



**GEORGIA
HEALTHCARE
GROUP**

First Quarter 2021 Results

An extract from the parent company's, Georgia Capital PLC, results file. For the full version of the results release, please refer to the following link: [Georgia Capital PLC | 1Q21 results](#)

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FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in Georgia Capital PLC's Annual Report and Accounts 2020. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

GHG overview

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

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

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

Below is presented the Group’s and its businesses first quarter 2021 consolidated financial results. Unless otherwise mentioned, comparatives are for the first quarter of 2020. The results are based on International Financial Reporting Standards (“IFRS”) as adopted in the European Union (“EU”), are unaudited and extracted from management accounts.

Discussion of Healthcare Services Business Results

Healthcare Services business is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 31-Mar-21. Healthcare services business comprises three segments: 1) Hospitals (17 referral hospitals with a total of 2,596 beds) providing secondary and tertiary level healthcare services; 2) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services) and 15 polyclinics (providing outpatient diagnostic and treatment services); 3) Diagnostics, operating the largest laboratory in the entire Caucasus region - "Mega Lab". As of 31-Mar-21, the healthcare services business is 100% owned by GHG.

1Q21 performance (GEL '000), Healthcare Services^{1,2}

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Revenue, net ³	88,895	72,107	23.3%
Gross Profit	38,351	28,047	36.7%
Gross profit margin	42.9%	38.4%	4.5ppts
Operating expenses (ex. IFRS 16)	(15,288)	(13,115)	16.6%
EBITDA (ex. IFRS 16)	23,063	14,932	54.5%
EBITDA margin (ex. IFRS 16)	25.8%	20.5%	5.3ppts
Net profit / (loss) ex. IFRS 16	7,720	(4,299)	NMF
Adjusted ⁴ net profit / (loss) ex. IFRS 16	10,283	(604)	NMF
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	4,294	30,465	-85.9%
EBITDA to cash conversion (ex. IFRS 16)	18.6%	204.0%	NMF
Cash flow from/used in investing activities ⁵	(5,160)	(5,389)	-4.2%
Free cash flow (ex. IFRS 16) ⁶	(8,116)	18,244	NMF
Cash flow from financing activities (ex. IFRS 16)	(8,363)	(12,156)	-31.2%
BALANCE SHEET HIGHLIGHTS			
	31-Mar-21	31-Dec-20	Change
Total assets	908,191	899,391	1.0%
Of which, cash balance and bank deposits	85,071	93,721	-9.2%
Of which, securities and loans issued	7,965	7,133	11.7%
Total liabilities	513,633	510,079	0.7%
Of which, borrowings	321,802	312,036	3.1%
Total equity	394,558	389,312	1.3%

KEY POINTS / VALUATION DRIVERS

- Revenue demonstrated robust growth trajectory in 1Q21, up 23.3% y-o-y
- Strong revenue growth translated into even stronger EBITDA growth (excl. IFRS 16) in 1Q21, reaching GEL 23.1 million, up 54.5% y-o-y
- Business posted GEL 7.7 million net profit (excl. IFRS 16), which adjusted for FX loss and non-recurring items reached GEL 10.3 million, compared to same period net loss posted on adjusted and unadjusted basis prior year
- In 1Q21, EBITDA to cash conversion rate decreased, mainly related to the business robust revenue growth, which translated into significantly increased working capital needs as well as delays by the state in processing bills due to the high volume of COVID cases in the country in 4Q20. These resulted in an 85.9% y-o-y decline from cash flow from operating activities (excl. IFRS 16)

INCOME STATEMENT HIGHLIGHTS

The healthcare services business remains to be actively engaged in managing COVID-19 in the country. In the first quarter, six of our hospitals and seven of our clinics continued receiving the patients with COVID-19, with a total aggregate number of c. 1,000 beds across the country. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients.

- The number of admissions was up by 22.9% in 1Q21 y-o-y at hospitals translating into GEL 70.7 million net revenue, up 17.6% y-o-y.
- Similarly, the number of admissions was up by 26.2% at clinics in 1Q21 y-o-y, translating into clinics' net revenue growth of 27.2% y-o-y to GEL 15.3 million. Apart from COVID-19 clinics, growth is mainly due to the increased admissions at polyclinics for outpatient services in Feb-Mar 2021 compared to the previous year when the lockdown was imposed. The number of registered patients in Tbilisi also increased by c.37,000, from c.199,000 in 1Q20 to c.236,000 in 1Q21.
- The diagnostics segment, which apart from regular diagnostics services, is also engaged in COVID-19 testing, more than tripled its quarterly revenue in 1Q21 y-o-y to GEL 5.5 million.

The developments described above translated into strong 23.3% y-o-y growth in 1Q21 net revenue from healthcare services.

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

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

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

⁴ Adjusted for non-recurring items and FX loss.

⁵ Of which capex of GEL 6.2 million in 1Q21 (GEL 6.8 million in 1Q20). Cash flow from investing activities also includes a GEL 6.2 million (GEL 5.4 million in 1Q20) payment of the purchase price holdback for Retail (pharmacy) and intersegment dividends and loans issued/received across GHG businesses: Healthcare Services, Retail (pharmacy) and Medical Insurance.

