GEORGIA HEALTHCARE GROUP

First Quarter 2020 Results

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An investor/analyst conference call, organised by GHG, will be held on Tuesday, 19 May 2020, at 14:00 UK / 15:00 CET / 09:00 U.S Eastern Time. The duration of the call will be 60 minutes and will consist of a 15-minute update and a 45-minute Q&A session.

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Georgia Healthcare Group PLC ("**GHG**" or the "**Group**" – LSE: GHG LN), announces the Group's first quarter 2020 consolidated financial results. Unless otherwise mentioned, comparatives are for the first quarter of 2019. 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 1Q20 consolidated results, reporting 10.6% y-o-y growth in revenues to GEL 260.1 million (US$79.2 million/GBP 63.9 million) and a 50 basis point reduction in ROIC. The Group posted near break-even profit of GEL 0.1 million, excluding the IFRS 16 lease accounting impact. The Group's adjusted[1] profit and EPS in 1Q20 totalled GEL 14.3 million (US$4.4 million/GBP 3.5 million) and GEL 0.07 (US$0.02 per share/GBP 0.02 per share) respectively, both excluding IFRS 16 impact.

The Group adopted IFRS 16 "Leases" from 1 January 2019. As investors are accustomed to viewing lease expense as part of operating expense, and the impact of the accounting change is particularly meaningful to the Group given that facilities lease contracts in Georgia are denominated in U.S. dollars and the dollar/GEL exchange rate has been quite volatile, the financial tables and discussions throughout this report for the Group and each business line provide the numbers both including and excluding the IFRS 16 impact. We believe that this provides a more meaningful explanation of business processes translating into the Group's results.

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

GEL million; unless otherwise noted	**1Q20**	**1Q19**	**Change, Y-o-Y**
The Group			
Revenue, gross	260.1	235.2	10.6%
EBITDA *excluding IFRS 16*	36.3	37.4	-3.0%
Net Profit, *excluding IFRS 16*	0.1	18.3	-99.7%
Net Profit adjusted[1], *excluding IFRS 16*	14.3	18.3	-21.8%
EPS, GEL *excluding IFRS 16*	-0.03	0.09	NMF
EPS adjusted[1], GEL *excluding IFRS 16*	0.07	0.09	-26.4%
ROIC *(%)*	11.8%	12.3%	-0.5ppts
Hospitals business			
Revenue, gross	70.8	74.8	-5.3%
EBITDA *excluding IFRS 16*	14.7	19.2	-23.0%
EBITDA margin *(%) excluding IFRS 16*	20.8%	25.6%	-4.8ppts
Net Profit *excluding IFRS 16*	(4.4)	5.9	NMF
Net Profit adjusted[1], *excluding IFRS 16*	0.3	6.1	-94.4%
Clinics business			
Revenue, gross	12.1	11.1	9.3%
EBITDA *excluding IFRS 16*	2.4	2.1	14.9%
EBITDA margin *(%) excluding IFRS 16*	19.6%	18.7%	0.9ppts
Net Profit *excluding IFRS 16*	(0.3)	(0.2)	NMF
Pharmacy and Distribution business			
Revenue	175.0	145.8	20.1%
Gross profit margin *(%)*	25.9%	26.3%	-0.4ppts
EBITDA *excluding IFRS 16*	18.6	15.6	19.4%
EBITDA margin *(%) excluding IFRS 16*	10.6%	10.7%	-0.1ppts
Net Profit *excluding IFRS 16*	4.3	12.1	-64.7%
Net Profit adjusted[1], *excluding IFRS 16*	13.8	11.9	15.6%

[1] Adjusted to exclude losses from foreign currencies and non-recurring expenses

Medical Insurance business			
Net insurance premiums earned	18.1	17.5	3.3%
Loss ratio *(%)*	79.8%	85.3%	-5.5ppts
Combined ratio (%) *excluding IFRS 16*	96.9%	97.9%	-1.0ppts
EBITDA *excluding IFRS 16*	0.7	0.6	33.3%
Net Profit/ (Loss) *excluding IFRS 16*	0.7	0.5	54.2%
Diagnostics			
Revenue	1.7	1.2	44.4%
Gross profit margin *(%)*	3.1%	28.0%	-24.9%
EBITDA *excluding IFRS 16*	(0.1)	0.0	NMF
EBITDA margin (%) *excluding IFRS 16*	-8.8%	4.2%	NMF
Net Profit/ (Loss) *excluding IFRS 16*	(0.3)	(0.0)	NMF

CHIEF EXECUTIVE OFFICER'S STATEMENT

During the first quarter of 2020, the Group's business and focus has been substantially affected by the impact of the COVID-19 global pandemic and Georgia's response to it which has, to date, been effective and successful. Georgia's response to the virus outbreak was rapid, with swift containment measures proving critical in ensuring that Georgia has one of the lowest active ratio of COVID-19 cases per capita in the Europe. Early international flight restrictions and a full lockdown, extending to a declared State of Emergency which will remain in place until 21 May, have led to significant negative economic pressures and an expectation of a reduction of an estimated 4% in GDP during 2020.

As the largest healthcare provider in the country, Georgia Healthcare Group has risen to the challenge of supporting the Government's efforts while, at the same time, developing significant Group-wide action plans to cater for our patients' and customers' needs, as well as to ensure the health and well-being of all of our employees.

Infection prevention and communicable disease emergency preparedness programmes and guidelines relating to hospital admission, are already established across the Group. To prevent the virus spread, employees at our hospitals, clinics and pharmacies have been given comprehensive training, including how to manage patients and customers flow. Personal protection equipment has been procured and made available in our healthcare facilities and pharmacies, with appropriate instructions.

In close co-ordination with the Government, we have made six of our hospitals (c.600 beds) available across the country, for COVID-19 patients. These facilities are already prepared with properly trained medical teams, isolation wards, and fully equipped intensive and critical care units. In May, two of them already officially started to engage and receive the patients. Substantial contingency arrangements have been put in place, and further details of these are described on pages 9-10.

It is currently very difficult to fully estimate the severity of the economic impact of the COVID-19 virus and subsequent economic lockdown. The impact has, however, been different in each of the Group's businesses. In the Hospitals and Clinics businesses the most significant impact has been a meaningful reduction in patient footfall, both in terms of lower emergency treatment requirements, and the cancellation and/or postponement of many elective procedures during the lockdown. This reduction led to utilisation levels falling to between 35-40% during April, although there have been some early signs of a pick-up in treatments and utilisation rates so far in May, as the country started gradually to lift lock-down restrictions. The Pharmacy and Distribution business has been more resilient throughout the pandemic, as our pharmacies remained open throughout Georgia's initial economic lockdown and delivered a small increase in quarter on quarter sales. In the Medical Insurance business, the main impact of the last few months has been a reduction in loss ratios.

In the face of these challenges, the Group's response has been robust. Each of our businesses has stood strong and we are ensuring that the Group is well positioned to face the changing environment. We have taken number of specific actions to ensure the Group's operational stability and financial and balance sheet health, including:

- Implementing a number of Group wide cost management initiatives, such as reviewing the lease contracts terms of our pharmacies and clinics;
- Reducing certain planned capital expenditures;
- Securing a new USD 25 million loan facility from EBRD, to provide additional contingent liquidity;
- Requesting grace periods on principal payments on some existing loan facilities; and
- Deciding not to recommend an annual dividend to shareholders at the forthcoming AGM.

During the first two months of the year, our performance was demonstrating our ability to capture the benefits of our recent investments and core business strategies. In March, however, the COVID-19 impact changed many short-term business priorities, and our near-term focus has shifted to supporting the country's healthcare system to effectively manage the situation and maintain the health of the Georgian population. At the same time, we have prepared for the economic downturn, for which the Group is well positioned.

In the first quarter of 2020, strong organic revenue growth in the Pharmacy and Distribution business was offset by lower revenues in the Hospitals business, but still led to double-digit overall revenue growth at the Group level. Excluding the impact of IFRS 16, the Group delivered EBITBA of GEL 36.3 million, 3% lower than in the first quarter of last year, and adjusted profit[2] of GEL 14.3 million in the first quarter of 2020, compared to GEL 18.3 million in the first quarter of last year. The Group's balance sheet remains robust and, during the quarter, net debt continued to fall as a result of continued strong operating cash flows. Net cash flows from operating activities increased by 65% to GEL 43.2 million, with an EBITDA to cash conversion ratio of 119%, reflecting strong cash collections in the Hospitals and Clinics businesses. The Group's return on invested capital reduced slightly, from 12.3% to 11.8%.

During the quarter the Georgian Lari depreciated by c.13% against the Euro and c.15% against the US Dollar. This depreciation led to foreign exchange losses, largely attributable to the revaluation of foreign currency denominated payable in the Pharmacy and Distribution business, which created a net loss from foreign currencies, excluding the impact of IFRS 16, of GEL 13.5 million. So far, this impact has partially reversed in the second quarter.

Hospitals business. The Hospitals business has been significantly affected by the economic and travels restrictions implemented throughout the country during February which, when combined with general concern throughout the population with regard to catching the virus, reduced the number of referrals in hospitals. With the vast majority of elective treatments being restricted in March, and the number of emergency cases falling significantly, overall hospital admissions decreased by 12% in the quarter. As a result, the quarterly EBITDA of the Hospitals business reduced by 23% year-on-year to GEL 14.7 million, excluding the impact of IFRS 16. As noted above, trends in April worsened, with the overall number of admissions down approximately 60% year-on-year, although we have seen some signs of increased activity during the first few weeks of May.

Clinics business. Our Clinics business was also significantly affected by lower patient footfall from the beginning of March, although overall clinics revenues increased by 9%, to GEL 12.1 million, following a strong first two months of the year, enabling the business to post a 15% increase in EBITDA to GEL 2.4 million during the quarter, excluding the impact of IFRS 16. Patient activity levels were down by c.60% in April, reflecting the impact of the Government lockdown restrictions, however we expect to see activity levels rebound in line with the start of the easing of these restrictions.

