and capitalise on our pharmacy and distribution business' scale - being the largest retailer in the country. We have already opened 10 blood collection points in one of our pharmacy chains and plan to continue the process to arrive at c.50 blood collection points in coming years. The Mega Lab will also work on additional external contracts, serving healthcare facilities outside the Group.

Before opening Mega Lab, most of the Group's healthcare facilities had their own laboratory units and the Group owned one smaller scale lab facility (Patgeo, acquired in 2016). The results below for 4Q18 and FY18 shows the numbers for Patgeo and the small lab units, which after opening Mega Lab, were fully consolidated into the diagnostics business 2019 results. The Group's healthcare facilities cost base for lab services remained the same with the opening of Mega Lab. Costs previously reflected as salaries and materials (mainly reagents) have simply been shifted to cost of providers.

Income Statement, Diagnostics

GEL thousands; unless otherwise noted	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Diagnostics revenue	**1,659**	**870**	**90.7%**	**5,071**	**2,926**	**73.3%**
Costs of diagnostics	**(1,431)**	**(780)**	**83.5%**	**(3,818)**	**(2,391)**	**59.7%**
Gross profit	**228**	**90**	**153.3%**	**1,253**	**535**	**134.2%**
Salaries and other employee benefits	(202)	(70)	188.6%	(957)	(233)	NMF
General and administrative expenses *excluding IFRS 16*	(51)	(114)	-55.3%	(319)	(313)	1.9%
Impairment of receivables	19	(44)	NMF	15	(44)	NMF
Other operating income	53	195	-72.8%	170	188	-9.6%
EBITDA excluding IFRS 16	**47**	**57**	**NMF**	**162**	**133**	**21.8%**
EBITDA margin excluding IFRS 16	*2.8%*	*6.6%*		*3.2%*	*4.5%*	
IFRS 16 impact on EBITDA[15]	-	-	0.0%	14	-	NMF
Depreciation and amortisation excluding IFRS 16	*(27)*	*(35)*	*-22.9%*	*(194)*	*(183)*	*6.0%*
Depreciation and amortisation	(27)	(35)	-22.9%	(207)	(183)	13.1%
Net interest income/ (expense) excluding IFRS 16	*(103)*	*-*	*NMF*	*(199)*	*(71)*	*180.3%*
Net interest income (expense)	(103)	-	NMF	(200)	(71)	181.7%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(5)*	*(2)*	*150.0%*	*(29)*	*(1)*	*NMF*
Net gains/(losses) from foreign currencies	(5)	(2)	150.0%	(29)	(1)	NMF
Net non-recurring income/(expense)	-	7	NMF	(5)	(20)	-75.0%
Profit before income tax expense	**(88)**	**27**	**NMF**	**(265)**	**(142)**	**86.6%**
Income tax benefit/(expense)	-	-	-	-	-	-
Profit for the period excluding IFRS 16	**(88)**	**27**	**NMF**	**(265)**	**(142)**	**86.6%**
Profit for the period	**(88)**	**27**	**NMF**	**(265)**	**(142)**	**86.6%**

Revenue by types, diagnostics

(GEL thousands, unless otherwise noted)	4Q19	4Q18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y
Diagnostics revenue	**1,659**	**870**	**90.7%**	**5,071**	**2,926**	**73.3%**
Contracts	1,575	870	81.0%	4,813	2,926	64.5%
Walk-in	84	-	NMF	258	-	NMF

In both reporting periods, 95% of our diagnostics business revenue came from contracts, mainly from the Group's hospitals and clinics, by consolidating the demand for planned laboratory tests in Mega Lab. The remaining 5% of revenue from walk-in patients represents retail revenue which we plan to increase as the business continues to develop retail blood collection points.

The cost base for lab tests are the same as it was for our previously operated separate lab units in our healthcare facilities enabling the newly added diagnostics business already to post a positive margin due to the reduced cost of tests as a result of consolidation. The business continued its positive trend and achieved break even EBITDA in 4Q19, a significant achievement for a newly launched segment.

Operational highlights:	**4Q19**	**FY19**
Number of patients served *(in thousands)*	130	277
Number of tests performed *(in thousands)*	290	670
Average number of tests per patient	2.2	2.4