⁶ Operating cash flows less capex and payment of holdback on acquisition of subsidiaries.

The cost of services in the business are captured in the materials and direct salary rates. The materials rate increased in 1Q21 (up 1.5 ppts at hospitals and up 4.3 ppts at clinics, respectively), reflecting local currency exchange rate depreciation as well as increased prices and consumption of medical disposables and personal protective equipment at healthcare facilities due to COVID-19. In 1Q21, the direct salary rate remained well-controlled at hospitals and clinics, down 5.7 ppts and 6.2 ppts y-o-y, respectively. The decrease was aided by a 6-months state income tax subsidy for low salary range employees (monthly salary up to GEL 750), declared in May 2020. The cost of utilities was up 23.1% y-o-y due to the increased tariffs on water, gas and electricity, effective since January 2021. As a result, the healthcare services gross margin rebounded and even increased compared to pre-COVID level (c.42%), up 4.5 ppts in 1Q21 y-o-y at 42.9%.

Despite an increase in some COVID related expenses such as disinfection and employee transportation during the lockdown, due to the strong business management and cost optimisation measures, the business posted positive 20.1 ppts operating leverage. This translated into 54.5% y-o-y growth in business EBITDA excluding IFRS 16, reaching GEL 23.1 million in 1Q21, with 26.5% EBITDA margin at hospitals (up 5.6 ppts y-o-y), 20.9% at clinics (up 1.3 ppts y-o-y) and 18.0% at diagnostics (negative 8.8% in 1Q20).

Strong liquidity management measures resulted in a 17.6% y-o-y decline in the net debt position to GEL 228.8 million as of 31-Mar-21, which reduced interest expense (excl. IFRS 16) y-o-y by 39.1% in 1Q21 to GEL 5.1 million. The GEL depreciation during 1Q21 led to a foreign currency loss (excl. IFRS 16) of GEL 1.8 million on the relatively small portion of the business's borrowings denominated in foreign currency.

Overall, in 1Q21, the business posted GEL 7.7 million net profit excluding IFRS 16 (4.3 million net loss in 1Q20), which adjusted for FX and non-recurring items was GEL 10.3 million.

CASH FLOW HIGHLIGHTS

In line with management's expectations, 1Q21 was a weak quarter in terms of operating cash flow generation. After significant revenue growth posted by the business in 1Q21, the EBITDA to cash collection ratio decreased due to the considerably increased working capital needs. Operating cash flow was also affected by the collection of receivables from the state due to the delay in the processing of bills in previous months, led by the high number of COVID cases in the country in 4Q20. We expect the EBITDA to cash conversion rate to rebound to a normal level in coming quarters. Capex investments remained well controlled during the quarter (down 8.6%).

Discussion of Retail (pharmacy) Business Results

Retail (pharmacy) business, owned through GHG, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a c.33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain has a total of 322 pharmacies, of which, 318 are in Georgia and 4 are in Armenia. GHG owns 67% in the retail (pharmacy) business as of 31-Mar-21.

1Q21 performance (GEL '000), Retail (pharmacy)⁷

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Revenue, net	173,797	175,029	-0.7%
Gross Profit	40,245	45,285	-11.1%
Gross profit margin	23.2%	25.9%	-2.7ppts
Operating expenses (ex. IFRS 16)	(27,155)	(26,699)	1.7%
EBITDA (ex. IFRS 16)	13,090	18,586	-29.6%
EBITDA margin, (ex. IFRS 16)	7.5%	10.6%	-3.1ppts
Net profit (ex. IFRS 16)	8,308	4,285	93.9%
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	(2,522)	9,073	NMF
EBITDA to cash conversion	-19.3%	48.8%	NMF
Cash flow used in investing activities	(1,821)	(344)	NMF
Free cash flow, (ex. IFRS 16) ⁸	(5,136)	7,622	NMF
Cash flow from financing activities (ex. IFRS 16)	(3,682)	8,572	NMF
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	463,022	464,644	-0.3%
Of which, cash and bank deposits	29,292	36,856	-20.5%
Of which, securities and loans issued	12,541	12,471	0.6%
Total liabilities	358,623	361,048	-0.7%
Of which, borrowings	93,755	88,608	5.8%
Of which, lease liabilities	93,623	85,919	9.0%
Total equity	104,399	103,596	0.8%

KEY POINTS / VALUATION DRIVERS

- Slight decrease in 1Q21 revenues, down 0.7%
- Decline in gross profit and EBITDA excluding IFRS 16, by 11.1% and 29.6% respectively, translating into subdued margins due to the unusually high promotions during the lockdown, mainly in Jan-Feb 2021
- Strong gross profit and EBITDA margin recovery in Mar-21 to 23.8% and 9.5%, respectively
- 9 new pharmacies added in 1Q21, expanding from 309 to 318 stores in the chain (up by 20 pharmacies over the last 12 months)

INCOME STATEMENT HIGHLIGHTS

Apart from 1Q20 being a high base, when customers started to stock up on pharmaceuticals in Mar-20 once the news regarding the new virus and possible lockdown was announced, in 1Q21 the retail pharmacy business was affected by: 1) decreased demand for flu and other seasonal medicines, due to the high protective measures taken by citizens related to COVID-19 pandemic and 2) the general macro backdrop in the country. As a result of different initiatives taken by the business, it managed to deliver stable revenue, down only 0.7% y-o-y in 1Q21. The retail revenue share in total revenue was 73.4% (73.5% in 1Q20) and revenue from para-pharmacy as a percentage of retail revenue from pharma was up 4.7 ppts y-o-y (from 30.1% in 1Q20 to 34.8% in 1Q21). The business issued 6.5 million bills in 1Q21 (7.7 million in 1Q20), with average customer interactions of 2.2 million per month. The average bill size increased to GEL 18.4 in 1Q21 from GEL 15.7 in 1Q20, reflecting sales promotions.