Pharmacy and Distribution business. Our Pharmacy chain and Distribution business has been less affected by the COVID-19 related restrictions. Our pharmacies have remained open and during the quarter benefited slightly from higher demand for pharmacy products. As a result, the business posted record quarterly revenues of GEL 175 million, with 20% year-on-year sales growth. EBITDA, excluding IFRS 16 impact, increased by 19% to GEL 18.6 million, and the EBITDA margin remained strong at 10.6%. The GEL devaluation during the quarter created a foreign currency loss, excluding the impact of IFRS 16, of GEL 9.4 million reflecting the increase in the GEL value of US Dollar denominated payables to suppliers. This has partially been reversed so far in the second quarter. Excluding the impact of IFRS 16 impact, the business reported adjusted profit[2] of GEL 13.8 million, an increase of 16% year-on-year. Pharmacy revenues during April and May have been negatively affected by the lockdown.

Medical insurance business. In our Medical Insurance business, net insurance premiums earned increased by 3%, as good progress in increasing client numbers was partially offset by the expiry of the Ministry of Defence contract in February. We also continued to improve the level of medical insurance claims retained within the Group and, in the first quarter of 2020,

[2] Adjusted to exclude losses from foreign currencies and non-recurring expenses

44% of medical expense claims were retained within the Group. The business loss ratio in the quarter benefited from lower levels of hospital and clinics patient activity and the expiry of the higher loss ratio Ministry of Defence contract, and this trend further increased in April. This improvement has, however, been partially offset by an increase in the business expense ratio as a result of a decline in receivables collection and consequent increase in the impairment expense.

Diagnostics business. We have continued to make strong progress in the utilisation of Mega Lab and Diagnostics business revenues increased by 44% in the quarter, y-o-y. Mega Lab is one of the few facilities in Georgia that was assessed to satisfy the strict criteria for COVID-19 testing within the scope of the Georgian state testing programme, in which we started to engage from April. The business is also currently engaged in commercial testing for COVID-19.

Group-wide initiatives

As part of our response to the crisis, we have expedited a number of new digital services, through our new EKIMO application, which include the launch of telemedicine and an online pharmacy home delivery service. The services are picking up well and since the launch, in March 2020, we already had c.3,800 online pharmacy orders and c.1,500 online consultations. We think now it is the best time to enhance our digital channels, as we consider digital health as a significant strategic opportunity for the Group.

Given the significant level of uncertainty with regard to the global impact of COVID-19, and the potential length of time of that impact, the Group has reconsidered its planned levels of capital expenditure and for the moment is prioritising those projects that are important to current business operations. As a result, the level of expected capital expenditure for 2020 has been reduced from the previously anticipated GEL c.40 million, to GEL c.25 million.

In addition, on 18 March 2020, the Board announced that it had decided not to recommend a dividend to shareholders at the 2020 Annual General Meeting, pending a greater understanding of the full economic impact of the COVID-19 pandemic. As a result of the ongoing uncertainties, the Board has confirmed that the Group will not distribute a 2019 dividend to shareholders. The Group continues to generate positive cash flows and the Board plans to return to its targeted payout ratio range of 20%-30% of annual profit attributable to shareholders as soon as practically possible.

These are challenging times, but the Group has ensured that each business continues to deliver strong operational performance, with exceptional resilience, business continuity planning and clinical excellence. This positions our businesses as the strongest brands in the country, and we expect to see the benefits of this once the situation recovers. The start of the lockdown restrictions has clearly impacted our first quarter performance, and April was particularly challenging. Nevertheless, each main business remained EBITDA positive throughout these difficult times. We have ensured that our balance sheet is strong and we have increased our cash and liquidity to maintain this strength to be well prepared for the post recovery opportunities. As the situation improves in the country, the Government has started gradually to lift the restrictions, which will also help the rebound trend.

At its core, Georgia Healthcare Group is a people business, and it is in times like these that we experience the true quality of the organisation and its people. We have seen a remarkable response from all of our management and employee teams, and I thank everyone for their fantastic energy and resilience in supporting not just the business, but also the country in its response to the COVID-19 crisis.

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.

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 March 2020. 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 298 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 4Q19 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.178,000 persons insured as at March 2020. 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 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

- **COVID-19**

  The first case of the Coronavirus (COVID-19) in Georgia was reported on 26th February 2020 and the Government quickly began to take action to control the virus' spread. At the end of February, schools and universities were closed and large public gatherings were banned. At the beginning of March, the Government started a campaign asking citizens to stay at home, and government institutions and many businesses rapidly shifted many jobs to tele-working. On 21st March, the Government announced a State of Emergency and put in place multiple restrictions in order to reduce the likelihood of a wider virus outbreak. The rapid implementation of a number of comprehensive actions has enabled the country to significantly slow the spread of COVID-19 and maintain the growth in the number of new cases at a relatively low level. As of May 18, 2020, in Georgia's population of about 3.7 million, there have been 701 reported cases, 12 deaths, and 432 people cured of the disease. The per capita infection and death rates so far are low compared to many other countries.

  With more focus on containing the pandemic, in March the Ministry of Health and Social Affairs also prolonged the terms of issuance of guarantee letters for elective care treatment and practically suspended the issuance of the guarantees since then.

  On 24th of April the Government has introduced the anti-crisis and the country's re-open plan. According to the plan the restrictions will be removed gradually, in six stages. The first stage, lifting restrictions on car movements (that were also restricted from 17 April) and online shopping, is effective from 27th of April. The last stage is opening schools, universities, hotels and other public gatherings that as of now is planned for the end of June 2020. If the epidemiological situation worsens the different stages of the re-opening plan could be delayed.

  Treatment of all patients affected by COVID-19 is fully financed by the State. Till May, all patients were treated at the designated state-owned infectious disease and other healthcare facilities that did not involve GHG. However, to support the country's full readiness for a potential wider outbreak, in close coordination with the Government, we have announced GHG's immediate readiness to allocate six of our hospitals (c.600 beds) across the country for COVID-19 patients. These facilities are already prepared with properly trained medical personnel, isolation wards, and properly equipped intensive and critical care units. This should enable the country to contain the spread of the virus in regular hospitals. In May, two of them already officially started to engage and receive the patients.

  As the largest healthcare provider in Georgia, we also realise our wider responsibility to support the Government to combat the Coronavirus global pandemic and have developed a significant Group-wide action plan to maintain business continuity and service quality so as to be able to address our patients' and customers' needs, as well as to protect the well-being of our employees who are on the front line of the fight against the spread of the virus.

  Our priority is to support the country's healthcare system to effectively manage the situation and keep Georgian citizens healthy. Infection prevention and communicable disease emergency preparedness programmes and guidelines are already established across the Group relating to hospital admission, containment, triage and treatment of suspected or confirmed COVID-19 cases. A number of key new services have been launched such as telemedicine and pharma home delivery service, through our new EKIMO application, discussed below in more details. In April our Diagnostics business also started to engage in testing patients for COVID-19. We maintain constant communication with the Georgian National Center for Disease Control and Public Health ("NCDC") and Ministry of Labour, Health and Social Affairs and are awaiting further instructions, should additional actions become necessary.

  The extent of COVID-19's impact on the Group's operational and financial performance will be driven by various factors, many of which are beyond our control and remain highly dependent on the length of the pandemic related lockdown and its economic impact in Georgia. At this stage it is difficult to precisely estimate the impact that COVID-19 will have on Group's operating and financial results.

  The economic impact of the COVID-19 pandemic on Georgia will remain difficult to estimate for some time but will clearly be significant. The healthcare business in general will likely suffer less than other sectors, but postponements or cancellations of elective procedures, for example, are likely to have a significant negative impact on the business. While there will be some offsetting factors, the Group expects the overall impact of the pandemic on the Group's financial performance to be negative. It is not possible, however, to quantify the effect at this time.

In the face of this uncertainty, we are ensuring that the Group is well positioned to face the changing environment and have already taken number of specific actions, to ensure the Group's operational stability and financial health, including:

- Implementing a number of Group wide cost management initiatives, such as reviewing the lease contracts terms of our pharmacies and clinics;
- Reducing certain planned capital expenditures;
- Securing a new USD 25 million loan facility from EBRD (signed in May 2020), to provide additional contingent liquidity;
- Requesting grace periods on principal payments on some existing loan facilities; and
- Deciding not to recommend an annual dividend to shareholders at the forthcoming AGM.

As a result of the above and certain other measures, our liquidity remains strong as described in more details on page 13, in Statements of cash flows.

We will continue to monitor the impact of COVID-19 on an ongoing basis in order to manage our resources effectively, and if it becomes necessary are ready to institute more measures to keep our community safe.

- **Update on digital**
  In December 2019, the Group launched its innovative, independent and fully integrated digital healthcare platform "EKIMO", which combines all components of primary healthcare. Since going live EKIMO has had c.56,800 downloads, translating into c.38,400 registered users. In March 2020 two important new features were launched: online pharmacy with both pick-up and home delivery options, and online consultations with doctors. EKIMO now incorporates more than 300 pharmacies available online, with a complete catalogue of more than 60,000 pharma products. More than 450 doctors of different specialties from 46 branded clinics are available for phone consultations. Since March we had c.3,800 online pharmacy orders, with total revenues of GEL 0.2 million and c.1,500 online consultations.

  To accommodate new environment and address our patients and customers' needs, our Clinics business also started enhancing its digital channels through social media, where in private groups our physicians make live consultations and respond to customer queries. The business hot line is also available for doctors' online consultations, where so far we have had c.1,700 customers.

- **Georgian Government anti-crisis plan**
  In April 2020, the Government announced an anti-crisis plan to support the tourism sector, entrepreneurs, and businesses affected by COVID -19. According to the plan, and in association with a number of other initiatives, for a six month period starting from May all companies are exempt from paying income taxes for employees whose salaries are up to GEL 750 per month; and for employees whose salaries are up to GEL 1,500 per month, companies are exempt from paying income taxes on the first GEL 750. We estimate that GHG's salary expense savings from this tax relief plan will be c.GEL 6 million over the next six months.

- **Dividend**
  As mentioned above, while the full economic impact of the COVID-19 pandemic is better understood, the Board of Directors has decided not to recommend a dividend to shareholders at the 2020 Annual General Meeting at this stage, as announced in the 2019 preliminary results on 24 February 2020. When the full economic impact of the COVID-19 pandemic is better understood, the Board will consider the appropriate level.