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

SELECTED FINANCIAL INFORMATION

Income Statement, *Full Year*	Hospitals			Clinics			Pharmacy and distribution			Medical insurance			Diagnostics			Eliminations		GHG		
GEL thousands, unless otherwise noted	FY19	FY 18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y	FY19	FY18	Change, Y-o-Y	FY19	FY18	FY19	FY18	Change, Y-o-Y
Revenue, gross	**291,237**	**268,271**	**8.6%**	**44,413**	**38,322**	**15.9%**	**614,675**	**518,578**	**18.5%**	**75,358**	**55,112**	**36.7%**	**5,071**	**2,926**	**73.3%**	**(67,676)**	**(33,292)**	**963,078**	**849,917**	**13.3%**
Corrections & rebates	(2,206)	(3,060)	-27.9%	(314)	(551)	-43.0%	-	-	-	-	-	-	-	-	-	-	-	(2,520)	(3,611)	-30.2%
Revenue, net	**289,031**	**265,211**	**9.0%**	**44,099**	**37,771**	**16.8%**	**614,675**	**518,578**	**18.5%**	**75,358**	**55,112**	**36.7%**	**5,071**	**2,926**	**73.3%**	**(67,676)**	**(33,292)**	**960,558**	**846,306**	**13.5%**
Costs of services	**(169,286)**	**(154,151)**	**9.8%**	**(24,191)**	**(21,450)**	**12.8%**	**(457,820)**	**(386,372)**	**18.5%**	**(64,110)**	**(45,427)**	**41.1%**	**(3,818)**	**(2,391)**	**59.7%**	**66,232**	**32,086**	**(652,993)**	**(577,705)**	**13.0%**
Cost of salaries and other employee benefits	(102,218)	(94,606)	8.0%	(15,422)	(13,922)	10.8%	-	-	-	-	-	-	(1,285)	(949)	35.4%	6,604	4,038	(112,321)	(105,439)	6.5%
Cost of materials and supplies	(49,506)	(43,808)	13.0%	(2,695)	(2,397)	12.4%	-	-	-	-	-	-	(2,119)	(1,299)	63.1%	6,131	13,492	(48,189)	(34,012)	41.7%
Cost of medical service providers	(4,266)	(3,873)	10.1%	(4,086)	(3,394)	20.4%	-	-	-	-	-	-	(115)	(1)	NMF	5,187	4,042	(3,280)	(3,226)	1.7%
Cost of utilities and other	(13,296)	(11,864)	12.1%	(1,988)	(1,737)	14.5%	-	-	-	-	-	-	(299)	(142)	NMF	1,134	495	(14,449)	(13,248)	9.1%
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	(61,309)	(42,584)	44.0%	-	-	-	14,170	9,799	(47,139)	(32,785)	43.8%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	(2,801)	(2,843)	-1.5%	-	-	-	-	-	(2,801)	(2,843)	-1.5%
Cost of pharma – wholesale	-	-	-	-	-	-	(148,607)	(110,485)	34.5%	-	-	-	-	-	-	33,006	220	(115,601)	(110,265)	4.8%
Cost of pharma - retail	-	-	-	-	-	-	(309,213)	(275,887)	12.1%	-	-	-	-	-	-	-	-	(309,213)	(275,887)	12.1%
Gross profit	**119,745**	**111,060**	**7.8%**	**19,908**	**16,321**	**22.0%**	**156,855**	**132,206**	**18.6%**	**11,248**	**9,685**	**16.1%**	**1,253**	**535**	**134.2%**	**(1,444)**	**(1,206)**	**307,565**	**268,601**	**14.5%**
Salaries and other employee benefits	(31,363)	(28,322)	10.7%	(7,315)	(6,623)	10.4%	(51,162)	(45,925)	11.4%	(5,076)	(4,434)	14.5%	(957)	(233)	NMF	1,363	1,028	(94,510)	(84,509)	11.8%
General and administrative expenses, *excluding IFRS 16*	(14,169)	(13,862)	2.2%	(4,670)	(3,904)	19.6%	(42,224)	(35,169)	20.1%	(1,856)	(1,459)	27.2%	(319)	(313)	1.9%	98	271	(63,140)	(54,436)	16.0%
Impairment of receivables	(4,152)	(4,449)	-6.7%	(130)	(139)	-6.5%	(470)	-	NMF	(481)	(362)	32.9%	15	(44)	NMF	896	546	(4,322)	(4,448)	-2.8%
Other operating income	4,631	5,562	-16.7%	1,057	233	NMF	2,304	1,103	108.9%	1,377	621	121.7%	170	188	-9.6%	(912)	(641)	8,627	7,066	22.1%
EBITDA *excluding IFRS 16*	**74,692**	**69,989**	**6.7%**	**8,850**	**5,888**	**50.3%**	**65,303**	**52,215**	**25.1%**	**5,212**	**4,051**	**28.7%**	**162**	**133**	**21.8%**	**1**	**(2)**	**154,220**	**132,274**	**16.6%**