As mentioned above, a high number of COVID cases in the country, associated lockdowns and general economic slowdown decreased demand and the consumption of goods in the country. To be in line with the market, the business started active promotions of its products at the beginning of the year. This translated into a 2.7 ppts y-o-y decrease in business gross margin to 23.2% in 1Q21. By the end of the 1Q21, the pandemic situation started to stabilise. Following the rebounding trend in the economy, the margins also started to rebound, and the business posted a 9.5% EBITDA margin (excluding IFRS 16) in March 2021. The rebounding trend is expected to continue in line with the country's general macro trajectory.

The negative operating leverage reflects the increased rent expense of pharmacies due to GEL devaluation (about 85% of rental contracts are denominated in US\$), high marketing cost associated with promotions explained above as well as increased disinfection and employee transportation expense during the lockdown. All these translated into an increase in the general and administrative expenses of 21.2% y-o-y. The result was a 29.6% y-o-y decline in 1Q21 EBITDA excluding IFRS 16 and a 7.5% EBITDA margin (down 3.1 ppts y-o-y).

Depreciation expense increased mainly due to the launch of new pharmacies, as the business added 20 new stores in the last 12 months. Interest expense, excluding IFRS 16, was down 23.3% y-o-y in 1Q21 to GEL 2.3 million, due to the 22.0% decrease in net debt

⁷ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

⁸ Calculated by deducting capex from operating cash flows and by adding proceeds from sale of PPE.

position y-o-y. GEL 0.9 million foreign currency loss, excluding IFRS 16, reflects the increase in the GEL value of US and EUR denominated payables to suppliers due to the devaluation of GEL in 1Q21. As a result, the business posted a GEL 8.3 million profit in 1Q21 (up 93.9% y-o-y), excluding IFRS 16.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

1Q21 operating cash was affected by payment of some payable balances to suppliers, the terms of which were temporarily prolonged during the pandemic period. Payment of GEL c.16.0 million payables, the balance of which is down 6.7% q-o-q, resulted in negative operating cash flow from operating activities and reduced the balance of free cash at 31-Mar-21. We expect the operating cash flow trend to also rebound in coming quarters.

Cash outflows from investing activities were up from GEL 0.3 million in 1Q20 to GEL 1.8 million in 1Q21, in line with increased capex investments attributable to the opening of new pharmacies.

Discussion of Insurance Medical Insurance Business Results

GHG is the one the country's largest private medical insurers, with a 25.2% market share based on 4Q20 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. GHG owns 100% in the medical insurance business as of 31-Mar-21.

1Q21 performance (GEL '000), Medical Insurance ⁹

INCOME STATEMENT HIGHLIGHTS	1Q21	1Q20	Change
Earned premiums, net	17,271	18,068	-4.4%
Net underwriting profit	3,110	3,002	3.6%
Net profit	1,230	660	86.4%
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	1,151	1,844	-37.6%
Free cash flow	1,120	1,769	-36.7%
BALANCE SHEET HIGHLIGHTS	31-Mar-21	31-Dec-20	Change
Total assets	102,952	81,408	26.5%
Total equity	31,210	32,064	-2.7%

KEY POINTS / KEY DRIVERS FOR VALUATION

- Loss ratio down 1.9 ppts y-o-y to 77.9% in 1Q21
- Insurance renewal rate at 71.5% in 1Q21 (65.3% in 1Q20)
- Net profit GEL 1.2 million (up 86.4 % y-o-y) in 1Q21
- The number of insured clients c.172,000 as of 31-Mar-21 (c.178,000 as of 31-Mar-20)

INCOME STATEMENT HIGHLIGHTS

A 4.4% y-o-y decline in 1Q21 revenues reflects the slight decrease in the number of insured clients (down c.6,000 y-o-y) as well as the expiry of the Ministry of Defence (MOD) contract from February 2020. The reduced revenue has an immaterial impact on earnings, as the client's loss ratio was far above the business' average.

Various incentives such as the direct settlement of claims with the provider mean that, on top of its own positive contribution to GHG's profitability, the medical insurance business plays a feeder role in originating and directing patients to GHG's healthcare facilities, mainly to polyclinics and to pharmacies. The direct settlement improves claims retention rates within GHG.

	1Q21	1Q20	Change
Total claims retained within the GHG	35.9%	40.0%	-4.1ppts
Total claims retained in outpatient	39.0%	42.1%	-3.1ppts

The decrease in total claims retained within the Group is mainly due to the expiry of the Ministry of Defence contract, which had a higher retention rate.