- **Lari currency depreciation**
  As a result of global pandemic and uncertainty in 1Q20 the Georgian Lari started to depreciate and devalued by c.13% against EUR and c.15% against US dollar. The movements in exchange rates led to foreign currency exchange losses in the 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. After overcoming the first shock related to global pandemic, exchange rate started to stabilise from second quarter and Lari appreciated against EUR and US dollar by c.5% and c.3% as of mid-May.

- **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.

Income statement, GHG consolidated

GEL thousands; unless otherwise noted	1Q20	1Q19	Change, Y-o-Y
Revenue, gross	**260,053**	**235,211**	**10.6%**
Corrections & rebates	(957)	(559)	71.2%
Revenue, net	**259,096**	**234,652**	**10.4%**
Costs of services	**(179,703)**	**(158,497)**	**13.4%**
Gross profit	**79,393**	**76,155**	**4.3%**
Salaries and other employee benefits	(25,466)	(23,395)	8.9%
General and administrative expenses	(11,663)	(9,682)	20.5%
General and administrative expenses excluding IFRS 16 impact	*(17,659)*	*(14,808)*	*19.3%*
Impairment of receivables	(1,315)	(1,172)	12.2%
Other operating income	1,325	629	110.7%
EBITDA	**42,274**	**42,535**	**-0.6%**
EBITDA excluding IFRS 16	**36,278**	**37,409**	**-3.0%**
Depreciation and amortisation	(14,499)	(13,177)	10.0%
Depreciation and amortization excluding IFRS 16	*(9,717)*	*(8,679)*	*12.0%*
Net interest income (expense)	(12,626)	(11,638)	8.5%
Net interest income (expense) excluding IFRS 16	*(11,106)*	*(10,362)*	*7.2%*
Net gains/(losses) from foreign currencies	(21,901)	(148)	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*(13,479)*	*145*	*NMF*
Net non-recurring income/(expense)	(767)	(155)	NMF
Profit before income tax expense	**(7,519)**	**17,417**	**NMF**
Income tax benefit/(expense)	(1,150)	(85)	NMF
Profit for the period	**(8,669)**	**17,332**	**NMF**
Profit for the period excluding IFRS 16	**59**	**18,273**	**-99.7%**

Gross Revenue. Imposed restrictions related to pandemic, described on pages 9-10, have had a major impact on our Hospitals and Clinics businesses, resulting from reduction in patient footfall, both in terms of lower emergency treatment requirements, and the cancellation of many elective and outpatient care procedures during the lockdown. This reduction led to utilisation levels falling by c.30% in our hospitals and c.20% in our clinics in March, y-o-y, affecting the businesses 1Q20 revenue growth. The Pharmacy and Distribution business has been more resilient throughout the pandemic as our pharmacies remained open throughout Georgia, during lockdown.

As a result, the Group delivered quarterly double-digit revenue growth, driven by extremely strong growth in the Pharmacy and Distribution business. The significant decrease in the number of total admissions at hospitals and clinics in March, translated into moderate revenue growth of 9.3% in the Clinics business and revenue decline of 5.3% in the Hospitals business for the quarter, y-o-y.

In 1Q20, the Group's revenue distribution across its segments was: 63% from Pharmacy and Distribution, 25% from the Hospitals, 7% from Medical Insurance, 4% from Clinics, and the remaining 1% from the newly added Diagnostics business. By payor mix, 58% of the Group's total revenue was from out-of-pocket payments[3]; 21% from UHC payments; and 21% from other sources.

Gross Profit. The Group continued to increase gross profit while its gross margin, at 30.5% in 1Q20, declined by 1.9 ppts y-o-y. The reduction is mainly attributable to Hospitals business (margin down 4.8 ppts), the results of which were affected by the new regulation related to tariff reduction on certain medical services that became effective since November 2019 (explained on page 10) as well as by COVID-19 pandemic. This decline was partially offset by the increase in Medical Insurance business margin that reduced its claims and improved the loss ratio by 5.5 ppts y-o-y. That improvement is attributable mainly to the decreased traffic at hospitals and clinics due to the pandemic as well as to the expiry of Ministry of Defence contract from February 2020 that has loss ratio far above the business' average. Our Clinics and Pharmacy and Distribution business gross margins remained mostly stable during the quarter.

In March 2020, the Group businesses in total have incurred more than GEL 1 million additional expenses associated with COVID-19, such as disinfection expenses, employee transportation, increased materials expense due to the enhanced personal protection protocols and COVID-related marketing expense. In April, such expenses for the Group also comprised around GEL 1 million.

EBITDA. The Group EBITDA was down by 0.6%.

[3] Includes: Hospitals and Clinics out-of-pocket revenue, Pharmacy and Distribution, Medical Insurance and Diagnostics businesses' revenue from retail

Excluding the IFRS 16 impact on EBITDA related to reclassifying rent expense form operating expenses to interest and depreciation expense, the Group EBITDA was down by 3.0%. This decrease is attributable to Hospitals business, while the growth that partially offset the decrease mainly came from Pharmacy and Distribution and Clinics businesses. As a result, the Pharmacy and Distribution business was the main contributor to the Group's 1Q20 EBITDA, contributing 51% in total, with strong - 10.6% EBITDA margin. The next largest contributor was the Hospitals business, with a 41% share and EBITDA margin of 20.8%. Our Clinics and Medical Insurance businesses contributed 6% and 2% to the Group's quarterly EBITDA respectively.

Depreciation and amortisation and Net interest expense. Movements in y-o-y and q-o-q (up 2.3%) 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. After the tightening of monetary policy by National Bank of Georgia ("NBG") and increasing refinancing rates in the second half of 2019, Group interest expense started to stabilise in 2020, having only slight, below 1% growth q-o-q. On April 24, 2020, NBG reduced the refinancing rate by 50 bps to 8.5%.

Loss from foreign currencies. In 1Q20, the local currency depreciated by 14.5% against USD and by 13.3% against EUR, which resulted in quarterly FX loss of GEL 13.5 million excluding the impact of IFRS 16, of which GEL 9.4 million was from the revaluation of mainly accounts payable balances in 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). A GEL 4.1 million foreign currency loss recorded in by Hospitals business is the result of a foreign currency exposure, arising from the unhedged portion of USD denominated borrowing from a DFI.

Additionally, the IFRS 16 impact on the Group's foreign exchange loss was GEL 8.4 million, stemming from the revaluation of the finance lease liabilities balances, which is solely the result of the accounting change and represents a non-cash expense for the Group. Out of this GEL 8.4 million, GEL 7.3 million was attributable to the Pharmacy and Distribution business. About 85% of the finance lease liabilities balance (mainly renting the pharmacies) or about GEL 83.0 million as of March 2020 represents foreign currency denominated leases, the value of which increased in line with the depreciation of the national currency during 1Q20.

Profit. Group profit was negative at GEL 8.7 million. Excluding IFRS 16, the Group posted break even profit for the quarter while adjusting it for FX loss and non-recurring items the profit was GEL 14.3 million (down 21.8% y-o-y).

Selected balance sheet items, GHG consolidated

GEL thousands; unless otherwise noted	**31-Mar-20**	**31-Dec-19**	**Change, Q-o-Q**	**31-Mar-19**	**Change, Y-o-Y**
Total assets, of which:	**1,403,988**	**1,351,207**	**3.9%**	**1,315,361**	**6.7%**
Cash and bank deposits	68,165	32,005	113.0%	27,596	147.0%
Receivables from healthcare services	119,320	130,212	-8.4%	115,312	3.5%
Receivables from sale of pharmaceuticals	20,223	17,508	15.5%	19,571	3.3%
Insurance premiums receivable	39,263	26,892	46.0%	53,244	-26.3%
Property and equipment	669,160	671,658	-0.4%	674,676	-0.8%
Right of use assets	82,303	84,115	-2.2%	76,379	7.8%
Goodwill and other intangible assets	162,651	162,247	0.2%	151,561	7.3%
Inventory	179,861	174,462	3.1%	146,499	22.8%
Prepayments	18,570	12,289	51.1%	17,579	5.6%
Other assets	44,472	39,819	11.7%	32,944	35.0%
Total liabilities, of which:	**816,314**	**748,933**	**9.0%**	**747,390**	**9.2%**
Borrowed funds	394,705	363,585	8.6%	373,745	5.6%
Accounts payable	135,043	128,700	4.9%	104,001	29.8%
Insurance contract liabilities	40,107	25,489	57.4%	50,420	-20.5%
Lease liabilities, *of which*	97,683	90,791	7.6%	78,145	25.0%
IFRS 16 impact	*89,007*	*82,115*	*8.4%*	*69,469*	*28.1%*
Other liabilities	148,776	140,368	6.0%	141,079	5.5%
Total shareholders' equity attributable to:	**587,674**	**602,274**	**-2.4%**	**567,971**	**3.5%**
Shareholders of the Company	*515,852*	*530,899*	*-2.8%*	*500,606*	*3.0%*
Non-controlling interest	*71,822*	*71,375*	*0.6%*	*67,365*	*6.6%*

- For cash discussion see below the Group cash flow statement, on page 13.
- 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 the first quarter and reduce gradually in line with contract amortisation terms.
- The increased balance of prepayments q-o-q relates to the Pharmacy and Distribution business stock-up, to ensure that we have enough medicines and major consumables in the country, in case of a significant virus outbreak.

- To increase the liquidity as a precautionary measure in response to the pandemic, the Group businesses have withdrawn amounts available on their credit lines, which increased Group's borrowed funds balance and available cash, but due to the strong operating cash flow the net debt position was down by 1.5% q-o-q.

Statements of cash flows, GHG consolidated[4]

GEL thousands; unless otherwise noted	**1Q20**	**1Q19**	**Change, Y-o-Y**
EBITDA	36,278	37,409	-3.0%
Net cash flows from operating activities	**43,192**	**26,235**	**64.6%**
EBITDA to Cash Conversion	**119%**	**70%**	
Net cash used in investing activities, *of which*:	(16,334)	(15,149)	7.8%
Purchase of PPE and intangibles	*(9,743)*	*(9,505)*	2.5%
Net cash flows from financing activities	7,910	(30,381)	NMF
Effect of exchange rate changes	134	(71)	NMF
Net increase (decrease) in cash and cash equivalents	**34,902**	**(19,366)**	**NMF**
Cash at period, beginning	18,417	36,154	-49.1%
Cash at period, ending	53,319	16,788	217.6%
Bank deposits, beginning	13,588	11,807	15.1%
Bank deposits, ending	14,846	10,807	37.4%
Cash and bank deposits, beginning	**32,005**	**47,961**	**-33.3%**
Cash and cash deposits, ending	**68,165**	**27,596**	**147.0%**

Cash flows from operating activities. In 1Q20 net cash flows from operating activities, excluding IFRS 16, was GEL 43.2 million (up 64.6% y-o-y) with EBITDA to cash conversion ratio of 119%, mainly resulting from strong cash collection by the Hospitals and the Clinics businesses that reduced the balance of receivables form healthcare services.