EBITDA margin excluding IFRS 16	***25.6%***	***26.1%***		***19.9%***	***15.4%***		***10.6%***	***10.1%***		***6.9%***	***7.4%***		***3.2%***	***4.5%***			-			
IFRS 16 impact on EBITDA[16]	578	-	NMF	1,398	-	NMF	18,937	-	NMF	393	-	NMF	14	-	NMF	-	-	21,320	-	
EBITDA as per financial statements	**75,270**	**69,989**	**7.5%**	**10,248**	**5,888**	**74.0%**	**84,240**	**52,215**	**61.3%**	**5,605**	**4,051**	**38.4%**	**176**	**133**	**32.3%**	**1**	**(2)**	**175,540**	**132,274**	**32.7%**
Depreciation and amortization excluding IFRS 16	*(27,035)*	*(25,483)*	*6.1%*	*(5,307)*	*(5,106)*	*3.9%*	*(3,074)*	*(2,352)*	*30.7%*	*(755)*	*(759)*	*-0.5%*	*(194)*	*(183)*	*6.0%*	*-*	*-*	*(36,365)*	*(33,883)*	*7.3%*
Depreciation and amortization	(27,839)	(25,483)	9.2%	(6,858)	(5,106)	34.3%	(18,962)	(2,352)	NMF	(1,106)	(759)	45.7%	(207)	(183)	13.1%	-	-	(54,972)	(33,883)	62.2%
Net interest income (expense) excluding IFRS 16	*(27,000)*	*(23,563)*	*14.6%*	*(4,057)*	*(3,933)*	*3.2%*	*(11,802)*	*(11,924)*	*-1.0%*	*790*	*21*	*NMF*	*(199)*	*(71)*	*180.3%*	*(5)*	*-*	*(42,273)*	*(39,470)*	*7.1%*
Net interest income (expense)	(27,200)	(23,563)	15.4%	(4,566)	(3,933)	16.1%	(16,753)	(11,924)	40.5%	737	21	NMF	(200)	(71)	181.7%	(5)	-	(47,987)	(39,470)	21.6%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(714)*	*(136)*	*NMF*	*(174)*	*(34)*	*NMF*	*(2,976)*	*(2,923)*	*1.8%*	*80*	*215*	*NMF*	*(29)*	*(1)*	*NMF*	*-*	*-*	*(3,813)*	*(2,879)*	*32.4%*
Net gains/(losses) from foreign currencies	(1,075)	(136)	NMF	(1,018)	(34)	NMF	(6,293)	(2,923)	115.3%	23	215	-89.3%	(29)	(1)	NMF	-	-	(8,392)	(2,879)	191.5%
Net non-recurring income/(expense)	(816)	(1,488)	-45.2%	(100)	180	NMF	(131)	(859)	-84.7%	-	-	-	(5)	(20)	-75.0%	(1)	-	(1,053)	(2,187)	-51.9%
Profit before income tax expense	**18,340**	**19,319**	**-5.1%**	**(2,294)**	**(3,005)**	**-23.7%**	**42,101**	**34,157**	**23.3%**	**5,259**	**3,528**	**49.1%**	**(265)**	**(142)**	**86.6%**	**(5)**	**(2)**	**63,136**	**53,855**	**17.2%**
Income tax benefit/(expense)	-	(35)	**NMF**	-	(2)	**NMF**	(730)	-	**NMF**	(856)	(579)	**47.8%**	-	-	-	-	-	(1,586)	(616)	**157.5%**
Profit for the period excluding IFRS 16	**19,127**	**19,284**	**-0.8%**	**(788)**	**(3,007)**	**-73.8%**	**46,590**	**34,157**	**36.4%**	**4,471**	**2,949**	**51.6%**	**(265)**	**(142)**	**86.6%**	**(5)**	**(2)**	**69,130**	**53,239**	**29.8%**
Attributable to:																				
- shareholders of the Company	14,166	15,451	-8.3%	(880)	(2,988)	-70.5%	28,524	19,179	48.7%	4,471	2,949	51.6%	(265)	(155)	71.0%	(5)	(2)	46,011	34,434	33.6%
- non-controlling interests	4,961	3,833	29.4%	92	(19)	NMF	18,066	14,978	20.6%	-	-	-	-	13	NMF	-	-	23,119	18,805	22.9%
Profit for the period	**18,340**	**19,284**	**-4.9%**	**(2,294)**	**(3,007)**	**-23.7%**	**41,371**	**34,157**	**21.1%**	**4,403**	**2,949**	**49.3%**	**(265)**	**(142)**	**86.6%**	**(5)**	**(2)**	**61,550**	**53,239**	**15.6%**
Attributable to:																				
- shareholders of the Company	13,374	15,451	-13.4%	(2,386)	(2,988)	-20.1%	25,028	19,179	30.5%	4,403	2,949	49.3%	(265)	(155)	71.0%	(5)	(2)	40,149	34,434	16.6%
- non-controlling interests	4,966	3,833	29.6%	92	(19)	NMF	16,343	14,978	9.1%	-	-	-	-	13	NMF	-	-	21,401	18,805	13.8%