In 1Q21, the net claims expense was GEL 13.5 million (down 6.7% y-o-y), of which GEL 5.6 million (41.8% of the total) was inpatient, GEL 4.9 million (36.4% of total) was outpatient and GEL 3.0 million (21.8% of total) was related to drugs. The loss ratio remained well-controlled, with a slight improvement of 1.9 ppts in 1Q21 y-o-y (from 79.8% to 77.9%).

Salary and other employee benefits increased by 18.3% y-o-y to GEL 1.5 million in 1Q21 due to the accrual of performance-based annual bonuses, translating into a 1.0 ppts increase in expense ratio y-o-y, to 18.0%.

As a result of the above developments, the combined ratio improved by 1.0 ppts to 95.9% for the quarter and the business posted a net profit of GEL 1.2 million in 1Q21 (up 86.4% y-o-y).

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

The Cash and cash equivalents balance was up 1.2% from 31-Dec-20 to GEL 25.4 million. The decline in 1Q21 operating cash flow reflects a significant prepayment (c. GEL 1.9 million) of a one month service fee by a large client at end of 2020.

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

SELECTED FINANCIAL INFORMATION – Healthcare Services

INCOME STATEMENT	Hospitals			Clinics			Diagnostic			Eliminations		Healthcare Services		
<i>GEL thousands, unless otherwise noted</i>	1Q21	1Q20	Change	1Q21	1Q20	Change	1Q21	1Q20	Change	1Q21	1Q20	1Q21	1Q20	Change
Revenue, gross	71,154	60,890	16.9%	15,393	12,140	26.8%	5,547	1,666	NMF	(2,654)	(1,688)	89,440	73,008	22.5%
Corrections & rebates	(458)	(793)	-42.3%	(87)	(108)	-19.4%	-	-	NMF	-	-	(545)	(901)	-39.5%
Revenue, net	70,696	60,097	17.6%	15,306	12,032	27.2%	5,547	1,666	NMF	(2,654)	(1,688)	88,895	72,107	23.3%
Costs of services	(41,044)	(37,332)	9.9%	(8,285)	(6,772)	22.3%	(3,914)	(1,614)	NMF	2,699	1,658	(50,544)	(44,060)	14.7%
Cost of salaries and other employee benefits	(21,489)	(21,865)	-1.7%	(4,251)	(4,111)	3.4%	(517)	(403)	NMF	-	-	(26,257)	(26,379)	-0.5%
Cost of materials and supplies	(13,933)	(11,016)	26.5%	(1,604)	(747)	NMF	(3,110)	(1,068)	NMF	6	-	(18,641)	(12,831)	45.3%
Cost of medical service providers	(1,654)	(1,140)	45.1%	(1,416)	(1,008)	40.5%	(69)	(10)	NMF	2,686	1,527	(453)	(631)	-28.2%
Cost of utilities and other	(3,968)	(3,311)	19.8%	(1,014)	(906)	11.9%	(218)	(133)	NMF	7	131	(5,193)	(4,219)	23.1%
Gross profit	29,652	22,765	30.3%	7,021	5,260	33.5%	1,633	52	NMF	45	(30)	38,351	28,047	36.7%
Gross profit margin	41.7%	37.4%	+4.3ppts	45.6%	43.3%	+2.3ppts	29.4%	3.1%	+26.3ppts	-	-	42.9%	38.4%	+4.5ppts
Salaries and other employee benefits	(8,456)	(7,622)	10.9%	(2,470)	(1,962)	25.9%	(385)	(159)	NMF	-	-	(11,311)	(9,743)	16.1%
General and administrative expenses	(2,223)	(2,736)	-18.7%	(1,010)	(935)	8.0%	(187)	(92)	NMF	-	18	(3,420)	(3,745)	-8.7%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(2,486)</i>	<i>(2,861)</i>	<i>-13.1%</i>	<i>(1,362)</i>	<i>(1,251)</i>	<i>8.9%</i>	<i>(187)</i>	<i>(92)</i>	<i>NMF</i>	-	18	<i>(4,035)</i>	<i>(4,186)</i>	<i>-3.6%</i>
Impairment of receivables	(791)	(1,125)	-29.7%	(64)	(20)	NMF	-	-	NMF	-	-	(855)	(1,145)	-25.3%
Other operating income	928	1,582	-41.3%	94	358	-73.7%	(64)	53	NMF	(45)	(34)	913	1,959	-53.4%
EBITDA	19,110	12,864	48.6%	3,571	2,701	32.2%	997	(146)	NMF	-	(46)	23,678	15,373	54.0%
EBITDA excluding IFRS 16	18,847	12,739	47.9%	3,219	2,385	35.0%	997	(146)	NMF	-	(46)	23,063	14,932	54.5%
EBITDA margin excluding IFRS 16	26.5%	20.9%	+5.6ppts	20.9%	19.6%	+1.3ppts	18.0%	-8.8%	+26.8ppts	-	-	25.8%	20.5%	+5.3ppts
Depreciation and amortization	(6,229)	(5,943)	4.8%	(1,677)	(1,787)	-6.2%	(169)	(29)	NMF	-	-	(8,075)	(7,759)	4.1%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(6,034)</i>	<i>(5,765)</i>	<i>4.7%</i>	<i>(1,570)</i>	<i>(1,425)</i>	<i>6.0%</i>	<i>(169)</i>	<i>(29)</i>	<i>NMF</i>	-	-	<i>(7,713)</i>	<i>(7,219)</i>	<i>6.8%</i>
Net interest income (expense)	(4,015)	(7,064)	-43.2%	(1,073)	(1,300)	-17.5%	(153)	(115)	NMF	-	-	(5,241)	(8,479)	-38.2%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(3,968)</i>	<i>(7,026)</i>	<i>-43.5%</i>	<i>(946)</i>	<i>(1,176)</i>	<i>-19.6%</i>	<i>(153)</i>	<i>(115)</i>	<i>NMF</i>	-	-	<i>(5,067)</i>	<i>(8,317)</i>	<i>-39.1%</i>
Net gains/(losses) from foreign currencies	(1,663)	(3,191)	-47.9%	(489)	(825)	-40.7%	(2)	(3)	NMF	-	-	(2,154)	(4,019)	-46.4%
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>(1,550)</i>	<i>(3,007)</i>	<i>-48.4%</i>	<i>(256)</i>	<i>25</i>	<i>NMF</i>	<i>(2)</i>	<i>(3)</i>	<i>NMF</i>	-	-	<i>(1,808)</i>	<i>(2,985)</i>	<i>-39.4%</i>
Net non-recurring income/(expense)	(652)	(633)	3.0%	(101)	(77)	31.2%	(2)	-	NMF	-	-	(755)	(710)	6.3%
Profit before income tax expense	6,551	(3,967)	NMF	231	(1,288)	NMF	671	(293)	NMF	-	(46)	7,453	(5,594)	NMF
Income tax benefit/(expense)	-	-	NMF	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Profit for the period from continuous operations	6,551	(3,967)	NMF	231	(1,288)	NMF	671	(293)	NMF	-	(46)	7,453	(5,594)	NMF
Loss from discontinued operations	-	(667)	NMF	-	-	NMF	-	-	NMF	-	-	-	(667)	NMF
Profit/(loss) for the period	6,551	(4,634)	NMF	231	(1,288)	NMF	671	(293)	NMF	-	(46)	7,453	(6,261)	NMF
Attributable to:														
- shareholders of the Company	6,103	(5,374)	NMF	130	(1,327)	NMF	671	(293)	NMF	-	(46)	6,904	(7,040)	NMF
- non-controlling interests	448	740	-39.5%	101	39	NMF	-	-	NMF	-	-	549	779	-29.5%
Profit for the period excluding IFRS 16 from continuous operations	6,643	(3,692)	NMF	406	(268)	NMF	671	(293)	NMF	-	(46)	7,720	(4,299)	NMF
Loss from discontinued operations excluding IFRS 16	-	(667)	NMF	-	-	NMF	-	-	NMF	-	-	-	(667)	NMF
Profit/(loss) for the period excluding IFRS 16	6,643	(4,359)	NMF	406	(268)	NMF	671	(293)	NMF	-	(46)	7,720	(4,966)	NMF
Attributable to:														
- shareholders of the Company	6,195	(5,099)	NMF	305	(307)	NMF	671	(293)	NMF	-	(46)	7,171	(5,745)	NMF
- non-controlling interests	448	740	-39.5%	101	39	NMF	-	-	NMF	-	-	549	779	-29.5%