Cash flows from investing activities. Net cash used in investing activities mainly relates investments in Hospitals business, including to accommodate six hospitals as COVID-19 centres. 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 1Q20, net cash used in investing activities also includes a GEL 5.4 million (GEL 5.2 million in 1Q19) payment of the purchase price holdback for the Pharmacy and Distribution business acquisition.

In terms of investments in 2020, the first quarter was the most front-loaded. With the onset of the pandemic, the Group has reconsidered its capex projects and at this stage only prioritised those that are critical to businesses operations. The other capex projects will continue based on evolving circumstances.

Cash flows from financing activities. To ensure the business financial health and strong liquidity, as a precautionary measure, the Group businesses have withdrawn amounts available on their credit lines which resulted in GEL 7.9 million net cash inflow from financing activities.

The overall effect resulted in strong available cash and bank deposits at 31 March 2020 of GEL 68.2 million, up 147% y-o-y.

[4] 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

Income Statement, Hospitals business

GEL thousands; unless otherwise noted	1Q20	1Q19	Change, Y-o-Y
Hospitals revenue, gross	**70,819**	**74,774**	**-5.3%**
Corrections & rebates	(849)	(462)	83.8%
Hospitals revenue, net	**69,970**	**74,312**	**-5.8%**
Costs of hospitals business	**(43,748)**	**(43,021)**	**1.7%**
Gross profit	**26,222**	**31,291**	**-16.2%**
Salaries and other employee benefits	(8,290)	(7,952)	4.3%
General and administrative expenses	(3,043)	(3,248)	-6.3%
General and administrative expenses excluding IFRS 16 impact	*(3,168)*	*(3,427)*	*-7.6%*
Impairment of receivables	(1,153)	(1,137)	1.4%
Other operating income	1,137	387	193.8%
EBITDA	**14,873**	**19,341**	**-23.1%**
EBITDA excluding IFRS 16	**14,748**	**19,162**	**-23.0%**
EBITDA margin excluding IFRS	***20.8%***	***25.6%***	
Depreciation and amortisation	(7,330)	(6,679)	9.7%
Depreciation and amortization excluding IFRS 16	*(7,152)*	*(6,516)*	*9.8%*
Net interest income (expense)	(7,293)	(6,613)	10.3%
Net interest income (expense) excluding IFRS 16	*(7,255)*	*(6,582)*	*10.2%*
Net gains/(losses) from foreign currencies	(4,251)	(115)	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*(4,067)*	*(93)*	*NMF*
Net non-recurring income/(expense)	(633)	(104)	NMF
Profit before income tax expense	**(4,634)**	**5,830**	**NMF**
Income tax benefit/(expense)	-	-	-
Profit for the period	**(4,634)**	**5,830**	**NMF**
Profit for the period excluding IFRS 16	**(4,359)**	**5,867**	**NMF**

Revenue, *Hospitals*

Our Hospitals business quarterly results were significantly affected by the global pandemic. Since the first case of COVID-19 was reported in the country, in February this year, the Government introduced a number of restrictions to avoid the virus outbreak, explained in more details on pages 9-10. These restrictions as well as general concern among the citizens around the virus, reduced the number of referrals in hospitals, where the total number of admissions was down c.30% in March 2020. With more focus on containing the pandemic, in March the Ministry of Health and Social Affairs also prolonged the terms of issuance of guarantee letters for elective care treatment and practically suspended the issuance of the guarantees since then. All this translated into a c.17% y-o-y reduction in the number of admissions at hospitals for planned treatment (outpatient and elective care services) in 1Q20. The number of admissions from urgent cases was also down by c.2% y-o-y due to the behavioural changes of the population and fewer accidents as a result of the restrictions and regulations exercised country-wide. Overall, the total number of admissions at hospitals was down c.12% in 1Q20 and occupancy rate was down 1.8%, y-o-y. The declining trend continued in April with number of admissions down c.60% y-o-y. We expect rebounding trend in line with the Government's re-open plan.

Apart from pandemic, hospitals quarterly revenues and margins were affected by the new regulation that reduced certain tariffs on intensive care and cardiac services from November 2019, explained on page 10.

Revenue by sources of payment in hospitals

(GEL thousands, unless otherwise noted)	1Q20	1Q19	Change, Y-o-Y
Hospitals revenue, net	**69,970**	**74,312**	**-5.8%**
Government-funded healthcare programmes	47,428	51,570	-8.0%
Out-of-pocket payments by patients	17,773	17,696	0.4%
Private medical insurance companies, *of which*	4,769	5,046	-5.5%
GHG medical insurance	*2,153*	*2,509*	-14.2%

The Government-funded healthcare programme remains the main contributor, accounting for c.68% in total revenue of the Hospitals business. Revenue decline from private medical insurance companies is mainly driven by the decrease in revenues from GHG's own medical insurance, mainly due to the expiry of the Ministry of Defence contract.

Gross profit, *Hospitals*

Cost of hospitals as % of revenue	1Q20	1Q19	Change, Y-o-Y
Direct salary rate	35.4%	33.8%	+1.6 ppts
Materials rate	19.2%	17.4%	+1.8 ppts
Gross margin	**37.0%**	**41.8%**	**-4.8 ppts**

Decrease in revenues resulted in increased direct salary rate due to the portion of the hospitals direct salaries being fixed. The increase in the materials rate reflects increased consumption of medical disposables and personal protective equipment at hospitals, such as masks, sanitizers and medical jumpsuits. The direct salaries and materials rate were also affected by the new UHC regulation that reduced tariffs on certain medical treatments, while the cost base for these services remain the same. As a result, the cost of healthcare services in Hospitals business was up 1.7% in 1Q20 y-o-y, translating into business gross margin decline of 4.8 ppts.

Operating expenses, *Hospitals*

Despite additional pandemic-related expenses such as staff safe transportation costs and disinfection expenses we were able to implement cost efficiency measures, and general and administrative expense was down y-o-y. The increase in 1Q19 other operating income reflects increased US dollar denominated rental income, due to GEL devaluation, gain from sale of PPE and the accounting impact of the call option.

EBITDA, *Hospitals*

All of the above translated into 23.1% decline in Hospitals business EBITDA, 23.0% excluding the effect of IFRS 16. EBITDA margin, excluding IFRS 16, was down 4.8 ppts, y-o-y (as we own all the hospitals and our rental expense relates mainly to our headquarters building, the effect of the IFRS 16 accounting policy change on EBITDA margin was immaterial). We now view Caucasus Medical Center and Tbilisi Referral Hospital as being in their late roll-out phase as their occupancy rates stand at 41.0% and 55.9%, respectively, and margins still lag behind the matured hospitals average. Excluding the dilutive effect of those two hospitals, the Hospitals business posted EBITDA margin of 23.7% in 1Q20.

Profit, *Hospitals*

Y-o-y movements in depreciation and amortisation expense reflects investments in new medical services, while the expense remained flat q-o-q. On the back of the flat borrowed funds balance q-o-q (down 0.1%), interest expense also remained almost flat. The 1Q20 loss on foreign currency are explained on page 10.

In 1Q20 the business reported net loss, which adjusted for the FX loss and non-recurring expenses was at break-even.

Operational highlights:

- Our hospital bed occupancy rate[5] was at 60.5% in 1Q20 (62.3% and 57.6% in 1Q19 and 4Q19, respectively).
- The average length of stay at hospitals[5] was at 5.4 days in 1Q20 (5.4 days in 1Q19 and 4Q19).

[5] The calculation excludes emergency beds

Discussion of Clinics Business Results

Income Statement, Clinics business

GEL thousands; unless otherwise noted	1Q20	1Q19	Change, Y-o-Y
Clinics revenue, gross	**12,140**	**11,107**	**9.3%**
Corrections & rebates	(108)	(97)	11.3%
Clinics revenue, net	**12,032**	**11,010**	**9.3%**
Costs of clinics business	**(6,772)**	**(6,244)**	**8.5%**
Gross profit	**5,260**	**4,766**	**10.4%**
Salaries and other employee benefits	(1,962)	(1,756)	11.7%
General and administrative expenses	(935)	(628)	48.9%
General and administrative expenses excluding IFRS 16 impact	*(1,251)*	*(1,082)*	*15.6%*
Impairment of receivables	(20)	(75)	-73.3%
Other operating income	358	223	60.5%
EBITDA	**2,701**	**2,530**	**6.8%**
EBITDA excluding IFRS 16	**2,385**	**2,076**	**14.9%**
EBITDA margin excluding IFRS	***19.6%***	***18.7%***	
Depreciation and amortisation	(1,787)	(1,626)	9.9%
Depreciation and amortization excluding IFRS 16	*(1,425)*	*(1,228)*	*16.0%*
Net interest income (expense)	(1,300)	(1,086)	19.7%
Net interest income (expense) excluding IFRS 16	*(1,176)*	*(957)*	*22.9%*
Net gains/(losses) from foreign currencies	(825)	(61)	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*25*	*(27)*	*NMF*
Net non-recurring income/(expense)	(77)	(52)	48.1%
Profit before income tax expense	**(1,288)**	**(295)**	**NMF**
Income tax benefit/(expense)	-	-	-
Profit for the period	**(1,288)**	**(295)**	**NMF**
Profit for the period excluding IFRS 16	**(268)**	**(188)**	**NMF**

Revenue, *Clinics*

Our Clinics business was also significantly affected by the pandemic. After Government restrictions, that came into force in the middle of the first quarter, the traffic at our clinics declined notably, by around 20% in March. The increased footfall in January and February offset the decline and overall, in 1Q20, total admissions at clinics was still slightly up, 1.1% y-o-y which translated in respective period's revenue growth of 9.3%. The footfall declining trend continued in April, number of admissions down c.60%, and is expected to rebound in line with the Government's re-open plan discussed, on page 10.