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

Income Statement, *Quarterly*

GEL thousands, unless otherwise noted	Hospitals					Clinics					Pharmacy and distribution					Medical insurance				
	4Q19	4Q18	Change, Y-o-Y	3Q19	Change, Q-o-Q	4Q19	4Q18	Change, Y-o-Y	3Q19	Change, Q-o-Q	4Q19	4Q18	Change, Y-o-Y	3Q19	Change, Q-o-Q	4Q19	4Q18	Change, Y-o-Y	3Q19	Change, Q-o-Q
Revenue, gross	**73,553**	**72,046**	**2.1%**	**68,694**	**7.1%**	**11,877**	**10,026**	**18.5%**	**10,552**	**12.6%**	**172,682**	**141,046**	**22.4%**	**146,800**	**17.6%**	**19,556**	**13,870**	**41.0%**	**19,436**	**0.6%**
Corrections & rebates	(423)	(1,035)	-59.1%	(789)	-46.4%	(34)	(123)	-72.4%	(110)	-69.1%	-	-	-	-	-	-	-	-	-	-
Revenue, net	**73,130**	**71,011**	**3.0%**	**67,905**	**7.7%**	**11,843**	**9,903**	**19.6%**	**10,442**	**13.4%**	**172,682**	**141,046**	**22.4%**	**146,800**	**17.6%**	**19,556**	**13,870**	**41.0%**	**19,436**	**0.6%**
Costs of services	**(43,247)**	**(41,718)**	**3.7%**	**(40,378)**	**7.1%**	**(6,018)**	**(5,522)**	**9.0%**	**(5,706)**	**5.5%**	**(127,761)**	**(103,786)**	**23.1%**	**(109,115)**	**17.1%**	**(17,225)**	**(11,628)**	**48.1%**	**(14,968)**	**15.1%**
Cost of salaries and other employee benefits	(25,969)	(25,248)	2.9%	(24,820)	4.6%	(3,979)	(3,682)	8.1%	(3,811)	4.4%	-	-	-	-	-	-	-	-	-	-
Cost of materials and supplies	(13,010)	(12,205)	6.6%	(11,197)	16.2%	(698)	(533)	31.0%	(599)	16.5%	-	-	-	-	-	-	-	-	-	-
Cost of medical service providers	(1,164)	(1,023)	13.8%	(994)	17.1%	(901)	(932)	-3.3%	(938)	-3.9%	-	-	-	-	-	-	-	-	-	-
Cost of utilities and other	(3,104)	(3,242)	-4.3%	(3,367)	-7.8%	(440)	(375)	17.3%	(358)	22.9%	-	-	-	-	-	-	-	-	-	-
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,540)	(10,843)	52.5%	(14,267)	15.9%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(685)	(785)	-12.7%	(701)	-2.3%
Cost of pharma – wholesale	-	-	-	-	-	-	-	-	-	-	(42,219)	(30,382)	39.0%	(35,174)	20.0%	-	-	-	-	-
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(85,542)	(73,404)	16.5%	(73,941)	15.7%	-	-	-	-	-
Gross profit	**29,883**	**29,293**	**2.0%**	**27,527**	**8.6%**	**5,825**	**4,381**	**33.0%**	**4,736**	**23.0%**	**44,921**	**37,260**	**20.6%**	**37,685**	**19.2%**	**2,331**	**2,242**	**4.0%**	**4,468**	**-47.8%**
Salaries and other employee benefits	(7,769)	(7,148)	8.7%	(7,482)	3.8%	(1,863)	(1,706)	9.2%	(1,913)	-2.6%	(13,167)	(12,198)	7.9%	(12,751)	3.3%	(1,359)	(1,213)	12.0%	(1,611)	-15.6%
General and administrative expenses, *excluding IFRS 16*	(3,349)	(3,557)	-5.8%	(3,532)	-5.2%	(1,220)	(981)	24.4%	(1,276)	-4.4%	(11,893)	(9,765)	21.8%	(10,537)	12.9%	(533)	(435)	22.5%	(414)	28.7%
Impairment of receivables	(989)	(956)	3.5%	(898)	10.1%	(21)	(79)	-73.4%	(19)	10.5%	(290)	27	NMF	(1)	NMF	(139)	(103)	35.0%	(125)	11.2%
Other operating income	2,077	1,412	47.1%	1,224	69.7%	364	304	19.7%	254	43.3%	(386)	(88)	NMF	814	NMF	350	158	121.5%	460	-23.9%
EBITDA *excluding IFRS 16*	**19,853**	**19,044**	**4.2%**	**16,839**	**17.9%**	**3,085**	**1,919**	**60.8%**	**1,782**	**73.1%**	**19,185**	**15,236**	**25.9%**	**15,210**	**26.1%**	650	649	0.2%	2,778	-76.6%