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

STATEMENT OF CASH FLOW

<i>GEL thousands, unless otherwise noted</i>	1Q21	1Q20	Change
Revenue received	73,365	81,534	-10.0%
Cost of services paid	(54,114)	(35,788)	51.2%
Gross profit received	19,251	45,745	-57.9%
Salaries paid	(9,117)	(8,074)	12.9%
General and administrative expenses paid	(4,349)	(5,391)	-19.3%
General and administrative expenses paid, excluding IFRS 16	(4,964)	(5,832)	-14.9%
Other operating income/(expense) and tax paid	(869)	(1,345)	-35.4%
Net cash flows from operating activities before income tax	4,916	30,936	-84.1%
Income tax paid	(6)	(30)	-79.2%
Net cash flows from operating activities from continuing operations	4,909	30,906	-84.1%
Net cash flows from operating activities from discontinued operations	-	1,743	NMF
Net cash flows from operating activities	4,909	32,649	-85.0%
Net cash flows from operating activities from continuing operations (excluding IFRS 16)	4,294	30,465	-85.9%
Net cash flows from operating activities from discontinued operations (Excluding IFRS 16)	-	1,743	NMF
Net cash flows from operating activities (Excluding IFRS 16)	4,294	32,208	-86.7%
Cash outflow on Capex	(6,192)	(6,776)	-8.6%
Acquisition of subsidiaries/payments of holdback	(6,218)	(5,445)	14.2%
Interest income received	295	538	-45.1%
Dividends and intersegment loans issued/received	6,955	6,295	10.5%
Net cash flows used in investing activities from continuing operations	(5,160)	(5,389)	-4.2%
Net cash flows used in investing activities from discontinued operations	-	(564)	NMF
Net cash flows used in investing activities	(5,160)	(5,953)	-13.3%
Purchase of treasury shares	(5,020)	-	NMF
Payment of finance lease liabilities	(441)	(279)	58.1%
Interest expense paid on finance lease	(174)	(162)	7.4%
Increase/(decrease) in borrowings	6,755	(239)	NMF
Interest expense paid	(10,097)	(11,916)	-15.3%
Net cash flows (used in)/from financing activities from continuing operations	(8,978)	(12,597)	-28.7%
Net cash flows from financing activities from discontinued operations	-	(515)	NMF
Net cash flows from financing activities	(8,978)	(13,112)	-31.5%
Net cash flows (used in)/from financing activities from continuing operations (excluding IFRS16)	(8,363)	(12,156)	-31.2%
Net cash flows from financing activities from discontinued operations (Excluding IFRS16)	-	(515)	NMF
Net cash flows from financing activities (Excluding IFRS16)	(8,363)	(12,671)	-34.0%
Effect of exchange rates changes on cash and cash equivalents	579	-	NMF
Net increase/(decrease) in cash and cash equivalents	(8,650)	13,584	NMF
Cash and cash equivalents, beginning from continuing operations	93,721	5,789	NMF
Cash and cash equivalents, beginning from discontinued operations	-	1,859	NMF
Cash and cash equivalents, ending from continuing operations	85,071	18,709	NMF
Cash and cash equivalents, ending from discontinued operations	-	2,523	NMF