Revenue by types of clinics

(GEL thousands, unless otherwise noted)	1Q20	1Q19	Change, Y-o-Y
Clinics revenue, net	**12,032**	**11,010**	**9.3%**
Polyclinics	5,803	5,562	*4.3%*
Community	6,229	5,448	*14.3%*

In 1Q20, 52% of the Clinics' revenue came from community clinics and 48% from polyclinics.

The growth in revenue from polyclinics was fully organic, driven by the initiation of new services and an increased number of registered patients in Tbilisi. In the quarter we have added c.6,000 new registered patients in Tbilisi, reaching c.199,000 in total.

The y-o-y increase in revenue from community clinics, which play a feeder role for the referral hospitals, was also fully organic and is attributable to introduction of new medical services as well as high referrals in January due to the high flu season.

Revenue by sources of payment in Clinics

(GEL thousands, unless otherwise noted)	**1Q20**	**1Q19**	**Change, Y-o-Y**
Clinics revenue, net	**12,032**	**11,010**	**9.3%**
Government-funded healthcare programmes	6,873	6,106	*12.6%*
Out-of-pocket payments by patients	3,693	3,136	*17.8%*
Private medical insurance companies, *of which*	1,466	1,768	*-17.1%*
GHG medical insurance	1,237	1,589	*-22.2%*

The main contributor to clinics revenue growth was Government-funded healthcare programmes, accounting for a 57% share in total revenue. The increase in out-of-pocket payments was attributable to both polyclinics and community clinics, up 15.2% and 27.9%, respectively. The revenue decline from private insurance companies is due to the expiry of the Ministry of Defence contract that reduced the number of GHG insured clients.

Gross profit, *Clinics*

Cost of clinics as % of revenue	**1Q20**	**1Q19**	**Change, Y-o-Y**
Direct salary rate	33.9%	34.6%	-0.7 ppts
Materials rate	6.2%	6.1%	+0.1 ppts
Gross margin	**43.3%**	**42.9%**	**+0.4 ppts**

As a result of efficiency and cost control measures the direct salary rate improved y-o-y. The materials rate remained in the range of c.6% for the quarter, with the slight increase being attributable increased consumption of medical disposables and personal protective equipment at clinics for safety reasons during the pandemic. Enhanced safety standards at clinics due to the COVID-19 pandemic, increased some of the business' other expenses such as cost of utilities.

Overall, the well managed cost base translated into the improved business gross margin.

Operating expenses, *Clinics*

Business expansion in the second half of 2019 increased the administrative salary base. The increase in general and administrative expenses relates to incurred costs associated with pandemic such as staff trainings, transportation costs and disinfection expenses.

EBITDA, *Clinics*

As a result, business posted 6.8% increase in EBITDA. As some of the polyclinics are rented, the IFRS 16 accounting change had an impact on Clinics business EBITDA, excluding of which the EBITDA grew 14.9% with 19.6% EBITDA margin, up 0.9 ppts y-o-y.

Profit, *Clinics*

Increased depreciation and amortization expense y-o-y, mainly reflects investments in medical services, while it remained almost flat q-o-q. The revaluation of small amount of US dollar denominated loan, after local currency devaluation in 1Q20, slightly increased the balance of borrowed funds, up 2.7% q-o-q, and respectively interest expense.

After first ever positive contribution to the Group's net profit in 4Q19, due to the changed environment the Clinics business contributed negatively to the Group's profit in 1Q20.

To accommodate the new environment the polyclinics started to implement new initiatives such as online consultations with family doctors and specialists. Once the situation stabilises 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 registered patient acquisitions.

Discussion of Pharmacy and Distribution Business Results

Income Statement, Pharmacy and Distribution business

GEL thousands; unless otherwise noted	1Q20	1Q19	Change, Y-o-Y
Pharmacy and distribution revenue	**175,029**	**145,779**	**20.1%**
Costs of Pharmacy and distribution	**(129,744)**	**(107,481)**	**20.7%**
Gross profit	**45,285**	**38,298**	**18.2%**
Salaries and other employee benefits	(14,779)	(12,664)	16.7%
General and administrative expenses	(6,579)	(5,507)	19.5%
General and administrative expenses excluding IFRS 16 impact	*(12,024)*	*(9,909)*	*21.3%*
Impairment of receivables	(1)	(58)	-98.3%
Other operating income	105	(106)	NMF
EBITDA	**24,031**	**19,963**	**20.4%**
EBITDA excluding IFRS 16	**18,586**	**15,561**	**19.4%**
EBITDA margin excluding IFRS	***10.6%***	***10.7%***	
Depreciation and amortisation	(5,073)	(4,538)	11.8%
Depreciation and amortization excluding IFRS 16	*(923)*	*(688)*	*34.2%*
Net interest income (expense)	(4,279)	(4,052)	5.6%
Net interest income (expense) excluding IFRS 16	*(2,936)*	*(2,949)*	*-0.4%*
Net gains/(losses) from foreign currencies	(16,749)	(27)	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*(9,440)*	*206*	*NMF*
Net non-recurring income/(expense)	(57)	6	NMF
Profit before income tax expense	**(2,127)**	**11,352**	**NMF**
Income tax benefit/(expense)	(945)	-	NMF
Profit for the period	**(3,072)**	**11,352**	**NMF**
Profit for the period excluding IFRS 16	**4,285**	**12,136**	**-64.7%**

Revenue, *Pharmacy and Distribution*

The business has delivered another outstanding quarter, posting double-digit revenue growth, driven by the record revenue growth from retail.

Revenue by types, Pharmacy and Distribution

(GEL thousands, unless otherwise noted)	1Q20	1Q19	Change, Y-o-Y
Pharmacy and Distribution revenue	**175,029**	**145,779**	**20.1%**
Revenue from Retail	128,733	103,673	24.2%
Revenue from Distribution	46,296	42,106	10.0%
Gross profit Margin	**25.9%**	**26.3%**	**-0.4 ppts**

The increase in y-o-y revenues from retail is attributable to expansion and organic sales growth of the business. During last 12 months we have added 22 new pharmacies to our chain, expanding from 276 to 298 stores.

The same-store growth rate was up 17.3% in 1Q20. The increase was partially related to behavioural change in times of pandemic as citizens started to stock up on pharmaceuticals when the news regarding new virus and possible lock down were announced. This increased the footfall and check size at our pharmacies in March 2020, with more than 2.5 million interactions and GEL 17.2 average bill size (up 22.9% y-o-y). As a result, in 1Q20 the number of bills issued was up 7.1% and the average bill size was up 15.0%, reaching GEL 15.7. The average customer interactions was up to about 2.6 million per month, from 2.4 million in the prior year. In April traffic started to decline with number of total cheques been down 28.7% but still with increased check size of GEL 18.9.

The revenue form distribution was also up due to the increased sales to hospitals and other corporate accounts.

Gross profit, *Pharmacy and Distribution*

The Pharmacy and Distribution business gross profit margin were well managed, with slight reduction due to the FX movement.

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 41.5 million (up 28.2% y-o-y) in 1Q20, with 32.5% gross profit margin. Our para-pharmacy sales have the strongest margins and the share of para-pharmacy sales in retail revenue stood at 30.1% in 1Q20 (29.3% in 1Q19).

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 and our line of private label personal care products are presented in our pharmacies, with an annualised revenue contribution of c.GEL 6.0 million.

In 1Q20 our newly opened The Body Shop flagship stores were temporarily closed due to the lock-down and the products were sold in our GPC pharmacies only. We have 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, *Pharmacy and Distribution*

Salaries and other employee benefits was up in line with the business expansion and new openings. Apart from business expansion, the 19.5% y-o-y increase in general and administrative expenses is attributable to the marketing activities and promotions to support retail sales growth. Rent expense of pharmacies increased for the quarter due to the GEL devaluation in 1Q20 (about 85% of rental contracts are denominated in US dollars), which resulted in the higher increase in general and administrative expense excluding IFRS 16 impact (up 21.3% y-o-y).

EBITDA, *Pharmacy and Distribution*

As a result, the business posted 20.4% increase in EBITDA and 19.4% increase in EBITDA excluding IFRS 16, with 10.6% EBITDA margin, substantially exceeding our target of 9%.

Profit, *Pharmacy and Distribution*

The increase in depreciation and amortisation expense reflects investments in different projects such as The Body Shop and software development. We drew down available credit lines to bolster liquidity in the face of the pandemic, so the balance of borrowed funds was up q-o-q, translating into 1.5% increase in respective interest expense.

Out of total 16.7 million foreign currency loss, GEL 9.4 million, reflects the increase in the GEL value of US Dollar denominated payables to suppliers due to the devaluation of GEL in 1Q20, also explained in more details on page 12. The remaining loss of GEL 7.3 million is attributable to the revaluation of the finance lease liabilities balance.

Consequently, in 1Q20 Pharmacy and Distribution business posted a loss of GEL 3.1 million. Excluding the IFRS 16 impact, the business posted GEL 4.3 million profit for the quarter and adjusting the results for both FX loss and non-recurring items the profit was GEL 13.8 million (up 15.6% y-o-y).