EBITDA margin excluding IFRS 16	***27.0%***	***26.4%***		***24.5%***		***26.0%***	***19.1%***		***16.9%***		***11.1%***	***10.8%***		***10.4%***		***3.3%***	***4.7%***		***14.3%***	
IFRS 16 impact on EBITDA[17]	157	-	NMF	122		335	-	NMF	308		5,177	-	NMF	4,619	12.1%	106	-	NMF	106	0.0%
EBITDA as per financial statements	**20,010**	**19,044**	**5.1%**	**16,961**	**18.0%**	**3,420**	**1,919**	**78.2%**	**2,090**	**63.6%**	**24,362**	**15,236**	**59.9%**	**19,829**	**22.9%**	**756**	**649**	**16.5%**	**2,884**	**-73.8%**
Depreciation and amortization excluding IFRS 16	*(6,998)*	*(6,539)*	*7.0%*	*(6,793)*	*3.0%*	*(1,428)*	*(1,247)*	*14.5%*	*(1,394)*	*2.4%*	*(860)*	*(628)*	*36.9%*	*(788)*	*9.1%*	*(187)*	*(184)*	*1.6%*	*(188)*	*-0.5%*
Depreciation and amortization	(7,224)	(6,539)	10.5%	(7,015)	3.0%	(1,790)	(1,247)	43.5%	(1,778)	0.7%	(4,942)	(628)	NMF	(4,780)	3.4%	(278)	(184)	51.1%	(280)	-0.7%
Net interest income (expense) excluding IFRS 16	*(7,226)*	*(6,703)*	*7.8%*	*(6,606)*	*9.4%*	*(1,076)*	*(972)*	*10.7%*	*(1,026)*	*4.9%*	*(2,892)*	*(3,373)*	*-14.3%*	*(3,018)*	*-4.2%*	*277*	*105*	*NMF*	*200*	*38.5%*
Net interest income (expense)	(7,302)	(6,703)	8.9%	(6,665)	9.6%	(1,196)	(972)	23.0%	(1,158)	3.3%	(4,242)	(3,373)	25.8%	(4,318)	-1.8%	265	105	152.4%	186	42.5%
Net gains/(losses) from foreign currencies excluding IFRS 16	*627*	*(26)*	*NMF*	*(196)*	*NMF*	*(102)*	*(23)*	*NMF*	*(10)*	*NMF*	*951*	*(1,565)*	*NMF*	*(839)*	*NMF*	*2*	*65*	*-96.9%*	*7*	*-71.4%*
Net gains/(losses) from foreign currencies	728	(26)	NMF	(251)	NMF	83	(23)	NMF	(206)	NMF	2,505	(1,565)	NMF	(2,252)	NMF	21	65	-67.7%	(16)	NMF
Net non-recurring income/(expense)	(282)	(362)	-22.1%	(144)	95.4%	(31)	(96)	-68.1%	(2)	NMF	(33)	(22)	50.0%	(36)	-8.3%	-	-	-	-	-
Profit before income tax expense	**5,930**	**5,414**	**9.5%**	**2,885**	**105.5%**	**487**	**(419)**	**NMF**	**(1,054)**	**NMF**	**17,650**	**9,648**	**82.9%**	**8,443**	**109.0%**	**764**	**635**	**20.3%**	**2,774**	**-72.5%**
Income tax benefit/(expense)	-	37	**NMF**	-	-	-	(2)	**NMF**	-	-	(166)	-	NMF	(495)	-66.5%	(148)	(148)	0.0%	(420)	-64.8%
Profit for the period excluding IFRS 16	**5,973**	**5,451**	**9.6%**	**3,099**	**92.7%**	**449**	**(421)**	**NMF**	**(650)**	**NMF**	**16,185**	**9,648**	**67.8%**	**10,034**	**61.3%**	**594**	**487**	**22.0%**	**2,377**	**-75.0%**
Attributable to:																				
- shareholders of the Company	4,748	4,423	7.3%	2,134	122.4%	417	(459)	NMF	(676)	NMF	10,204	5,445	87.4%	6,159	65.7%	594	487	22.0%	2,377	-75.0%
- non-controlling interests	1,225	1,028	19.2%	965	26.9%	32	38	-15.7%	26	23.1%	5,981	4,203	42.3%	3,875	54.3%	-	-	-	-	-
Profit for the period	**5,930**	**5,451**	**8.8%**	**2,885**	**105.5%**	**487**	**(421)**	**NMF**	**(1,054)**	**NMF**	**17,484**	**9,648**	**81.2%**	**7,948**	**120.0%**	**616**	**487**	**26.5%**	**2,354**	**-73.8%**
Attributable to:																				
- shareholders of the Company	4,705	4,423	6.4%	1,920	145.0%	455	(459)	NMF	(1,080)	NMF	11,074	5,445	103.4%	4,761	132.6%	616	487	26.5%	2,354	-73.8%
- non-controlling interests	1,225	1,028	19.2%	965	26.9%	32	38	-15.7%	26	23.1%	6,410	4,203	52.5%	3,187	101.1%	-	-	-	-	-