BALANCE SHEET

<i>GEL thousands, unless otherwise noted</i>	Mar-21	Dec-20	Change
Total assets, of which:	908,191	899,391	1.0%
Cash and bank deposits	85,071	93,721	-9.2%
Receivables from healthcare services	114,464	98,693	16.0%
Property and equipment	514,594	515,114	-0.1%
Right of use assets	8,379	8,856	-5.4%
Goodwill and other intangible assets	100,883	100,369	0.5%
Inventory	21,002	22,270	-5.7%
Prepayments	8,688	8,958	-3.0%
Other assets	55,110	51,410	7.2%
<i>Of which, securities and loans issued</i>	<i>7,965</i>	<i>7,133</i>	<i>11.7%</i>
Total liabilities, of which:	513,633	510,079	0.7%
Borrowed Funds	321,802	312,036	3.1%
Accounts payable	47,888	50,876	-5.9%
Other liabilities	143,943	147,167	-2.2%
Total shareholders' equity attributable to:	394,558	389,312	1.3%
Shareholders of the Company	366,572	361,916	1.3%
Non-controlling interest	27,986	27,396	2.2%

SELECTED FINANCIAL INFORMATION – Retail (Pharmacy)

INCOME STATEMENT

<i>GEL thousands, unless otherwise noted</i>	1Q21	1Q20	Change
Revenue	173,797	175,029	-0.7%
Costs of services	(133,552)	(129,744)	2.9%
Cost of pharma – wholesale	(39,367)	(38,459)	2.4%
Cost of pharma - retail	(94,185)	(91,285)	3.2%
Gross profit	40,245	45,285	-11.1%
Gross profit margin	23.2%	25.9%	-2.7 ppts
Salaries and other employee benefits	(12,665)	(14,779)	-14.3%
General and administrative expenses	(8,319)	(6,579)	26.4%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(14,572)</i>	<i>(12,024)</i>	<i>21.2%</i>
Impairment of receivables	(9)	(1)	NMF
Other operating income	91	105	-13.3%
EBITDA	19,343	24,031	-19.5%
EBITDA excluding IFRS 16	13,090	18,586	-29.6%
EBITDA margin excluding IFRS 16	7.5%	10.6%	-3.1 ppts
Depreciation and amortization	(5,844)	(5,073)	15.2%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(1,165)</i>	<i>(923)</i>	<i>26.2%</i>
Net interest income (expense)	(3,790)	(4,279)	-11.4%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(2,253)</i>	<i>(2,936)</i>	<i>-23.3%</i>
Net gains/(losses) from foreign currencies	(3,483)	(16,749)	-79.2%
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>(943)</i>	<i>(9,440)</i>	<i>-90.0%</i>
Net non-recurring income/(expense)	(50)	(57)	-12.3%
Profit/(loss) before income tax expense	6,176	(2,127)	NMF
Income tax benefit/(expense)	(371)	(945)	-60.7%
Profit/(loss) for the period	5,805	(3,072)	NMF
Attributable to:			
- shareholders of the Company	3,434	(3,621)	NMF
- non-controlling interests	2,371	549	NMF
Profit for the period excluding IFRS 16	8,308	4,285	93.9%
Attributable to:			
- shareholders of the Company	5,111	1,308	NMF
- non-controlling interests	3,197	2,977	7.4%