Business development and operational highlights:

- 298 pharmacies as of 31 March 2020 (276 as of 31 March 2019)
- Average retail customer interactions per month was c.2.6 million in 1Q20 (c.2.4 million in 1Q19)
- Average bill size was GEL 15.7 in 1Q20 (GEL 13.7 in 1Q19)
- c.0.8 million loyalty card members

Discussion of Medical Insurance Business Results

Income Statement, Medical Insurance business

GEL thousands; unless otherwise noted	**1Q20**	**1Q19**	**Change, Y-o-Y**
Net insurance premiums earned	**18,068**	**17,493**	**3.3%**
Cost of insurance services	**(15,065)**	**(15,683)**	**-3.9%**
Gross profit	**3,003**	**1,810**	**65.9%**
Salaries and other employee benefits	(1,227)	(917)	33.8%
General and administrative expenses	(517)	(355)	45.6%
General and administrative expenses excluding IFRS 16 impact	*(627)*	*(440)*	*42.5%*
Impairment of receivables	(310)	(103)	201.0%
Other operating income	(90)	212	NMF
EBITDA	**859**	**647**	**32.8%**
EBITDA excluding IFRS 16	**749**	**562**	**33.3%**
EBITDA margin excluding IFRS	***4.1%***	***3.2%***	
Depreciation and amortisation	(281)	(269)	4.5%
Depreciation and amortization excluding IFRS 16	*(189)*	*(189)*	*0.0%*
Net interest income (expense)	361	113	219.5%
Net interest income (expense) excluding IFRS 16	*376*	*127*	*196.1%*
Net gains/(losses) from foreign currencies	(73)	59	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*6*	*63*	*-90.5%*
Net non-recurring income/(expense)	-	-	-
Profit before income tax expense	**866**	**550**	**57.5%**
Income tax benefit/(expense)	(205)	(85)	141.2%
Profit for the period	**661**	**465**	**42.2%**
Profit for the period excluding IFRS 16	**737**	**478**	**54.2%**
Loss ratio *(%)*	79.8%	85.3%	-5.5 ppts
Expense ratio without IFRS 16 *(%)*	17.1%	12.6%	4.5 ppts
Combined ratio without IFRS 16 *(%)*	96.9%	97.9%	-1.0 ppts

Revenue, Medical Insurance

Our Medical Insurance business has moderate y-o-y revenue growth. The number of insured customers was down to c.178,000 as of March 2020 (c.236,000 as of December 2019) mainly due to the expiry of Ministry of Defence contract from February 2020. This will reduce the medical insurance business revenue in coming quarters but will have immaterial impact on earnings, as the client loss ratio was far above the business' average.

Gross profit, Medical Insurance

Medical insurance claims expenses account for almost all of the cost of insurance services. In 1Q20, our medical insurance claims expense was GEL 14.4 million (down 3.3%), of which GEL 6.3 million (43.9% of the total) was inpatient, GEL 5.2 million (35.9% of total) was outpatient and GEL 2.9 million (20.2% of total) was accounted for by drugs.

The business loss ratio was improved by 5.5 ppts in 1Q20, y-o-y. Improvement is mainly attributable to the decreased traffic at hospitals and clinics due to the pandemic as well as to the expiry of Ministry of Defence contract which had a loss ratio far above the business' average. The loss ratio decline was also quite notable in April, due to the decreased traffic at hospitals and clinics described above in the respective segment results discussions.

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 improved the claims retention rates within the Group (i.e., reimbursements of our customers' health care costs that are paid to other Group entities).

	1Q20	**1Q19**	**Change, Y-o-Y**
Total claims retained within the Group	43.9%	39.2%	+4.7 ppts
Total claims retained in outpatient	42.1%	40.4%	+1.7 ppts

Operating expenses, Medical Insurance

The administrative salary base was up due to the increase in performance related compensation tied to the business' EBITDA growth. General and administrative expenses was also up, mainly related to increased disinfection and safety measures implemented at head office as well as at service centres.

The increase in impairment expense reflects a decline in receivables collection, mostly from travel agencies, as small businesses began to struggle due to the current circumstances caused by the pandemic.

As a result, business expense ratio was up 4.5 ppts at 17.1% in 1Q20. The improved quarterly loss ratio more than fully offset the increased expense ratio and resulted in an improved combined ratio of 96.9% (down 1.0 ppts y-o-y).

Operational highlights:

- As at 31 December 2020, GHG Medical Insurance business market share based on net insurance premium revenue was 31.8%.
- c.178,000 insured as of March 2020 (c.229,000 in March 2019).
- Our insurance renewal rate was 65.3% in 1Q20 (74.4% in 1Q19).

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.

Income Statement, Diagnostics

GEL thousands; unless otherwise noted	**1Q20**	**1Q19**	**Change, Y-o-Y**
Diagnostics revenue	**1,666**	**1,154**	**44.4%**
Costs of diagnostics	**(1,614)**	**(831)**	**94.2%**
Gross profit	**52**	**323**	**-83.9%**
Salaries and other employee benefits	(159)	(234)	-32.1%
General and administrative expenses	(92)	(78)	17.9%
General and administrative expenses excluding IFRS 16 impact	*(92)*	*(84)*	*9.5%*
Impairment of receivables	-	(4)	NMF
Other operating income	53	47	12.8%
EBITDA	**(146)**	**54**	**NMF**
EBITDA excluding IFRS 16	**(146)**	**48**	**NMF**
EBITDA margin excluding IFRS	***-8.8%***	***4.2%***	
Depreciation and amortisation	(29)	(65)	-55.4%
Depreciation and amortization excluding IFRS 16	*(29)*	*(59)*	*-50.8%*
Net interest income (expense)	(115)	-	NMF
Net interest income (expense) excluding IFRS 16	*(115)*	*-*	*NMF*
Net gains/(losses) from foreign currencies	(3)	(6)	-50.0%
Net gains/(losses) from foreign currencies excluding IFRS 16	*(3)*	*(6)*	*-50.0%*
Net non-recurring income/(expense)	-	(5)	NMF
Profit before income tax expense	**(293)**	**(22)**	**NMF**
Income tax benefit/(expense)	-	-	-
Profit for the period	**(293)**	**(22)**	**NMF**
Profit for the period excluding IFRS 16	**(293)**	**(22)**	**NMF**

Revenue by types, Diagnostics

(GEL thousands, unless otherwise noted)	**1Q20**	**1Q19**	**Change, Y-o-Y**
Diagnostics revenue	**1,666**	**1,154**	**44.4%**
Contracts	1,586	1,109	43.0%
Walk-in	80	45	77.8%

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. As serving only Group's facilities covers only one-third of the laboratory's capacity, Mega Lab also works on external contracts, serving healthcare facilities outside the Group.

The 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. 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.

Mega Lab is one of the few facilities in Georgia that was assessed to satisfy the strict criteria for COVID-19 testing in scope of state programme, in which our Diagnostics business started to engage from April. In May, the business also started commercial testing for COVID-19.

The cost base for lab tests almost doubled due to the increased cost of reagents after the GEL devaluation in 1Q20, as well increased consumption of safety material, associated to pandemic. As a result, the business started negotiations with contractors to increase prices on some lab tests.

Operational highlights:	**1Q20**	**4Q19**	**Change Q-o-Q**
Number of patients served *(in thousands)*	139	130	6.9%
Number of tests performed *(in thousands)*	325	290	12.1%
Average number of tests per patient	2.3	2.2	4.5%