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

Income Statement, *Quarterly*	**Diagnostics**					**Eliminations**			**GHG**				
GEL thousands, unless otherwise noted	**4Q19**	**4Q18**	**Change, Y-o-Y**	**3Q19**	**Change, Q-o-Q**	**4Q19**	**4Q18**	**3Q19**	**4Q19**	**4Q18**	**Change, Y-o-Y**	**3Q19**	**Change, Q-o-Q**
Revenue, gross	**1,659**	**870**	**90.7%**	**1,127**	**47.2%**	**(19,597)**	**(10,348)**	**(16,131)**	**259,730**	**227,511**	**14.2%**	**230,478**	**12.7%**
Corrections & rebates	-	-	-	-	-	-	-	-	(457)	(1,159)	-60.6%	(899)	-49.2%
Revenue, net	**1,659**	**870**	**90.7%**	**1,127**	**47.2%**	**(19,597)**	**(10,348)**	**(16,131)**	**259,273**	**226,352**	**14.5%**	**229,579**	**12.9%**
Costs of services	**(1,431)**	**(780)**	**83.5%**	**(782)**	**83.0%**	**19,204**	**10,458**	**16,095**	**(176,479)**	**(152,974)**	**15.4%**	**(154,854)**	**14.0%**
Cost of salaries and other employee benefits	(485)	(256)	89.5%	(251)	93.2%	2,040	1,140	1,486	(28,393)	(28,044)	1.2%	(27,396)	3.6%
Cost of materials and supplies	(838)	(398)	110.6%	(460)	82.2%	1,544	5,318	1,545	(13,002)	(7,818)	66.3%	(10,711)	21.4%
Cost of medical service providers	(33)	(1)	NMF	(36)	-8.3%	1,611	1,078	1,045	(487)	(879)	-44.6%	(923)	-47.2%
Cost of utilities and other	(75)	(125)	-40.0%	(35)	114.3%	423	134	288	(3,196)	(3,607)	-11.4%	(3,472)	-7.9%
Net insurance claims incurred	-	-	-	-	-	3,793	2,568	3,316	(12,747)	(8,275)	54.0%	(10,951)	16.4%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	(685)	(785)	-12.7%	(701)	-2.3%
Cost of pharma – wholesale	-	-	-	-	-	9,793	220	8,415	(32,426)	(30,162)	7.5%	(26,759)	21.2%
Cost of pharma - retail	-	-	-	-	-	-	-	-	(85,542)	(73,404)	16.5%	(73,941)	15.7%
Gross profit	**228**	**90**	**153.3%**	**345**	**-33.9%**	**(393)**	**110**	**(36)**	**82,794**	**73,378**	**12.8%**	**74,725**	**10.8%**
Salaries and other employee benefits	(202)	(70)	188.6%	(240)	-15.8%	848	115	319	(23,512)	(22,221)	5.8%	(23,678)	-0.7%
General and administrative expenses	(51)	(114)	-55.3%	(108)	-52.8%	(454)	(149)	324	(17,500)	(15,001)	16.7%	(15,543)	12.6%
Impairment of receivables	19	(44)	NMF	-	NMF	239	142	214	(1,181)	(1,013)	16.6%	(829)	42.5%
Other operating income	53	195	-72.8%	21	152.4%	(240)	(219)	(821)	2,218	1,762	25.9%	1,952	13.6%
EBITDA excluding IFRS 16	**47**	**57**	**-17.5%**	**18**	**161.1%**	-	-	-	**42,819**	**36,905**	**16.0%**	**36,627**	**16.9%**
EBITDA margin excluding IFRS 16	***2.8%***	***6.6%***		***1.6%***		-	-	-	***16.5%***	***16.2%***		***15.9%***	
IFRS 16 impact on EBITDA[18]	-	-	-	3	NMF	-	-	-	5,775	-	NMF	5,158	12.0%
EBITDA as per financial statements	**47**	**57**	**-17.5%**	**21**	**123.8%**	-	-	-	**48,594**	**36,905**	**31.7%**	**41,785**	**16.3%**
Depreciation and amortization excluding IFRS 16	*(27)*	*(35)*	*-22.9%*	*(48)*	*-43.8%*	-	-	-	*(9,500)*	*(8,634)*	*10.0%*	*(9,211)*	*3.1%*
Depreciation and amortization	(27)	(35)	-22.9%	(48)	-43.8%	-	-	-	(14,261)	(8,634)	65.2%	(13,901)	2.6%
Net interest income (expense) excluding IFRS 16	*(103)*	*-*	*NMF*	*(96)*	*7.3%*	(5)	-	-	*(11,025)*	*(10,943)*	*0.7%*	*(10,546)*	*4.5%*
Net interest income (expense)	(103)	-	NMF	(96)	7.3%	(5)	-	-	(12,583)	(10,943)	15.0%	(12,051)	4.4%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(5)*	*(2)*	*150.0%*	*(4)*	*25.0%*	-	-	-	*1,473*	*(1,550)*	*NMF*	*(1,042)*	*NMF*
Net gains/(losses) from foreign currencies	(5)	(2)	150.0%	(4)	25.0%	-	-	-	3,332	(1,550)	NMF	(2,729)	NMF
Net non-recurring income/(expense)	-	7	NMF	-	-	-	-	-	(345)	(473)	-27.0%	(183)	89.1%
Profit before income tax expense	**(88)**	**27**	**NMF**	**(127)**	**-30.7%**	**(5)**	-	-	**24,737**	**15,305**	**61.6%**	**12,921**	**91.4%**
Income tax benefit/(expense)	-	-	-	-	-	-	-	-	(314)	(111)	182.9%	(915)	-65.7%
Profit for the period excluding IFRS 16	**(88)**	**27**	**NMF**	**(130)**	**-32.3%**	**(5)**	-	-	**23,108**	**15,194**	**52.1%**	**14,730**	**56.9%**
Attributable to:													
- shareholders of the Company	(88)	14	NMF	(130)	-32.3%	(5)	-	-	15,869	9,925	59.9%	9,864	60.9%
- non-controlling interests	-	13	-	-	-	-	-	-	7,238	5,269	37.4%	4,866	48.7%
Profit for the period	**(88)**	**27**	**NMF**	**(127)**	**-30.7%**	**(5)**	-	-	**24,423**	**15,194**	**60.7%**	**12,006**	**103.4%**
Attributable to:													
- shareholders of the Company	(88)	14	NMF	(127)	-30.7%	(5)	-	-	16,756	9,925	68.8%	7,828	114.0%
- non-controlling interests	-	13	NMF	-	-	-	-	-	7,667	5,269	45.5%	4,178	83.5%

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

Selected Balance Sheet items

GEL thousands; unless otherwise noted

	Hospitals					Clinics					Pharmacy and distribution				
	31-Dec -19	31-Dec-18	Change, Y-o-Y	30-Sep-19	Change, Q-o-Q	31-Dec -19	31-Dec-18	Change, Y-o-Y	30-Sep-19	Change, Q-o-Q	31-Dec -19	31-Dec-18	Change, Y-o-Y	30-Sep-19	Change, Q-o-Q
Assets:															
Cash and bank deposits	6,850	17,704	-61.3%	3,961	72.9%	724	576	25.7%	157	361.1%	7,774	17,305	-55.1%	5,868	32.5%
Property and equipment[19]	508,906	526,156	-3.3%	515,686	-1.3%	98,065	86,284	13.7%	98,706	-0.6%	35,161	31,292	12.4%	32,178	9.3%
Inventory	16,461	16,978	-3.0%	16,834	-2.2%	1,270	829	53.2%	1,318	-3.6%	155,075	127,924	21.2%	140,619	10.3%
Liabilities:															
Borrowed Funds	247,770	249,416	-0.7%	251,130	-1.3%	38,237	34,585	10.6%	36,320	5.3%	84,712	100,423	-15.6%	94,254	-10.1%
Accounts payable	44,337	43,857	1.1%	40,812	8.6%	7,232	1,986	264.1%	6,489	11.5%	110,690	79,772	38.8%	82,783	33.7%
Lease liabilities, *of which*	4,054	-	NMF	3,913	3.6%	8,372	8,676	-3.5%	8,889	-5.8%	77,700	-	NMF	76,716	1.3%
IFRS 16 impact	*4,054*	-		*3,913*		*(304)*	-		*213*		*77,700*	-		*76,716*	