STATEMENT OF CASH FLOW

<i>GEL thousands, unless otherwise noted</i>	1Q21	1Q20	Change
Cash flows from / (used in) operating activities			
Revenue received	167,179	163,035	2.5%
Cost of services paid	(145,295)	(131,583)	10.4%
Gross profit received	21,884	31,452	-30.4%
Salaries paid	(10,332)	(11,266)	-8.3%
General and administrative expenses paid	(7,873)	(6,111)	28.8%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(14,126)</i>	<i>(11,556)</i>	<i>22.2%</i>
Other operating income/(expense) and tax paid	309	710	-56.5%
Net cash flows from operating activities before income tax	3,988	14,785	-73.0%
Income tax paid	(257)	(267)	-3.8%
Net cash flows from operating activities	3,731	14,518	-74.3%
Net cash flows from operating activities, excluding IFRS 16	(2,522)	9,073	NMF
Cash flows from / (used in) investing activities			
Cash outflow on Capex	(2,615)	(1,451)	80.2%
Interest income received	411	269	52.9%
Intersegment loans issued proceeds from other investing activities	383	838	-54.3%
Net cash flow used in investing activities	(1,821)	(344)	NMF
Cash flows from / (used in) financing activities			
Payment of dividends	(7,414)	(11,492)	-35.5%
Payment of finance lease liabilities	(4,716)	(4,102)	15.0%
Interest expense paid on finance lease	(1,537)	(1,343)	14.4%
Increase/(decrease) in borrowings	4,243	20,832	-79.6%
Interest expense paid	(511)	(768)	-33.5%
Net cash flows (used in)/from financing activities	(9,935)	3,127	NMF
Net cash flows (used in)/from financing activities, excluding IFRS 16	(3,682)	8,572	NMF
Effect of exchange rates changes on cash and cash equivalents	461	1,758	-73.8%
Net increase/(decrease) in cash and cash equivalents	(7,564)	19,059	NMF
Cash and bank deposits, beginning	36,856	7,774	NMF
Cash and bank deposits, ending	29,292	26,833	17.5%

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution, *continued***BALANCE SHEET**

<i>GEL thousands, unless otherwise noted</i>	Mar-21	Dec-20	Change
Cash and bank deposits	29,292	36,856	-20.5%
Receivables from sale of pharmaceuticals	61,207	57,948	5.6%
Property and equipment	37,938	35,384	7.2%
Right of use assets	76,456	71,888	6.4%
Goodwill and other intangible assets	52,672	52,964	-0.6%
Inventory	178,064	179,652	-0.9%
Prepayments	7,560	4,300	75.8%
Other assets	19,833	25,652	-22.7%
<i>Of which, Securities and loans issued</i>	<i>12,541</i>	<i>12,471</i>	<i>0.6%</i>
Total assets	463,022	464,644	-0.3%
Borrowed Funds	93,755	88,608	5.8%
Lease liabilities	93,623	85,919	9.0%
Accounts payable	148,394	159,121	-6.7%
Other liabilities	22,851	27,400	-16.6%
Total liabilities	358,623	361,048	-0.7%
Total shareholders' equity	104,399	103,596	0.8%

SELECTED FINANCIAL INFORMATION – Medical Insurance

INCOME STATEMENT

<i>GEL thousands, unless otherwise noted</i>	1Q21	1Q20	Change
Gross premiums written	37,166	31,347	18.6%
Earned premiums, gross	17,327	18,169	-4.6%
Earned premiums, net	17,271	18,068	-4.4%
Insurance claims expenses, gross	(13,386)	(14,427)	-7.2%
Insurance claims expenses, net	(13,452)	(14,421)	-6.7%
Acquisition costs, net	(709)	(645)	9.9%
Net underwriting profit	3,110	3,002	3.6%
Investment income	714	588	21.4%
Net fee and commission income	(5)	12	NMF
Net investment profit	709	600	18.2%
Salaries and employee benefits	(1,452)	(1,227)	18.3%
Selling, general and administrative expenses	(358)	(517)	-30.8%
Depreciation & Amortisation	(367)	(281)	30.6%
Impairment charges	(214)	(310)	-31.0%
Net other operating income	(12)	(102)	-88.2%
Operating profit	1,416	1,165	21.5%
Foreign exchange (loss)/gain	183	(73)	NMF
Interest expense	(137)	(227)	-39.6%
Pre-tax profit	1,462	865	69.0%
Income tax expense	(232)	(205)	13.2%
Net profit	1,230	660	86.4%

STATEMENT OF CASH FLOW

<i>GEL thousands, unless otherwise noted</i>	1Q21	1Q20	Change
Insurance premium received	14,909	18,420	-19.1%
Reinsurance premium paid	(32)	(176)	-81.8%
Insurance benefits and claims paid	(11,866)	(14,006)	-15.3%
Acquisition costs paid	(428)	(500)	-14.4%
Salaries and benefits paid	(1,080)	(787)	37.2%
Interest received	728	501	45.3%
Net other operating expenses paid	(580)	(708)	-18.1%
Income tax paid	(500)	(900)	-44.4%
Net cash flows from operating activities	1,151	1,844	-37.6%
Cash outflows on capex	(31)	(75)	-58.7%
Other investing activities	513	326	57.4%
Net cash flows from used in investing activities	482	251	92.0%
Dividend Paid	(1,050)	(375)	NMF
Increase/(decrease) in borrowings	(375)	1,600	NMF
Interest Paid	(28)	(73)	-61.6%
Cash paid for lease liabilities	(183)	(110)	66.4%
Net cash flows from financing activities	(1,636)	1,042	NMF
Effect of exchange rates changes on cash and cash equivalents	310	379	-18.2%
Total cash inflow/(outflow)	307	3,516	-91.3%
Cash and cash equivalents, beginning	25,101	16,582	51.4%
Cash and cash equivalents, ending	25,408	20,098	26.4%