SELECTED FINANCIAL INFORMATION

Income Statement, *Quarterly*	**Hospitals**					**Clinics**					**Pharmacy and Distribution**					**Medical Insurance**				
GEL thousands, unless otherwise noted	**1Q20**	**1Q19**	**Change, Y-o-Y**	**4Q19**	**Change, Q-o-Q**	**1Q20**	**1Q19**	**Change, Y-o-Y**	**4Q19**	**Change, Q-o-Q**	**1Q20**	**1Q19**	**Change, Y-o-Y**	**4Q19**	**Change, Q-o-Q**	**1Q20**	**1Q19**	**Change, Y-o-Y**	**4Q19**	**Change , Q-o-Q**
Revenue, gross	**70,819**	**74,774**	**-5.3%**	**73,553**	**-3.7%**	**12,140**	**11,107**	**9.3%**	**11,877**	**2.2%**	**175,029**	**145,779**	**20.1%**	**172,682**	**1.4%**	**18,068**	**17,493**	**3.3%**	**19,556**	**-7.6%**
Corrections & rebates	(849)	(462)	83.8%	(423)	100.7%	(108)	(97)	11.3%	(34)	217.6%	-	-	-	-	-	-	-	-	-	-
Revenue, net	**69,970**	**74,312**	**-5.8%**	**73,130**	**-4.3%**	**12,032**	**11,010**	**9.3%**	**11,843**	**1.6%**	**175,029**	**145,779**	**20.1%**	**172,682**	**1.4%**	**18,068**	**17,493**	**3.3%**	**19,556**	**-7.6%**
Costs of services	**(43,748)**	**(43,021)**	**1.7%**	**(43,247)**	**1.2%**	**(6,772)**	**(6,244)**	**8.5%**	**(6,018)**	**12.5%**	**(129,744)**	**(107,481)**	**20.7%**	**(127,761)**	**1.6%**	**(15,065)**	**(15,683)**	**-3.9%**	**(17,225)**	**-12.5%**
Cost of salaries and other employee benefits	(25,082)	(25,241)	-0.6%	(25,969)	-3.4%	(4,111)	(3,843)	7.0%	(3,979)	3.3%	-	-	-	-	-	-	-	-	-	-
Cost of materials and supplies	(13,595)	(13,019)	4.4%	(13,010)	4.5%	(747)	(677)	10.3%	(698)	7.0%	-	-	-	-	-	-	-	-	-	-
Cost of medical service providers	(1,363)	(1,012)	34.7%	(1,164)	17.1%	(1,008)	(1,064)	-5.3%	(901)	11.9%	-	-	-	-	-	-	-	-	-	-
Cost of utilities and other	(3,708)	(3,749)	-1.1%	(3,104)	19.5%	(906)	(660)	37.3%	(440)	105.9%	-	-	-	-	-	-	-	-	-	-
Net insurance claims incurred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,420)	(14,914)	-3.3%	(16,540)	-12.8%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(645)	(769)	-16.1%	(685)	-5.8%
Cost of pharma – wholesale	-	-	-	-	-	-	-	-	-	-	(38,459)	(34,117)	12.7%	(42,219)	-8.9%	-	-	-	-	-
Cost of pharma - retail	-	-	-	-	-	-	-	-	-	-	(91,285)	(73,364)	24.4%	(85,542)	6.7%	-	-	-	-	-
Gross profit	**26,222**	**31,291**	**-16.2%**	**29,883**	**-12.3%**	**5,260**	**4,766**	**10.4%**	**5,825**	**-9.7%**	**45,285**	**38,298**	**18.2%**	**44,921**	**0.8%**	**3,003**	**1,810**	**65.9%**	**2,331**	**28.8%**
Salaries and other employee benefits	(8,290)	(7,952)	4.3%	(7,769)	6.7%	(1,962)	(1,756)	11.7%	(1,863)	5.3%	(14,779)	(12,664)	16.7%	(13,167)	12.2%	(1,227)	(917)	33.8%	(1,359)	-9.7%
General and administrative expenses	(3,043)	(3,248)	-6.3%	(3,192)	-4.7%	(935)	(628)	48.9%	(885)	5.6%	(6,579)	(5,507)	19.5%	(6,716)	-2.0%	(517)	(355)	45.6%	(427)	21.1%
General and administrative expenses excluding IFRS 16	*(3,168)*	*(3,427)*	*-7.6%*	*(3,349)*	*-5.4%*	*(1,251)*	*(1,082)*	*15.6%*	*(1,220)*	*2.5%*	*(12,024)*	*(9,909)*	*21.3%*	*(11,893)*	*1.1%*	*(627)*	*(440)*	*42.5%*	*(533)*	*17.6%*
Impairment of receivables	(1,153)	(1,137)	1.4%	(989)	16.6%	(20)	(75)	-73.3%	(21)	-4.8%	(1)	(58)	-98.3%	(290)	-99.7%	(310)	(103)	201.0%	(139)	123.0%
Other operating income	1,137	387	193.8%	2,077	-45.3%	358	223	60.5%	364	-1.6%	105	(106)	NMF	(386)	NMF	(90)	212	NMF	350	NMF
EBITDA	**14,873**	**19,341**	**-23.1%**	**20,010**	**-25.7%**	**2,701**	**2,530**	**6.8%**	**3,420**	**-21.0%**	**24,031**	**19,963**	**20.4%**	**24,362**	**-1.4%**	**859**	**647**	**32.8%**	**756**	**13.6%**
EBITDA excluding IFRS 16	**14,748**	**19,162**	**-23.0%**	**19,853**	**-25.7%**	**2,385**	**2,076**	**14.9%**	**3,085**	**-22.7%**	**18,586**	**15,561**	**19.4%**	**19,185**	**-3.1%**	**749**	**562**	**33.3%**	**650**	**15.2%**
EBITDA margin excluding IFRS 16	***20.8%***	***25.6%***		***27.0%***		***19.6%***	***18.7%***		***26.0%***		***10.6%***	***10.7%***		***11.1%***		***4.1%***	***3.2%***		***3.3%***	
Depreciation and amortization	(7,330)	(6,679)	9.7%	(7,224)	1.5%	(1,787)	(1,626)	9.9%	(1,790)	-0.2%	(5,073)	(4,538)	11.8%	(4,942)	2.7%	(281)	(269)	4.5%	(278)	1.1%
Depreciation and amortization excluding IFRS 16	*(7,152)*	*(6,516)*	*9.8%*	*(6,998)*	*2.2%*	*(1,425)*	*(1,228)*	*16.0%*	*(1,428)*	*-0.2%*	*(923)*	*(688)*	*34.2%*	*(860)*	*7.3%*	*(189)*	*(189)*	*0.0%*	*(187)*	*1.1%*
Net interest income (expense)	(7,293)	(6,613)	10.3%	(7,302)	-0.1%	(1,300)	(1,086)	19.7%	(1,196)	8.7%	(4,279)	(4,052)	5.6%	(4,242)	0.9%	361	113	219.5%	265	36.2%
Net interest income (expense) excluding IFRS 16	*(7,255)*	*(6,582)*	*10.2%*	*(7,226)*	*0.4%*	*(1,176)*	*(957)*	*22.9%*	*(1,076)*	*9.3%*	*(2,936)*	*(2,949)*	*-0.4%*	*(2,892)*	*1.5%*	*376*	*127*	*196.1%*	*277*	*35.7%*
Net gains/(losses) from foreign currencies	(4,251)	(115)	NMF	728	NMF	(825)	(61)	NMF	83	NMF	(16,749)	(27)	NMF	2,505	NMF	(73)	59	NMF	21	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*(4,067)*	*(93)*	*NMF*	*627*	*NMF*	*25*	*(27)*	*NMF*	*(102)*	*NMF*	*(9,440)*	*206*	*NMF*	*951*	*NMF*	*6*	*63*	*-90.5%*	*2*	*200.0%*
Net non-recurring income/(expense)	(633)	(104)	NMF	(282)	124.5%	(77)	(52)	48.1%	(31)	151.2%	(57)	6	NMF	(33)	72.7%	-	-	-	-	-
Profit before income tax expense	**(4,634)**	**5,830**	**NMF**	**5,930**	**NMF**	**(1,288)**	**(295)**	**NMF**	**487**	**NMF**	**(2,127)**	**11,352**	**NMF**	**17,650**	**NMF**	**866**	**550**	**57.5%**	**764**	**13.4%**
Income tax benefit/(expense)	-	-	-	-	-	-	-	-	-	-	(945)	-	NMF	(166)	NMF	(205)	(85)	141.2%	(148)	38.5%
Profit for the period	**(4,634)**	**5,830**	**NMF**	**5,930**	**NMF**	**(1,288)**	**(295)**	**NMF**	**487**	**NMF**	**(3,072)**	**11,352**	**NMF**	**17,484**	**NMF**	**661**	**465**	**42.2%**	**616**	**7.3%**
Attributable to:																				
- shareholders of the Company	(5,041)	4,317	NMF	4,705	NMF	(1,327)	(315)	NMF	455	NMF	(3,621)	6,867	NMF	11,074	NMF	661	465	42.2%	616	7.3%
- non-controlling interests	407	1,513	-73.1%	1,225	-66.8%	39	20	92.0%	32	21.9%	549	4,485	-87.8%	6,410	-91.4%	-	-	-	-	-
Profit for the period, excluding IFRS 16	**(4,359)**	**5,867**	**NMF**	**5,974**	**NMF**	**(268)**	**(188)**	**NMF**	**449**	**NMF**	**4,285**	**12,136**	**-64.7%**	**16,185**	**-73.5%**	**737**	**478**	**54.2%**	**594**	**24.1%**
Attributable to:																				
- shareholders of the Company	(4,766)	4,354	NMF	4,749	NMF	(307)	(208)	47.4%	417	NMF	1,308	7,392	-82.3%	10,204	-87.2%	737	478	54.2%	594	24.1%
- non-controlling interests	407	1,513	-73.1%	1,225	-66.8%	39	20	92.0%	32	21.9%	2,977	4,744	-37.2%	5,981	-50.2%	-	-	-	-	-

Income Statement, ***Quarterly***	Diagnostics					Eliminations			GHG				
GEL thousands, unless otherwise noted	1Q20	1Q19	Change, Y-o-Y	4Q19	Change, Q-o-Q	1Q20	1Q19	4Q19	1Q20	1Q19	Change, Y-o-Y	4Q19	Change, Q-o-Q
Revenue, gross	**1,666**	**1,154**	**44.4%**	**1,659**	**0.4%**	**(17,669)**	**(15,095)**	**(19,597)**	**260,053**	**235,211**	**10.6%**	**259,730**	**0.1%**
Corrections & rebates	-	-	-	-	-	-	-	-	(957)	(559)	71.2%	(457)	109.4%
Revenue, net	**1,666**	**1,154**	**44.4%**	**1,659**	**0.4%**	**(17,669)**	**(15,095)**	**(19,597)**	**259,096**	**234,652**	**10.4%**	**259,273**	**-0.1%**
Costs of services	**(1,614)**	**(831)**	**94.2%**	**(1,431)**	**12.8%**	**17,240**	**14,763**	**19,204**	**(179,703)**	**(158,497)**	**13.4%**	**(176,479)**	**1.8%**
Cost of salaries and other employee benefits	(403)	(289)	39.4%	(485)	-16.9%	1,108	1,418	2,040	(28,488)	(27,955)	1.9%	(28,393)	0.3%
Cost of materials and supplies	(1,068)	(393)	171.8%	(838)	27.4%	1,056	1,676	1,544	(14,354)	(12,413)	15.6%	(13,002)	10.4%
Cost of medical service providers	(10)	(1)	NMF	(33)	-69.7%	1,616	1,278	1,611	(765)	(799)	-4.3%	(487)	57.0%
Cost of utilities and other	(133)	(148)	-10.1%	(75)	77.3%	308	220	423	(4,439)	(4,337)	2.4%	(3,196)	38.9%
Net insurance claims incurred	-	-	-	-	-	3,204	3,286	3,793	(11,216)	(11,628)	-3.5%	(12,747)	-12.0%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	(645)	(769)	-16.1%	(685)	-5.8%
Cost of pharma – wholesale	-	-	-	-	-	9,948	6,885	9,793	(28,511)	(27,232)	4.7%	(32,426)	-12.1%
Cost of pharma - retail	-	-	-	-	-	-	-	-	(91,285)	(73,364)	24.4%	(85,542)	6.7%
Gross profit	**52**	**323**	**-83.9%**	**228**	**-77.2%**	**(429)**	**(332)**	**(393)**	**79,393**	**76,155**	**4.3%**	**82,794**	**-4.1%**
Salaries and other employee benefits	(159)	(234)	-32.1%	(202)	-21.3%	951	129	848	(25,466)	(23,395)	8.9%	(23,512)	8.3%
General and administrative expenses	(92)	(78)	17.9%	(51)	80.4%	(497)	135	(454)	(11,663)	(9,682)	20.5%	(11,725)	-0.5%
General and administrative expenses excluding IFRS 16	*(92)*	*(84)*	*9.5%*	*(51)*	*80.4%*	*(497)*	*135*	*(454)*	*(17,659)*	*(14,808)*	*19.3%*	*(17,500)*	*0.9%*
Impairment of receivables	-	(4)	NMF	19	NMF	169	205	239	(1,315)	(1,172)	12.2%	(1,181)	11.3%
Other operating income	53	47	12.8%	53	0.0%	(238)	(135)	(240)	1,325	629	110.7%	2,218	-40.3%
EBITDA	**(146)**	**54**	**NMF**	**47**	**NMF**	**(44)**	**2**	**-**	**42,274**	**42,535**	**-0.6%**	**48,594**	**-13.0%**
EBITDA excluding IFRS 16	**(146)**	**48**	**NMF**	**47**	**NMF**	**(44)**	**2**	**-**	**36,278**	**37,409**	**-3.0%**	**42,819**	**-15.3%**
EBITDA margin excluding IFRS 16	***-8.8%***	***4.2%***		***2.8%***					***14.0%***	***15.9%***		***16.5%***	
Depreciation and amortization	(29)	(65)	-55.4%	(27)	7.4%	1	-	-	(14,499)	(13,177)	10.0%	(14,261)	1.7%
Depreciation and amortization excluding IFRS 16	*(29)*	*(59)*	*-50.8%*	*(27)*	*7.4%*	1	-	-	*(9,717)*	*(8,679)*	*12.0%*	*(9,500)*	*2.3%*
Net interest income (expense)	(115)	-	NMF	(103)	11.7%	-	-	(5)	(12,626)	(11,638)	8.5%	(12,583)	0.3%
Net interest income (expense) excluding IFRS 16	*(115)*	*-*	*NMF*	*(103)*	*11.7%*	-	-	(5)	*(11,106)*	*(10,362)*	*7.2%*	*(11,025)*	*0.7%*
Net gains/(losses) from foreign currencies	(3)	(6)	-50.0%	(5)	-40.0%	-	-	-	(21,901)	(148)	NMF	3,332	NMF
Net gains/(losses) from foreign currencies excluding IFRS 16	*(3)*	*(6)*	*-50.0%*	*(5)*	*-40.0%*	-	-	-	*(13,479)*	*145*	*NMF*	*1,473*	*NMF*
Net non-recurring income/(expense)	-	(5)	NMF	-	-	-	(1)	-	(767)	(155)	NMF	(345)	122.2%
Profit before income tax expense	**(293)**	**(22)**	**NMF**	**(88)**	**233.0%**	**(43)**	**1**	**(5)**	**(7,519)**	**17,417**	**NMF**	**24,737**	**NMF**
Income tax benefit/(expense)	-	-	-	-	-	-	-	-	(1,150)	(85)	NMF	(314)	266.2%
Profit for the period	**(293)**	**(22)**	**NMF**	**(88)**	**233.0%**	**(43)**	**1**	**(5)**	**(8,669)**	**17,332**	**NMF**	**24,423**	**NMF**
Attributable to:													
- shareholders of the Company	(293)	(22)	NMF	(88)	233.0%	(43)	1	(5)	(9,664)	11,310	NMF	16,756	NMF
- non-controlling interests	-	-	-	-	-	-	-	-	995	6,022	-83.5%	7,667	-87.0%
Profit for the period, excluding IFRS 16	**(293)**	**(22)**	**NMF**	**(88)**	**233.0%**	**(43)**	**1**	**(5)**	**59**	**18,273**	**-99.7%**	**23,108**	**-99.7%**
Attributable to:													
- shareholders of the Company	(293)	(22)	NMF	(88)	233.0%	(43)	1	(5)	(3,364)	11,995	NMF	15,869	NMF
- non-controlling interests	-	-	-	-	-	-	-	-	3,423	6,277	-45.5%	7,238	-52.7%

Selected Balance Sheet items	**Hospitals**					**Clinics**					**Pharmacy and Distribution**				
GEL thousands; unless otherwise noted	**31-Mar -20**	**31-Mar-19**	**Change, Y-o-Y**	**31-Dec-19**	**Change, Q-o-Q**	**31-Mar -20**	**31-Mar-19**	**Change, Y-o-Y**	**31-Dec-19**	**Change, Q-o-Q**	**31-Mar -20**	**31-Mar-19**	**Change, Y-o-Y**	**31-Dec-19**	**Change, Q-o-Q**
Assets:															
Cash and bank deposits	19,732	7,536	161.8%	6,850	188.1%	1,384	616	124.7%	724	91.2%	26,833	7,268	269.2%	7,774	245.2%
Property and equipment[5]	505,990	515,542	-1.9%	508,906	-0.6%	98,407	97,495	0.9%	98,065	0.3%	35,302	32,010	10.3%	35,161	0.4%
Inventory	18,931	17,439	8.6%	16,461	15.0%	1,553	1,035	50.0%	1,270	22.3%	157,699	127,512	23.7%	155,075	1.7%
Liabilities:															
Borrowed Funds	247,412	246,565	0.3%	247,770	-0.1%	47,083	41,085	14.6%	45,837	2.7%	105,692	91,734	15.2%	84,712	24.8%
Accounts payable	45,672	47,451	-3.7%	44,337	3.0%	8,005	3,499	128.8%	7,232	10.7%	120,379	81,055	48.5%	110,690	8.8%
Lease liabilities, *of which*	2,911	1,994	46.0%	4,054	-28.2%	8,880	8,615	3.1%	8,372	6.1%	85,035	66,702	27.5%	77,700	9.4%
IFRS 16 impact	*2,911*	*1,994*		*4,054*		*204*	*(60)*		*(304)*		*85,035*	*66,702*		*77,700*	

Selected Balance Sheet items	**Medical Insurance**					**Diagnostics**					**Eliminations**			**GHG**				
GEL thousands; unless otherwise noted	**31-Mar -20**	**31-Mar-19**	**Change, Y-o-Y**	**31-Dec-19**	**Change, Q-o-Q**	**31-Mar -20**	**31-Mar-19**	**Change, Y-o-Y**	**31-Dec-19**	**Change, Q-o-Q**	**31-Mar -20**	**31-Mar-19**	**31-Dec-19**	**31-Mar -20**	**31-Mar-19**	**Change, Y-o-Y**	**31-Dec-19**	**Change, Q-o-Q**
Assets																		
Cash and bank deposits	20,098	12,124	65.8%	16,583	21.2%	118	52	126.9%	74	59.5%	-	-	-	68,165	27,596	147.0%	32,005	113.0%
Property and equipment	14,985	15,226	-1.6%	15,054	-0.5%	14,476	14,406	0.5%	14,472	0.0%	-	-	-	669,160	674,678	-0.8%	671,658	-0.4%
Inventory	198	-	NMF	-	NMF	1,480	512	189.1%	1,656	-10.6%	-	-	-	179,861	146,499	22.8%	174,462	3.1%
Liabilities:																		
Borrowed Funds	9,191	5,939	54.8%	7,450	23.4%	4,726	-	NMF	3,876	21.9%	(19,399)	(11,578)	(26,060)	394,705	373,745	5.6%	363,585	8.6%
Accounts payable	270	-	NMF	-	NMF	2,751	937	193.6%	2,810	-2.1%	(42,034)	(28,940)	(36,369)	135,043	104,001	29.8%	128,700	4.9%
Lease liabilities, *of which*	857	823	4.1%	665	28.9%	-	10	NMF	-	-	-		-	97,683	78,145	25.0%	90,791	7.6%
IFRS 16 impact	*857*	*823*		*665*		*-*	*10*		*-*		*-*	*-*	*-*	*89,007*	*69,469*		*82,115*	

Selected ratios and KPIs	1Q20	1Q19	4Q19
GHG			
EPS, GEL *excluding IFRS 16*	-0.03	0.09	0.12
EPS adjusted[6], GEL *excluding IFRS 16*	0.07	0.09	0.12
ROIC *(%)*	11.8%	12.3%	14.4%
Group rent expenditure	6,487	5,896	6,793
of which, pharmacy and distribution business	*6,148*	*5,325*	*6,315*
Group capex (maintenance)	3,218	3,184	3,200
Group capex (growth)	6,525	6,321	8,384
Number of employees	15,842	16,092	15,874
Number of physicians	3,584	3,635	3,567
Number of nurses	3,381	3,404	3,355
Nurse to doctor ratio, referral hospitals	0.94	0.94	0.94
Number of pharmacists	2,898	2,971	2,882
Total number of shares	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(2,211,449)	(2,777,744)	(2,411,652)
Shares outstanding	129,470,371	128,904,076	129,270,168
Of which:			
Total free float	36,458,957	54,154,256	36,258,754
Shares held by Georgia Capital PLC	93,011,414	74,749,820	93,011,414
Hospitals			
EBITDA margin *excluding IFRS 16*	20.8%	25.6%	27.0%
Direct salary rate (direct salary as % of revenue)	35.4%	33.8%	35.3%
Materials rate (direct materials as % of revenue)	19.2%	17.4%	17.7%
Administrative salary rate (administrative salaries as % of revenue)	11.7%	10.6%	10.6%
SG&A rate (SG&A expenses as % of revenue)	4.5%	4.6%	4.6%
Number of hospitals	18	18	18
Number of hospital beds	2,967	2,967	2,967
Hospitals bed occupancy rate[7]	60.5%	62.3%	57.6%
Hospitals bed occupancy rate, excluding Tbilisi Referral Hospital and Caucasus Medical Centre beds[7]	63.7%	67.2%	61.8%
Caucasus Medical Centre bed occupancy rate[7]	41.0%	35.6%	37.9%
Tbilisi Referral Hospital bed occupancy rate[7]	55.9%	52.2%	45.8%
Average length of stay (days)[7]	5.4	5.4	5.4
Clinics			
EBITDA margin *excluding IFRS 16*	19.6%	18.7%	26.0%
EBITDA margin of polyclinics *excluding IFRS 16*	13.7%	14.6%	26.5%
Direct salary rate (direct salary as % of revenue)	33.9%	34.6%	33.5%
Materials rate (direct materials as % of revenue)	6.2%	6.1%	5.9%
Number of community clinics	19	19	19
Number of community clinics beds	353	353	353
Number of polyclinics	15	16	15
Pharmacy and Distribution			
EBITDA margin *excluding IFRS 16*	10.6%	10.7%	11.1%
Number of bills issued	7.67mln	7.16mln	7.63mln
Average bill size	15.7	13.7	15.1
Revenue from wholesale as a percentage of total revenue from pharma	26.5%	28.9%	28.8%
Revenue from retail as a percentage of total revenue from pharma	73.5%	71.1%	71.2%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	30.1%	29.3%	30.2%
Number of pharmacies	298	276	296
Medical Insurance			
Loss ratio	79.8%	85.3%	84.6%
Expense ratio *excluding IFRS 16, of which*	17.1%	12.6%	13.1%
Commission ratio	*3.6%*	*4.4%*	*3.5%*
Combined ratio *excluding IFRS 16*	96.9%	97.9%	97.6%
Renewal rate	65.3%	74.4%	77.7%
Diagnostics			
EBITDA margin *excluding IFRS 16 impact*	-8.8%	4.2%	2.8%
Number of patients served ('000)	139	67	130
Number of tests performed ('000)	325	172	290
Average revenue per test GEL	5.1	6.7	5.7
Average number of tests per patient	2.3	2.6	2.2

[6] Adjusted to exclude losses from foreign currencies and non-recurring expenses
[7] Excluding emergency beds

ANNEX

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

COMPANY INFORMATION

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Incorporation date: 27 August 2015

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