Selected Balance Sheet items

GEL thousands; unless otherwise noted

	Medical Insurance					Diagnostics					Eliminations			GHG				
	31-Dec -19	31-Dec-18	Change, Y-o-Y	30-Sep-19	Change, Q-o-Q	31-Dec -19	31-Dec-18	Change, Y-o-Y	30-Sep-19	Change, Q-o-Q	31-Dec -19	31-Dec-18	30-Sep-19	31-Dec -19	31-Dec-18	Change, Y-o-Y	30-Sep-19	Change, Q-o-Q
Assets																		
Cash and bank deposits	16,583	12,363	34.1%	14,604	13.6%	74	13	469.2%	110	-32.7%	-	-	-	32,005	47,961	-33.3%	24,700	29.6%
Property and equipment[19]	15,054	15,214	-1.1%	15,090	-0.2%	14,472	13,895	4.2%	14,459	0.1%	-	-	-	671,658	672,841	-0.2%	676,119	-0.7%
Inventory	-	-	-	-	-	1,656	433	282.4%	1,350	22.7%	-	-	-	174,462	146,164	19.4%	160,121	9.0%
Liabilities:																		
Borrowed Funds	7,450	5,966	24.9%	4,916	51.5%	3,876	-	NMF	3,507	10.5%	(18,460)	-	(2,640)	363,585	390,390	-6.9%	387,487	-6.2%
Accounts payable	-	-	-	-	-	2,810	1,222	130.0%	1,540	82.5%	(36,369)	(21,745)	(32,102)	128,700	105,092	22.5%	99,522	29.3%
Lease liabilities, *of which*	665	-	NMF	777	-14.4%	-	-	-	-	-	-		-	90,791	8,676	NMF	90,295	0.5%
IFRS 16 impact	*665*	-		*777*		-	-		-		-	-	-	*82,115*	-		*81,619*	

[19] All prior period PPE balances are restated for changing accounting policy with respect to PPE, transitioning from revaluation model to cost model as well as for reclassifying assets, emerging from adoption of IFRS 16, from "PPE" to "Right of use assets" caption. For more information please refer to page 11 in this report.

Cash Flow[20]**, *Full year***

	Year ended 31 December 2019	Year ended 31 December 2018	Change, Y-o-Y
Profit before income tax expense	**70,716**	**53,855**	**31.3%**
***Adjustments for*:**			
Depreciation and amortisation	36,365	33,883	7.3%
Interest income	(1,628)	(1,139)	42.9%
Interest expense	43,901	39,315	11.7%
Net losses from foreign currencies	2,417	2,179	10.9%
Share-based compensation expense	5,951	5,168	15.2%
Impairment of Healthcare Services, Sales of Pharmaceuticals, Insurance Premiums and Other Receivables	4,322	4,448	-2.8%
Increase in receivables from healthcare services, net of IFRS 9 impact	(23,371)	(11,432)	104.4%
Decrease/(Increase) in receivables from sales of pharmaceuticals	2,932	(2,134)	NMF
Increase in insurance premiums receivable	(3,249)	(3,410)	-4.7%
Increase in inventories	(28,298)	(14,315)	97.7%
Increase/(decrease) in accounts payable (excluding payable for purchase of property and equipment)	23,705	(3,800)	NMF
Increase in insurance contract liabilities	2,945	1,591	85.1%
Increase in accruals for employee compensation	849	4,671	-81.8%
Changes in other assets and liabilities	(11,927)	(8,460)	41.0%
Net cash flows from operating activities before income tax	**125,630**	**100,420**	**25.1%**
Income tax paid	(429)	(840)	-48.9%
Net cash flows from operating activities	**125,201**	**99,580**	**25.7%**
Cash flows used in investing activities			
Acquisition of subsidiaries, net of cash acquired	(5,224)	(16,626)	-68.6%
Acquisition of additional interest in existing subsidiaries	(877)	-	NMF
Purchase of property and equipment	(29,809)	(60,986)	-51.1%
Purchase of intangible assets	(12,169)	(10,999)	10.6%
Loans acquired	(1,172)	-	NMF
Interest income received	57	1,112	NMF
Investment in derivative financial instruments	(441)	-	NMF
Withdrawals and redemptions of amounts due from credit institutions	9,858	4,384	124.9%
Placements of amounts due from credit institutions	(12,245)	(4,094)	199.1%
Proceeds from sale of property and equipment	4,075	1,862	118.9%
Net cash used in investing activities	**(47,947)**	**(85,347)**	**-43.8%**
Cash flows from financing activities			
Proceeds from debt securities issued	32,250	-	NMF
Repurchase of debt securities issued	(30,300)	-	NMF
Proceeds from borrowings	113,350	83,241	36.2%
Repayment of borrowings	(150,072)	(61,818)	142.8%
Lease liabilities paid	-	(736)	NMF
Purchase of treasury shares	(3,230)	(3,055)	5.7%
Dividends paid to shareholders of the Group	(6,952)	-	NMF
Dividends paid to non-controlling interests	(8,561)	(9,801)	-12.6%
Interest expense paid	(39,541)	(34,748)	13.8%
Net cash flows from financing activities	**(93,056)**	**(26,917)**	**245.7%**
Effect of exchange rates changes on cash and cash equivalents	(1,935)	(2)	NMF
Net increase /(decrease) in cash and cash equivalents	**(17,737)**	**(12,686)**	**39.8%**
Cash and cash equivalents, beginning	**36,154**	**48,840**	**-26.0%**
Cash and cash equivalents, end	**18,417**	**36,154**	**-49.1%**