BALANCE SHEET

<i>GEL thousands, unless otherwise noted</i>	Mar-21	Dec-20	Change
Total assets, of which:	102,952	81,408	26.5%
Cash and bank deposits	25,408	25,101	1.2%
Insurance premiums receivable	47,023	25,393	85.2%
Property and equipment	13,101	13,138	-0.3%
Right of use assets	700	853	-17.9%
Goodwill and other intangible assets	5,507	5,518	-0.2%
Inventory	314	297	5.7%
Prepayments	1,642	1,339	22.6%
Other assets of which:	9,257	9,769	-5.2%
securities and intercompany loans	8,207	8,689	-5.5%
Total liabilities, of which:	71,742	49,344	45.4%
Borrowed Funds	5,018	5,299	-5.3%
Accounts payable	338	312	8.3%
Insurance contract liabilities	51,057	30,022	70.1%
Other liabilities	15,329	13,711	11.8%
Total shareholders' equity	31,210	32,064	-2.7%

Selected ratios and KPIs

Selected ratios and KPIs	1Q21	1Q20	Change
GHG, consolidated			
ROIC (%)	13.9%	11.8%	2.1ppts
Group rent expenditure	7,739	6,444	20.1%
<i>of which, pharmacy and distribution business</i>	7,210	6,148	17.3%
Group capex (maintenance)	2,967	2,740	8.3%
Group capex (development)	5,871	5,562	5.6%
Number of employees	15,241	15,842	
Number of physicians	3,525	3,584	
Number of nurses	3,114	3,381	
Nurse to doctor ratio, referral hospitals	0.88	0.94	
Number of pharmacists	2,909	2,898	
Hospitals			
EBITDA margin <i>excluding IFRS 16</i>	26.5%	20.9%	5.6 ppts
Direct salary rate (direct salary as % of revenue)	30.2%	35.9%	-5.7 ppts
Materials rate (direct materials as % of revenue)	19.6%	18.1%	1.5 ppts
Administrative salary rate (administrative salaries as % of revenue)	11.9%	12.5%	-0.6 ppts
SG&A rate (SG&A expenses as % of revenue)	3.5%	4.7%	-1.2 ppts
Number of hospitals	17	18	
Number of hospital beds	2,596	2,967	
Hospitals bed occupancy rate	57.7%	60.0%	-2.3 ppts
Hospitals bed occupancy rate, excluding TRH ¹⁰ and CMC ¹¹	59.6%	63.7%	-4.1 ppts
CMC bed occupancy rate	54.7%	41.0%	13.7 ppts
TRH bed occupancy rate	47.4%	55.9%	-8.5 ppts
Average length of stay (days)	5.9	5.3	11.2%
Average revenue per hospital bed	109.6	93.8	16.9%
Clinics			
EBITDA margin <i>excluding IFRS 16</i>	20.9%	19.6%	1.3 ppts
EBITDA margin of polyclinics <i>excluding IFRS 16</i>	23.2%	13.7%	9.5 ppts
Direct salary rate (direct salary as % of revenue)	27.6%	33.9%	-6.3 ppts
Materials rate (direct materials as % of revenue)	10.4%	6.2%	4.2 ppts
Number of community clinics	19	19	
Number of community clinics beds	353	353	
Number of polyclinics	15	15	
Diagnostics			
EBITDA margin <i>excluding IFRS 16 impact</i>	18.0%	-8.8%	NMF
Number of patients served ('000)	224	139	61.3%
Number of tests performed ('000)	534	325	64.3%
Average revenue per test GEL	10.4	5.1	103.9%
Average number of tests per patient	2.4	2.3	4.3%
Pharmacy and Distribution			
EBITDA margin <i>excluding IFRS 16</i>	7.5%	10.6%	-3.1 ppts
Number of bills issued (millions)	7.19	7.67	
Average bill size	18.4	15.7	17.1%
Revenue from wholesale as a percentage of total revenue from pharma	26.6%	26.5%	0.1 ppts
Revenue from retail as a percentage of total revenue from pharma	73.4%	73.5%	-0.1 ppts
Revenue from para-pharmacy as a percentage of retail revenue from pharma	34.8%	30.1%	4.7 ppts
Number of pharmacies	318	298	6.7%
Medical Insurance			
Loss ratio	77.9%	79.8%	-1.9 ppts
Expense ratio <i>excluding IFRS 16, of which</i>	18.3%	17.1%	1.2 ppts
<i>Commission ratio</i>	4.1%	3.6%	0.5 ppts
Combined ratio <i>excluding IFRS 16</i>	96.1%	96.9%	-0.8 ppts
Renewal rate	71.5%	65.3%	6.2 ppts

¹⁰ Tbilisi Referral Hospital

¹¹ Caucasus Medical Center