[20] Excluding IFRS 16

Selected ratios and KPIs	**4Q19**	**4Q18**	**3Q19**	**FY19**	**FY18**
GHG					
EPS, GEL *excluding IFRS 16*	0.12	0.08	0.08	0.36	0.27
ROIC *(%)*	14.4%	12.0%	11.7%	12.7%	11.0%
ROIC adjusted[21] *(%)*	16.6%	14.3%	14.2%	14.9%	13.9%
Group rent expenditure	6,793	5,144	6,301	25,108	19,488
of which, pharmacy and distribution business	6,315	*4,442*	*5,775*	*22,970*	*16,839*
Group capex (maintenance)	3,200	4,050	2,698	12,960	11,091
Group capex (growth)	8,384	11,003	7,031	29,018	52,561
Number of employees	15,874	15,922	16,110	15,874	15,922
Number of physicians	3,567	3,603	3,643	3,567	3,603
Number of nurses	3,355	3,342	3,396	3,355	3,342
Nurse to doctor ratio, referral hospitals	0.94	0.93	0.93	0.94	0.93
Number of pharmacists	2,882	2,847	2,945	2,882	2,847
Total number of shares	131,681,820	131,681,820	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(2,411,652)	(2,937,273)	(2,446,583)	(2,411,652)	(2,937,273)
Shares outstanding	129,270,168	128,744,547	128,904,076	129,270,168	128,744,547
Of which:					
Total free float	36,258,754	53,994,727	54,154,256	36,258,754	53,994,727
Shares held by Georgia Capital PLC	93,011,414	74,749,820	75,118,503	93,011,414	74,749,820
Hospitals					
EBITDA margin *excluding IFRS 16*	27.0%	26.4%	24.5%	25.6%	26.1%
Direct salary rate (direct salary as % of revenue)	35.3%	35.0%	36.1%	35.1%	35.3%
Materials rate (direct materials as % of revenue)	17.7%	16.9%	16.3%	17.0%	16.3%
Administrative salary rate (administrative salaries as % of revenue)	10.6%	9.9%	10.9%	10.8%	10.6%
SG&A rate (SG&A expenses as % of revenue)	4.6%	4.9%	5.1%	4.9%	5.2%
Number of hospitals	18	18	18	18	18
Number of hospital beds	2,967	2,967	2,967	2,967	2,967
Hospitals bed occupancy rate[22]	57.6%	56.3%	49.1%	57.1%	54.7%
Hospitals bed occupancy rate, excluding Tbilisi Referral Hospital and Caucasus Medical Centre beds[22]	61.8%	60.7%	52.4%	61.3%	60.8%
Caucasus Medical Centre bed occupancy rate[22]	37.9%	32.7%	33.3%	36.3%	21.6%
Tbilisi Referral Hospital bed occupancy rate[22]	45.8%	46.5%	40.7%	46.3%	37.4%
Average length of stay (days)[22]	5.4	5.2	5.2	5.4	5.4
Clinics					
EBITDA margin *excluding IFRS 16*	26.0%	19.1%	16.9%	19.9%	15.4%
EBITDA margin of polyclinics *excluding IFRS 16*	26.5%	17.3%	16.1%	18.8%	15.7%
Direct salary rate (direct salary as % of revenue)	33.5%	36.7%	36.1%	34.7%	36.3%
Materials rate (direct materials as % of revenue)	5.9%	5.3%	5.7%	6.1%	6.3%
Number of community clinics	19	19	19	19	19
Number of community clinics beds	353	353	353	353	353
Number of polyclinics	15	16	15	15	16
Pharmacy and distribution					
EBITDA margin *excluding IFRS 16*	11.1%	10.8%	10.4%	10.6%	10.1%
Number of bills issued	7.63mln	7.15mln	6.98mln	28.84mln	27.10mln
Average bill size	15.1	13.9	14.2	14.3	13.4
Revenue from wholesale as a percentage of total revenue from pharma	28.8%	25.8%	28.4%	28.8%	25.9%
Revenue from retail as a percentage of total revenue from pharma	71.2%	74.2%	71.6%	71.2%	74.1%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	30.2%	30.1%	32.1%	31.0%	29.6%
Number of pharmacies	296	270	285	296	270
Medical insurance					
Loss ratio	84.6%	78.2%	73.4%	81.4%	77.3%
Expense ratio *excluding IFRS 16, of which*	13.1%	18.5%	13.3%	12.7%	16.8%
Commission ratio	*3.5%*	*5.7%*	*3.6%*	*3.7%*	*5.2%*
Combined ratio *excluding IFRS 16*	97.6%	96.6%	86.7%	94.1%	94.0%
Renewal rate	77.7%	65.8%	77.1%	77.5%	69.7%
Diagnostics					
EBITDA margin *excluding IFRS 16 impact*	2.8%	6.6%	1.6%	3.2%	4.5%
Number of patients served (‘000)	130	N/A	87	277	N/A
Number of tests performed (‘000)	290	N/A	196	670	N/A
Average revenue per test GEL	5.7	N/A	5.8	7.6	N/A
Average number of tests per patient	2.2	N/A	2.3	2.4	N/A

[21] Return on invested capital is adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase
[22] 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

Registered Address
84 Brook Street
London W1K 5EH
United Kingdom
ghg.com.ge
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Incorporation date: 27 August 2015

Stock Listing
London Stock Exchange PLC's Main Market for listed securities
Ticker: "GHG.LN"

Contact Information
Georgia Healthcare Group PLC Investor Relations
Telephone: +44 (0) 20 3178 4033; +995 322 444 205
E-mail: ir@ghg.com.ge
ghg.com.ge

Secretary
Link Company Matters Limited
65 Gresham Street
London EC2V 7NQ
United Kingdom

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom