



**GEORGIA
HEALTHCARE
GROUP**

2nd quarter and half-year 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 | 2Q21 & 1H21 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 this document and 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 second quarter and half-year 2021 consolidated financial results. Unless otherwise mentioned, comparatives are for the 2nd 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, owned through GHG, is the largest healthcare market participant in Georgia, accounting for 20% of the country's total hospital bed capacity as of 30-Jun-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".

2Q21 & 1H21 performance (GEL '000), Healthcare Services^{1,2}

Unaudited

INCOME STATEMENT HIGHLIGHTS

	2Q21	2Q20	Change	1H21	1H20	Change
Revenue, net³	101,842	55,967	82.0%	190,737	128,073	48.9%
Gross Profit	44,131	21,044	109.7%	82,482	49,091	68.0%
Gross profit margin	42.9%	37.2%	5.7ppts	42.9%	37.9%	5.0ppts
Operating expenses (ex. IFRS 16)	(17,898)	(13,619)	31.4%	(33,186)	(26,734)	24.1%
EBITDA (ex. IFRS 16)	26,233	7,425	253.3%	49,296	22,357	120.5%
EBITDA margin (ex. IFRS 16)	25.5%	13.1%	12.4ppts	25.6%	17.3%	8.4ppts
Net profit/(loss) ex. IFRS 16	13,747	(7,255)	NMF	21,467	(11,555)	NMF

CASH FLOW HIGHLIGHTS

Cash flow from operating activities (ex. IFRS 16)	18,586	21,271	-12.6%	22,880	51,736	-55.8%
EBITDA to cash conversion (ex. IFRS 16)	70.8%	286.5%	-215.6ppts	46.4%	231.4%	-185.0ppts
Cash flow from/used in investing activities⁴	(7,748)	(6,221)	24.6%	(19,863)	(17,904)	10.9%
Dividends and intersegment loans issued/received	5,015	(7,581)	NMF	11,970	(1,286)	NMF
Free cash flow (ex. IFRS 16)⁵	10,034	15,466	-35.1%	1,918	33,709	-94.3%
Cash flow from financing activities (ex. IFRS 16)	(31,024)	11,506	NMF	(39,387)	(650)	NMF

BALANCE SHEET HIGHLIGHTS

	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change
Total assets	911,647	908,191	0.4%	899,391	1.4%
Of which, cash balance and bank deposits	67,927	85,071	-20.2%	93,721	-27.5%
Of which, securities and loans issued	6,629	7,965	-16.8%	7,133	-7.1%
Total liabilities	497,289	513,633	-3.2%	510,079	-2.5%
Of which, borrowings	289,646	321,802	-10.0%	312,036	-7.2%
Total equity	414,358	394,558	5.0%	389,312	6.4%

KEY POINTS / VALUATION DRIVERS

- Revenue trend continued to demonstrate robust growth, up 82.0% in 2Q21 y-o-y (up 37.8% over 2Q19); up 48.9% in 1H21, y-o-y (up 29.2% over 1H19)
- Strong revenue growth translated into even stronger EBITDA growth (excl. IFRS 16) up 253.3% in 2Q21 and up 120.5% in 1H21 y-o-y, with an EBITDA margin of 25.5% and 25.6%, respectively
- Business posted GEL 13.7 million net profit in 2Q21 and GEL 21.5 million in 1H21, compared to net losses posted during the corresponding 2020 periods
- EBITDA to cash conversion rate decrease mainly relates to the 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. These resulted in a 12.6% y-o-y decline in cash flow from operating activities (excl. IFRS 16) for the quarter and a 55.8% y-o-y decline for the half-year
- Net debt⁶ reduced 6.0% q-o-q to GEL 215.1 million as of 30-Jun-21

INCOME STATEMENT HIGHLIGHTS

The healthcare services business continues to be actively engaged in supporting the COVID-19 pandemic response in the country and receiving COVID patients at its hospitals and clinics. The Government of Georgia fully reimburses costs associated with COVID-19 treatments and pays a fixed fee amount per bed designated for COVID patients. After a reduced number of admissions at healthcare facilities in 2Q20 due to the pandemic and associated lockdowns, the trend for regular elective care and outpatient services has started to rebound in 2021 which, along with COVID-19 treatments, contributed to robust revenue growth in 2Q21 and 1H21, outpacing even 2019 numbers.

- At our hospitals, the occupancy rate was up by 23.9 ppts to 66.2% in 2Q21 and up by 10.8 ppts to 62.0% in 1H21 y-o-y. Increased demand for elective and outpatient services also increased the number of admissions to hospitals by 122.0% in 2Q21 and by 65.1% in 1H21 y-o-y. These translated into hospitals y-o-y net revenue growth of 74.3% for the quarter and 42.4% for the half-year. Revenue was up 28.9% in 2Q21 compared to 2Q19 and up 20.8% in 1H21 compared to 1H19.
- At our clinics, similarly, the number of admissions was up by 121.4% in 2Q21 and up by 65.5% in 1H21 y-o-y, and the number of registered patients in Tbilisi also increased by c.42,000, from c.202,000 in 2Q20 to c.244,000 in 2Q21. This translated into

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.

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

⁴ Of which capex of GEL 8.6 million in 2Q21 (GEL 5.8 million in 2Q20) and GEL 14.7 million in 1H21 (GEL 12.6 million in 1H20).

⁵ Operating cash flows less capex and payment of holdback on acquisition of subsidiaries.

⁶ Net debt is calculated from cash balance and bank deposits, securities and loans issued minus gross debt.

clinics' y-o-y net revenue growth of 80.5% in 2Q21 and 50.3% in 1H21. Clinics also significantly outperformed 2019, with revenues being up 53.8% in 2Q21 compared to 2Q19 and up 46.3% in 1H21 compared to 1H19.

- The diagnostics segment which, apart from regular diagnostics services, is also engaged in COVID-19 testing, increased its revenue by 329.3% y-o-y in 2Q21 to GEL 7.6 million and by 282.7% y-o-y in 1H21, reaching GEL 13.2 million. About half of diagnostics revenue is coming from COVID-19 testing and half from regular lab tests.

The developments described above translated into strong y-o-y net revenue growth of 82.0% in 2Q21 and 48.9% in 1H21 from healthcare services (up 37.8% in 2Q21 compared to 2Q19; up 29.2% in 1H21 compared to 1H19).

The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the materials and direct salary rates⁷. The materials rate increased in 2021 (up 2.2 ppts and 2.0 ppts at hospitals and up 1.8 ppts and 3.1 ppts at clinics, y-o-y in 2Q21 and 1H21, respectively), reflecting local currency exchange rate depreciation in previous consecutive quarters, when inventory was purchased, as well as increased prices and consumption of medical disposables and personal protective equipment at healthcare facilities due to COVID-19. In 2Q21 and 1H21, the direct salary rate remained well-controlled at hospitals (down 7.0 ppts and 6.3 ppts y-o-y, respectively) and clinics (down 5.3 ppts and 5.7 ppts y-o-y, respectively). The direct salary rate partially benefited from 6-months state income tax subsidy for low salary range employees (salary up to GEL 750). The subsidy was effective from May 2020 till June 2021. The cost of utilities was up 67.1% in 2Q21 and 41.5% in 1H21, y-o-y as a result of increased tariffs on water, gas and electricity, effective since January 2021. As a result, the healthcare services gross margin rebounded, and the business posted a strong margin of 42.9% in 2Q21 and 1H21, up 5.7 ppts and 5.0 ppts y-o-y, respectively.

The strong revenue trend combined with a well-controlled operating cost base translated into robust operating leverage of 78.3 ppts in 2Q21 and 43.9 ppts in 1H21. This led to 253.3% and 120.5% y-o-y growth in 2Q21 and 1H21 EBITDA excluding IFRS 16, respectively. In 2Q21 the EBITDA margin (excl. IFRS 16) at hospitals reached 24.6% (up 11.5 ppts y-o-y), at clinics 21.3% (up 8.2 ppts y-o-y) and at diagnostics 32.6% (up 31.1% ppts y-o-y).

A 16.8% y-o-y decrease in the net debt position to GEL 215.1 million as of 30-Jun-21, translated into a net interest expense (excl. IFRS 16) reduction, down 33.5% in 1H21 y-o-y to GEL 10.7 million and down 27.6% y-o-y in 2Q21 to GEL 5.6 million. The GEL appreciation during 2Q21 led to a foreign currency gain (excl. IFRS 16) of GEL 3.2 million on the relatively small portion of the borrowings denominated in foreign currency, translating into GEL 1.4 million FX gain (excl. IFRS 16) for the 1H21.

Overall, in 2Q21, the business posted GEL 13.7 million net profit excluding IFRS 16, compared to 7.3 million net loss posted in 2Q20. 1H21 net profit (excl. IFRS 16) reached GEL 21.5 million, compared to GEL 11.6 million net loss reported in 1H20.

CASH FLOW HIGHLIGHTS

After the weak first quarter in terms of operating cash flow generation (EBITDA to cash conversion 18.6%), as expected, we saw a rebound in 2Q21 (EBITDA to cash conversion 70.8%). The EBITDA to cash conversion ratio remains reduced, however, due to the significant revenue growth posted by the business in 2021 that translates into considerably increased working capital needs. In 2021, and mainly in 1Q21, 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 continue rebounding to a normal level in the coming quarters. Capex investments of GEL 8.6 million in 2Q21 mainly reflects maintenance capex.

⁷ The respective costs divided by gross revenues.

Discussion of Retail (pharmacy) Business Results

Retail (pharmacy) business, owned through GHG, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 35% 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 333 pharmacies, of which, 329 are in Georgia and 4 are in Armenia. Following GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 67% in the retail (pharmacy) business.

2Q21 & 1H21 performance (GEL '000), Retail (pharmacy)⁸

Unaudited

INCOME STATEMENT HIGHLIGHTS	2Q21	2Q20	Change	1H21	1H20	Change
Revenue, net	199,020	143,811	38.4%	372,817	318,840	16.9%
Gross Profit	49,927	38,433	29.9%	90,172	83,718	7.7%
Gross profit margin	25.1%	26.7%	-1.6ppts	24.2%	26.3%	-2.1ppts
Operating expenses (ex. IFRS 16)	(29,780)	(23,391)	27.3%	(56,935)	(50,090)	13.7%
EBITDA (ex. IFRS 16)	20,147	15,042	33.9%	33,237	33,628	-1.2%
EBITDA margin, (ex. IFRS 16)	10.1%	10.5%	-0.4ppts	8.9%	10.5%	-1.6ppts
Net profit (ex. IFRS 16)	21,242	16,234	30.8%	29,550	20,519	44.0%
CASH FLOW HIGHLIGHTS						
Cash flow from operating activities (ex. IFRS 16)	16,075	24,303	-33.9%	13,553	33,376	-59.4%
EBITDA to cash conversion	79.8%	161.6%	-81.8ppts	40.8%	99.3%	-58.5ppts
Cash flow used in investing activities	(3,806)	(74)	NMF	(5,627)	(418)	NMF
Free cash flow, (ex. IFRS 16)⁹	11,808	23,370	-49.5%	6,671	30,992	-78.5%
Cash flow from financing activities (ex. IFRS 16)	(12,639)	6,201	NMF	(16,321)	14,773	NMF
BALANCE SHEET HIGHLIGHTS	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change	
Total assets	482,551	463,022	4.2%	464,644	3.9%	
Of which, cash and bank deposits	27,632	29,292	-5.7%	36,856	-25.0%	
Of which, securities and loans issued	12,651	12,541	0.9%	12,471	1.4%	
Total liabilities	355,306	358,623	-0.9%	361,048	-1.6%	
Of which, borrowings	87,842	93,755	-6.3%	88,608	-0.9%	
Of which, lease liabilities	95,970	93,623	2.5%	85,919	11.7%	
Total equity	127,245	104,399	21.9%	103,596	22.8%	

KEY POINTS / VALUATION DRIVERS

- Strong y-o-y growth in 2Q21 revenues (up 38.4%) and EBITDA (up 33.9%). Revenue was also up 16.9% y-o-y in 1H21, with a slight decline in respective EBITDA (excl. IFRS 16) – down 1.2%.
- Gross margin was solid, while the EBITDA margin demonstrated a rebounding trend in 2Q21 – at 10.1%, exceeding the targeted 9%+
- Cash flow from operating activities was down 33.9% in 2Q21 y-o-y, but, as expected, it improved q-o-q (GEL 16.1 million operating cash in 2Q21 compared to negative GEL 2.5 million in 1Q21)
- Net debt¹⁰ down 7.9% y-o-y to GEL 47.6 million as of 30-Jun-21 (down 8.4% q-o-q)
- Added 30 pharmacies over the last 12 months, expanding from 303 to 333 stores
- New projects:
 - In July 2021, the business opened its first new format retail pharma drugstore in Georgia. Covering more than 300 sq.m, the store offers an extensive range of health, perfume and other beauty products as well as services through an integrated health hub incorporating lab retail point, ophthalmology and dermatology cabinets. Opening four more such flagship pharma stores is in the 2021 pipeline of which three stores will be located in Tbilisi and one in the region.
 - The business signed a franchise agreement with Alain Afflelou SA, one of the leading optical retailers in France, with a network of more than 500 largely franchised stores owned by more than 220 franchisees. The business opened its first Afflelou Paris opticians in August in Tbilisi and is planning to develop and operate a shop in shop model in its GPC pharmacies
 - In July, under a franchise agreement with Body Shop, the business opened its first Body Shop store in Armenia

INCOME STATEMENT HIGHLIGHTS

The retail (pharmacy) business delivered 38.4% y-o-y revenue growth in 2Q21, reflecting both expansion and increased revenue from wholesale distribution as discussed below, but also higher than usual organic sales growth of the business, with same-store revenue up 26.3%. Higher than usual y-o-y same-store revenue growth rate reflects the lower revenue base in 2Q20 when pharma sales started to slow down after strong 1Q20 results, as customers started to stock up on pharmaceuticals in March ahead of the economic lockdown. In 1H21, the business posted same store revenue growth of 8.6% (more normal given the offsetting the quarterly revenue fluctuations in 1Q and 2Q last year). Top line revenue growth in 1H21 of 16.9% reflects the organic growth, but also the 30 new pharmacies in the last 12 months as well as increased revenue from wholesale distribution (up 53.3% in 2Q21 and 23.5% in 1H21).

⁸ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

⁹ Calculated by deducting capex from operating cash flows and by adding proceeds from sale of PPE.

¹⁰ Net debt is calculated from Cash balance and bank deposits, securities and loans issued minus gross debt.

Due to the increased wholesale revenue, the retail revenue share in total revenue was slightly down to 71.8% in 2Q21 (74.6% in 2Q20) and to 72.5% in 1H21 (74.0% in 1H20). The revenue from para-pharmacy as a percentage of retail revenue from the pharma was 34.3% in 1H21 (34.0% in 1H20). The business issued 13.7 million bills in 1H21 (13.4 million in 1H20), with average customer interactions of 2.3 million per month. The average bill size increased to GEL 18.5 in 2Q21 from GEL 17.6 in 2Q20 and to GEL 18.8 in 1H21 from GEL 16.5.

At the beginning of the year (Jan-Feb 2021), 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 that subdued its margins. By the end of the 1Q21, the epidemiological environment started to stabilise. Benefitting from the strong economic recovery in 2Q21, the margins also started to rebound, and the business posted a 25.1% and 24.2% gross profit margins in 2Q21 and 1H21, respectively. The rebounding trend is expected to continue in line with the country's general macro trajectory.

The business posted positive operating leverage (excl. IFRS 16) of 2.6 ppts in 2Q21 compared to negative leverage of 6.0 ppts posted in 1H21 mainly reflecting 1) increased rent expense of pharmacies in 1Q21 compared to 1Q20 due to GEL devaluation (about 85% of rental contracts are denominated in US\$) as well as six to twelve months discounts obtained from lessors for pharmacies leases at the initial stage of pandemic; and 2) high marketing costs in 2021 associated to new projects and store openings mentioned above. All these translated into a y-o-y increase in the operating expenses (excluding IFRS 16) of 27.3% in 2Q21 and 13.7% in 1H21. The result was a 33.9% y-o-y increase in 2Q21 EBITDA excluding IFRS 16 and a 1.2% decline in 1H21. The business EBITDA margin rebounded from 7.5% in 1Q21 to 10.1% in 2Q21 and was 8.9% for 1H21.

Depreciation expense increased mainly due to the launch of 30 new pharmacies in the last 12 months. Interest expense, excluding IFRS 16, was down 16.8% y-o-y in 2Q21 and down 20.2% in 1H21, due to the 7.9% decrease in net debt position y-o-y as of June-21. GEL 5.3 million foreign currency gain, excluding IFRS 16, reflects the decrease in the GEL value of US and EUR denominated payables to suppliers due to the appreciation of GEL in 2Q21. Overall, the business posted GEL 4.4 million foreign currency gain in 1H21 compared to GEL 4.6 million loss posted in the same period last year.

As a result, the business posted a GEL 21.2 million profit in 2Q21 (up 30.8% y-o-y) and GEL 29.6 million in 1H21 (up 44.0% y-o-y) excluding IFRS 16.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

After the 1Q21 weak performance in operating cash, which was affected by the payment of some payable balances to suppliers, the terms of which were temporarily prolonged during the pandemic period, the EBITDA to cash conversion ratio started to improve from 2Q21 and stood at 79.8%. We expect the operating cash flow trend to continue to improve in the coming quarters.

Increased cash outflows from investing activities reflect increased capex investments attributable to new projects such as opticians and new format pharmacies, as well as regular expansion of the chain.

Discussion of Insurance Medical Insurance Business Results

GHG is the country's largest private medical insurer, with a 23.1% market share based on 1Q21 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. Following the GHG de-listing and the buy-out of the 29.4% minority stake in 3Q20, GCAP owns 100% in the insurance business.

2Q21 & 1H21 performance (GEL '000), Medical Insurance ¹¹

Unaudited

INCOME STATEMENT HIGHLIGHTS	2Q21	2Q20	Change	1H21	1H20	Change
Earned premiums, net	17,926	16,491	8.7%	35,197	34,559	1.8%
Net underwriting profit	2,010	4,986	-59.7%	5,121	7,988	-35.9%
Net profit	168	1,962	-91.4%	1,400	2,622	-46.6%
CASH FLOW HIGHLIGHTS						
Net cash flows from operating activities	(125)	2,657	NMF	1,025	4,501	-77.2%
Free cash flow	(260)	2,560	NMF	858	4,329	-80.2%
BALANCE SHEET HIGHLIGHTS						
	30-Jun-21	31-Mar-21	Change	31-Dec-20	Change	
Total assets	91,711	102,952	-10.9%	81,408	12.7%	
Total equity	31,537	31,210	1.0%	32,064	-1.6%	

KEY POINTS / KEY DRIVERS FOR VALUATION

- Loss ratio up 17.6 ppts y-o-y to 84.0% in 2Q21, up 7.6 ppts y-o-y to 81.0% in 1H21
- Insurance renewal rate at 76.9% in 2Q21 (77.1% in 2Q20) and 74.1% in 1H21 (71.3% in 1H20)
- Net profit down 91.4% y-o-y in 2Q21 to GEL 0.2 million, down 46.6% to GEL 1.4 million in 1H21
- The number of insured clients c.168,000 as of 30-Jun-21 (c.175,000 as of 30-Jun-20)

INCOME STATEMENT HIGHLIGHTS

The 8.7% and 1.8% y-o-y increases in 2Q21 and 1H21 earned premiums net reflect an increase in the prices of insurance policies. 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.

Claims retention rates

Unaudited	2Q21	2Q20	Change	1H21	1H20	Change
Total claims retained within the GHG	36.5%	39.7%	-3.1ppts	36.2%	39.9%	-3.6ppts
Total claims retained in outpatient	36.4%	39.7%	-3.3ppts	37.6%	41.1%	-3.5ppts

In 2Q21, the net claims expenses were up by 37.4% y-o-y to GEL 15.1 million. In 1H21, the net claims expenses were GEL 28.5 million (up 12.3% y-o-y), of which GEL 11.4 million (40.0% of the total) was inpatient, GEL 10.7 million (37.5% of total) was outpatient and GEL 6.4 million (22.5% of total) was related to drugs. The loss ratio increased significantly for the quarter, up 17.6 ppts in 2Q21 y-o-y (from 66.4% to 84.0%), reflecting a rebounding trend in the number of admissions at hospitals and clinics in 2Q21, compared to patient footprint slowdown at healthcare facilities in 2Q20 due to the pandemic. Overall, in 1H21, the loss ratio was up 7.6 ppts y-o-y to 81.0%.

Salary and other employee benefits decreased by 14.4% y-o-y in 2Q21 due to the reduction in the accrual of performance-based annual bonuses. Salary and other employee benefits remained flat over half-year.

As a result of the above developments, the combined ratio deteriorated by 14.5 ppts y-o-y to 101.9% for the quarter and by 6.6 ppts y-o-y for the HY to 99.0%. The business posted a net profit of GEL 0.2 million and GEL 1.4 million in 2Q21 and in 1H21, respectively.

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

Operating cash flow decline is associated with the increased claims expense of the business. Also, in 1H21 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.

¹¹ 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>	2Q21	2Q20	Change	2Q21	2Q20	Change	2Q21	2Q20	Change	2Q21	2Q20	2Q21	2Q20	Change
Revenue, gross	81,911	46,960	74.4%	16,757	9,321	79.8%	7,645	1,781	NMF	(3,469)	(1,523)	102,844	56,539	81.9%
Corrections & rebates	(858)	(457)	87.6%	(144)	(115)	25.2%	-	-	NMF	-	-	(1,002)	(572)	75.0%
Revenue, net	81,053	46,503	74.3%	16,613	9,206	80.5%	7,645	1,781	NMF	(3,469)	(1,523)	101,842	55,967	82.0%
Costs of services	(48,165)	(29,909)	61.0%	(8,992)	(5,093)	76.6%	(4,090)	(1,476)	NMF	3,536	1,555	(57,711)	(34,923)	65.3%
Cost of salaries and other employee benefits	(24,641)	(17,405)	41.6%	(4,852)	(3,195)	51.9%	(633)	(367)	72.5%	-	-	(30,126)	(20,967)	43.7%
Cost of materials and supplies	(17,633)	(9,092)	93.9%	(1,474)	(650)	NMF	(3,138)	(983)	NMF	73	-	(22,172)	(10,725)	NMF
Cost of medical service providers	(1,912)	(832)	NMF	(1,818)	(780)	NMF	(69)	(40)	72.5%	3,455	1,454	(344)	(198)	74.0%
Cost of utilities and other	(3,979)	(2,581)	54.2%	(848)	(468)	81.2%	(250)	(86)	NMF	8	101	(5,069)	(3,034)	67.1%
Gross profit	32,888	16,594	98.2%	7,621	4,113	85.3%	3,555	305	NMF	67	32	44,131	21,044	NMF
Gross profit margin	40.2%	35.3%	+4.9ppts	45.5%	44.1%	+1.4ppts	46.5%	17.1%	+29.4ppts	-	-	42.9%	37.2%	+5.7ppts
Salaries and other employee benefits	(9,350)	(7,655)	22.1%	(2,562)	(1,963)	30.5%	(684)	(295)	NMF	-	-	(12,596)	(9,913)	27.1%
General and administrative expenses	(2,979)	(2,868)	3.9%	(1,326)	(719)	84.4%	(297)	(30)	NMF	11	7	(4,591)	(3,610)	27.2%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(3,100)</i>	<i>(2,922)</i>	<i>6.1%</i>	<i>(1,503)</i>	<i>(981)</i>	<i>53.2%</i>	<i>(297)</i>	<i>(30)</i>	<i>NMF</i>	<i>11</i>	<i>7</i>	<i>(4,889)</i>	<i>(3,926)</i>	<i>24.5%</i>
Impairment of receivables	(937)	(962)	-2.6%	(69)	(35)	97.1%	-	-	NMF	-	-	(1,006)	(997)	0.9%
Other operating income	671	1,100	-39.0%	82	87	-5.7%	(82)	47	NMF	(78)	(18)	593	1,216	-51.3%
EBITDA	20,293	6,210	NMF	3,746	1,483	NMF	2,492	27	NMF	-	21	26,531	7,741	NMF
EBITDA excluding IFRS 16	20,172	6,156	NMF	3,569	1,221	NMF	2,492	27	NMF	-	21	26,233	7,425	NMF
EBITDA margin excluding IFRS 16	24.6%	13.1%	+11.5ppts	21.3%	13.1%	+8.2ppts	32.6%	1.5%	+31.1ppts	-	-	25.5%	13.1%	+12.4ppts
Depreciation and amortization	(6,377)	(6,037)	5.6%	(1,673)	(1,771)	-5.5%	(175)	(34)	NMF	-	-	(8,225)	(7,842)	4.9%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(6,183)</i>	<i>(5,836)</i>	<i>6.0%</i>	<i>(1,565)</i>	<i>(1,409)</i>	<i>11.1%</i>	<i>(175)</i>	<i>(34)</i>	<i>NMF</i>	-	-	<i>(7,923)</i>	<i>(7,279)</i>	<i>8.9%</i>
Net interest income (expense)	(4,354)	(6,509)	-33.1%	(1,354)	(1,294)	4.6%	(167)	(118)	41.5%	-	-	(5,875)	(7,921)	-25.8%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(4,310)</i>	<i>(6,462)</i>	<i>-33.3%</i>	<i>(1,125)</i>	<i>(1,155)</i>	<i>-2.6%</i>	<i>(167)</i>	<i>(118)</i>	<i>41.5%</i>	-	-	<i>(5,602)</i>	<i>(7,735)</i>	<i>-27.6%</i>
Net gains/(losses) from foreign currencies	3,018	1,845	63.6%	920	649	41.8%	(9)	-	NMF	-	-	3,929	2,494	57.6%
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>2,822</i>	<i>1,737</i>	<i>62.5%</i>	<i>389</i>	<i>(9)</i>	<i>NMF</i>	<i>(9)</i>	-	<i>NMF</i>	-	-	<i>3,202</i>	<i>1,728</i>	<i>85.3%</i>
Net non-recurring income/(expense)	(1,988)	(1,374)	44.7%	(176)	(20)	NMF	1	-	NMF	-	-	(2,163)	(1,394)	55.2%
Profit before income tax expense	10,592	(5,865)	NMF	1,463	(953)	NMF	2,142	(125)	NMF	-	21	14,197	(6,922)	NMF
Income tax benefit/(expense)	-	-	NMF	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Profit for the period from continuous operations	10,592	(5,865)	NMF	1,463	(953)	NMF	2,142	(125)	NMF	-	21	14,197	(6,922)	NMF
Loss from discontinued operations	-	380	NMF	-	-	NMF	-	-	NMF	-	-	-	380	NMF
Profit/(loss) for the period	10,592	(5,485)	NMF	1,463	(953)	NMF	2,142	(125)	NMF	-	21	14,197	(6,542)	NMF
Attributable to:														
- shareholders of the Company	9,888	(5,480)	NMF	1,434	(961)	NMF	2,142	(125)	NMF	-	21	13,464	(6,545)	NMF
- non-controlling interests	704	(5)	NMF	29	8	NMF	-	-	NMF	-	-	733	3	NMF
Profit for the period excluding IFRS 16 from continuous operations	10,513	(5,779)	NMF	1,092	(1,372)	NMF	2,142	(125)	NMF	-	21	13,747	(7,255)	NMF
Loss from discontinued operations excluding IFRS 16	-	380	NMF	-	-	NMF	-	-	NMF	-	-	-	380	NMF
Profit/(loss) for the period excluding IFRS 16	10,513	(5,399)	NMF	1,092	(1,372)	NMF	2,142	(125)	NMF	-	21	13,747	(6,875)	NMF
Attributable to:														
- shareholders of the Company	9,809	(5,394)	NMF	1,063	(1,380)	NMF	2,142	(125)	NMF	-	21	13,014	(6,878)	NMF
- non-controlling interests	704	(5)	NMF	29	8	NMF	-	-	NMF	-	-	733	3	NMF

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

INCOME STATEMENT	Hospitals			Clinics			Diagnostic			Eliminations		Healthcare Services		
	1H21	1H20	Change	1H21	1H20	Change	1H21	1H20	Change	1H21	1H20	1H21	1H20	Change
<i>GEL thousands, unless otherwise noted</i>														
Revenue, gross	153,065	107,850	41.9%	32,150	21,461	49.8%	13,192	3,447	NMF	(6,123)	(3,211)	192,284	129,547	48.4%
Corrections & rebates	(1,316)	(1,251)	5.2%	(231)	(223)	3.6%	-	-	NMF	-	-	(1,547)	(1,474)	5.0%
Revenue, net	151,749	106,599	42.4%	31,919	21,238	50.3%	13,192	3,447	NMF	(6,123)	(3,211)	190,737	128,073	48.9%
Costs of services	(89,209)	(67,241)	32.7%	(17,277)	(11,865)	45.6%	(8,004)	(3,090)	NMF	6,235	3,213	(108,255)	(78,983)	37.1%
Cost of salaries and other employee benefits	(46,130)	(39,270)	17.5%	(9,103)	(7,306)	24.6%	(1,150)	(770)	49.4%	-	-	(56,383)	(47,346)	19.1%
Cost of materials and supplies	(31,566)	(20,107)	57.0%	(3,078)	(1,397)	NMF	(6,248)	(2,051)	NMF	79	-	(40,813)	(23,555)	73.3%
Cost of medical service providers	(3,566)	(1,972)	80.9%	(3,234)	(1,788)	80.9%	(138)	(50)	NMF	6,141	2,981	(797)	(829)	-3.8%
Cost of utilities and other	(7,947)	(5,892)	34.9%	(1,862)	(1,374)	35.5%	(468)	(219)	NMF	15	232	(10,262)	(7,253)	41.5%
Gross profit	62,540	39,359	58.9%	14,642	9,373	56.2%	5,188	357	NMF	112	2	82,482	49,091	68.0%
Gross profit margin	40.9%	36.5%	+4.4ppts	45.5%	43.7%	+1.8ppts	39.3%	10.4%	+28.9ppts	-	-	42.9%	37.9%	+5.0ppts
Salaries and other employee benefits	(17,806)	(15,277)	16.6%	(5,032)	(3,925)	28.2%	(1,069)	(454)	NMF	-	-	(23,907)	(19,656)	21.6%
General and administrative expenses	(5,202)	(5,604)	-7.2%	(2,336)	(1,654)	41.2%	(484)	(122)	NMF	11	25	(8,011)	(7,355)	8.9%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(5,586)</i>	<i>(5,783)</i>	<i>-3.4%</i>	<i>(2,865)</i>	<i>(2,232)</i>	<i>28.4%</i>	<i>(484)</i>	<i>(122)</i>	<i>NMF</i>	<i>11</i>	<i>25</i>	<i>(8,924)</i>	<i>(8,112)</i>	<i>10.0%</i>
Impairment of receivables	(1,728)	(2,087)	-17.2%	(133)	(55)	NMF	-	-	NMF	-	-	(1,861)	(2,142)	-13.1%
Other operating income	1,599	2,682	-40.4%	176	445	-60.4%	(146)	100	NMF	(123)	(52)	1,506	3,175	-52.6%
EBITDA	39,403	19,074	NMF	7,317	4,184	74.9%	3,489	(119)	NMF	-	(25)	50,209	23,114	NMF
EBITDA excluding IFRS 16	39,019	18,895	NMF	6,788	3,606	88.2%	3,489	(119)	NMF	-	(25)	49,296	22,357	NMF
EBITDA margin excluding IFRS 16	25.5%	17.5%	+8.0ppts	21.1%	16.8%	+4.3ppts	26.4%	-3.5%	+29.9ppts	-	-	25.6%	17.3%	+8.4ppts
Depreciation and amortization	(12,606)	(11,979)	5.2%	(3,350)	(3,558)	-5.8%	(344)	(63)	NMF	-	-	(16,300)	(15,600)	4.5%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(12,217)</i>	<i>(11,600)</i>	<i>5.3%</i>	<i>(3,075)</i>	<i>(2,834)</i>	<i>8.5%</i>	<i>(344)</i>	<i>(63)</i>	<i>NMF</i>	-	-	<i>(15,636)</i>	<i>(14,497)</i>	<i>7.9%</i>
Net interest income (expense)	(8,369)	(13,573)	-38.3%	(2,427)	(2,594)	-6.4%	(320)	(233)	37.3%	-	-	(11,116)	(16,400)	-32.2%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(8,278)</i>	<i>(13,488)</i>	<i>-38.6%</i>	<i>(2,071)</i>	<i>(2,331)</i>	<i>-11.2%</i>	<i>(320)</i>	<i>(233)</i>	<i>37.3%</i>	-	-	<i>(10,669)</i>	<i>(16,052)</i>	<i>-33.5%</i>
Net gains/(losses) from foreign currencies	1,355	(1,346)	NMF	431	(176)	NMF	(11)	(3)	NMF	-	-	1,775	(1,526)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>1,272</i>	<i>(1,270)</i>	<i>NMF</i>	<i>133</i>	<i>16</i>	<i>NMF</i>	<i>(11)</i>	<i>(3)</i>	<i>NMF</i>	-	-	<i>1,394</i>	<i>(1,258)</i>	<i>NMF</i>
Net non-recurring income/(expense)	(2,640)	(2,007)	31.5%	(277)	(97)	NMF	(1)	-	NMF	-	-	(2,918)	(2,104)	38.7%
Profit before income tax expense	17,143	(9,832)	NMF	1,694	(2,241)	NMF	2,813	(418)	NMF	-	(25)	21,650	(12,517)	NMF
Income tax benefit/(expense)	-	-	NMF	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Profit for the period from continuous operations	17,143	(9,832)	NMF	1,694	(2,241)	NMF	2,813	(418)	NMF	-	(25)	21,650	(12,517)	NMF
Loss from discontinued operations	-	(287)	NMF	-	-	NMF	-	-	NMF	-	-	-	(286)	NMF
Profit/(loss) for the period	17,143	(10,119)	NMF	1,694	(2,241)	NMF	2,813	(418)	NMF	-	(25)	21,650	(12,803)	NMF
Attributable to:														
- shareholders of the Company	15,991	(10,521)	NMF	1,564	(2,288)	NMF	2,813	(418)	NMF	-	(25)	20,368	(13,252)	NMF
- non-controlling interests	1,152	402	NMF	130	47	NMF	-	-	NMF	-	-	1,282	449	NMF
Profit for the period excluding IFRS 16 from continuous operations	17,156	(9,471)	NMF	1,498	(1,640)	NMF	2,813	(418)	NMF	-	(25)	21,467	(11,555)	NMF
Loss from discontinued operations excluding IFRS 16	-	(287)	NMF	-	-	NMF	-	-	NMF	-	-	-	(286)	NMF
Profit/(loss) for the period excluding IFRS 16	17,156	(9,758)	NMF	1,498	(1,640)	NMF	2,813	(418)	NMF	-	(25)	21,467	(11,841)	NMF
Attributable to:														
- shareholders of the Company	16,004	(10,160)	NMF	1,368	(1,687)	NMF	2,813	(418)	NMF	-	(25)	20,185	(12,290)	NMF
- non-controlling interests	1,152	402	NMF	130	47	NMF	-	-	NMF	-	-	1,282	449	NMF

SELECTED FINANCIAL INFORMATION – Healthcare Services, *continued*

STATEMENT OF CASH FLOW

<i>GEL thousands, unless otherwise noted</i>	2Q21	2Q20	Change	1H21	1H20	Change
Revenue received	89,746	74,785	20.0%	163,111	156,319	4.3%
Cost of services paid	(52,005)	(45,924)	13.2%	(106,119)	(81,712)	29.9%
Gross profit received	37,741	28,862	30.8%	56,992	74,607	-23.6%
Salaries paid	(12,432)	(6,078)	NMF	(21,549)	(14,151)	52.3%
General and administrative expenses paid	(4,988)	(2,000)	NMF	(9,337)	(7,391)	26.3%
General and administrative expenses paid, excluding IFRS 16	(5,286)	(2,316)	NMF	(10,250)	(8,148)	25.8%
Other operating income/(expense) and tax paid	(1,396)	815	NMF	(2,265)	(529)	NMF
Net cash flows from operating activities before income tax	18,925	21,599	-12.4%	23,841	52,536	-54.6%
Income tax paid	(41)	(13)	NMF	(47)	(43)	10.0%
Net cash flows from operating activities from continuing operations	18,884	21,587	-12.5%	23,793	52,493	-54.7%
Net cash flows from operating activities from discontinued operations	-	2,379	NMF	-	4,122	NMF
Net cash flows from operating activities	18,884	23,966	-21.2%	23,793	56,615	-58.0%
Net cash flows from operating activities from continuing operations (excluding IFRS 16)	18,586	21,271	-12.6%	22,880	51,736	-55.8%
Net cash flows from operating activities from discontinued operations (Excluding IFRS 16)	-	2,379	NMF	-	4,122	NMF
Net cash flows from operating activities (Excluding IFRS 16)	18,586	23,650	-21.4%	22,880	55,858	-59.0%
Cash outflow on Capex	(8,552)	(5,805)	47.3%	(14,744)	(12,581)	17.2%
Acquisition of subsidiaries/payments of holdback	-	-	NMF	(6,218)	(5,445)	14.2%
Interest income received	803	(416)	NMF	1,099	122	NMF
Dividends and intersegment loans issued/received	5,015	(7,581)	NMF	11,970	(1,286)	NMF
Net cash flows used in investing activities from continuing operations	(2,733)	(13,802)	-80.2%	(7,893)	(19,190)	-58.9%
Net cash flows used in investing activities from discontinued operations	-	(523)	NMF	-	(1,088)	NMF
Net cash flows used in investing activities	(2,733)	(14,325)	-80.9%	(7,893)	(20,278)	-61.1%
Purchase of treasury shares	(91)	-	NMF	(336)	-	NMF
Payment of finance lease liabilities	-	(3,269)	NMF	(5,020)	(3,269)	53.6%
Interest expense paid on finance lease	(125)	(130)	-3.8%	(566)	(409)	38.4%
Increase/(decrease) in borrowings	(173)	(186)	-7.0%	(347)	(348)	-0.3%
Interest expense paid	(24,057)	20,173	NMF	(17,057)	19,934	NMF
Net cash flows (used in)/from financing activities from continuing operations	(6,876)	(5,398)	27.4%	(16,973)	(17,314)	-2.0%
Net cash flows from financing activities from discontinued operations	(31,322)	11,190	NMF	(40,300)	(1,407)	NMF
Net cash flows from financing activities	(31,322)	10,677	NMF	(40,300)	(2,435)	NMF
Net cash flows (used in)/from financing activities from continuing operations (excluding IFRS16)	(31,024)	11,506	NMF	(39,387)	(650)	NMF
Net cash flows from financing activities from discontinued operations (Excluding IFRS16)	(31,024)	(514)	NMF	-	(1,028)	NMF
Net cash flows from financing activities (Excluding IFRS16)	(31,024)	10,993	NMF	(39,387)	(1,678)	NMF
Effect of exchange rates changes on cash and cash equivalents	(1,973)	408	NMF	(1,394)	408	NMF
Net increase/(decrease) in cash and cash equivalents	(17,144)	20,726	NMF	(25,794)	34,310	NMF
Cash and cash equivalents, beginning from continuing operations	85,071	18,709	NMF	93,721	5,789	NMF
Cash and cash equivalents, beginning from discontinued operations	-	2,523	NMF	-	1,859	NMF
Cash and cash equivalents, ending from continuing operations	67,927	38,093	67.8%	67,927	38,093	78.3%
Cash and cash equivalents, ending from discontinued operations	-	3,866	NMF	-	3,866	NMF

BALANCE SHEET

<i>GEL thousands, unless otherwise noted</i>	Jun-21	Mar-21	Change	Dec-20	Change
Total assets, of which:	911,647	908,191	0.4%	899,391	1.4%
Cash and bank deposits	67,927	85,071	-20.2%	93,721	-27.5%
Receivables from healthcare services	124,568	114,464	8.8%	98,693	26.2%
Property and equipment	516,714	514,594	0.4%	515,114	0.3%
Right of use assets	8,649	8,379	3.2%	8,856	-2.3%
Goodwill and other intangible assets	98,018	100,883	-2.8%	100,369	-2.3%
Inventory	24,269	21,002	15.6%	22,270	9.0%
Prepayments	7,946	8,688	-8.5%	8,958	-11.3%
Other assets	63,556	55,110	15.3%	51,410	23.6%
<i>Of which, securities and loans issued</i>	6,629	7,965	-16.8%	7,133	-7.1%
Total liabilities, of which:	497,289	513,633	-3.2%	510,079	-2.5%
Borrowed Funds	289,646	321,802	-10.0%	312,036	-7.2%
Accounts payable	48,186	47,888	0.6%	50,876	-5.3%
Other liabilities	159,457	143,943	10.8%	147,167	8.4%
Total shareholders' equity attributable to:	414,358	394,558	5.0%	389,312	6.4%
Shareholders of the Company	385,642	366,572	5.2%	361,916	6.6%
Non-controlling interest	28,716	27,986	2.6%	27,396	4.8%

SELECTED FINANCIAL INFORMATION – Retail (Pharmacy)

INCOME STATEMENT						
<i>GEL thousands, unless otherwise noted</i>						
	2Q21	2Q20	Change	1H21	1H20	Change
Revenue	199,020	143,811	38.4%	372,817	318,840	16.9%
Costs of services	(149,093)	(105,378)	41.5%	(282,645)	(235,122)	20.2%
Cost of pharma – wholesale	(46,889)	(29,657)	58.1%	(86,256)	(68,116)	26.6%
Cost of pharma – retail	(102,204)	(75,721)	35.0%	(196,389)	(167,006)	17.6%
Gross profit	49,927	38,433	29.9%	90,172	83,718	7.7%
Gross profit margin	25.1%	26.7%	-1.6 ppts	24.2%	26.3%	-2.1 ppts
Salaries and other employee benefits	(14,512)	(12,545)	15.7%	(27,177)	(27,324)	-0.5%
General and administrative expenses	(8,770)	(5,685)	54.3%	(17,089)	(12,264)	39.3%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(15,266)</i>	<i>(10,550)</i>	<i>44.7%</i>	<i>(29,838)</i>	<i>(22,574)</i>	<i>32.2%</i>
Impairment of receivables	(29)	(342)	-91.5%	(38)	(343)	-88.9%
Other operating income	27	46	-41.3%	118	151	-21.9%
EBITDA	26,643	19,907	33.8%	45,986	43,938	4.7%
EBITDA excluding IFRS 16	20,147	15,042	33.9%	33,237	33,628	-1.2%
EBITDA margin excluding IFRS 16	10.1%	10.5%	-0.4 ppts	8.9%	10.5%	-1.6 ppts
Depreciation and amortization	(6,258)	(5,153)	21.4%	(12,102)	(10,226)	18.3%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(1,250)</i>	<i>(964)</i>	<i>29.7%</i>	<i>(2,415)</i>	<i>(1,887)</i>	<i>28.0%</i>
Net interest income (expense)	(3,922)	(4,088)	-4.1%	(7,712)	(8,367)	-7.8%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(2,249)</i>	<i>(2,703)</i>	<i>-16.8%</i>	<i>(4,502)</i>	<i>(5,639)</i>	<i>-20.2%</i>
Net gains/(losses) from foreign currencies	10,733	8,460	26.9%	7,250	(8,289)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>5,310</i>	<i>4,874</i>	<i>8.9%</i>	<i>4,367</i>	<i>(4,566)</i>	<i>NMF</i>
Net non-recurring income/(expense)	(344)	(15)	NMF	(394)	(72)	NMF
Profit/(loss) before income tax expense	26,852	19,111	40.5%	33,028	16,984	94.5%
Income tax benefit/(expense)	(372)	-	NMF	(743)	(945)	-21.4%
Profit/(loss) for the period	26,480	19,111	38.6%	32,285	16,039	NMF
Attributable to:						
- shareholders of the Company	17,073	12,319	38.6%	20,507	8,698	NMF
- non-controlling interests	9,407	6,792	38.5%	11,778	7,341	60.4%
Profit for the period excluding IFRS 16	21,242	16,234	30.8%	29,550	20,519	44.0%
Attributable to:						
- shareholders of the Company	13,564	10,391	30.5%	18,675	11,699	59.6%
- non-controlling interests	7,678	5,843	31.4%	10,875	8,820	23.3%

STATEMENT OF CASH FLOW						
<i>GEL thousands, unless otherwise noted</i>						
	2Q21	2Q20	Change	1H21	1H20	Change
Cash flows from / (used in) operating activities						
Revenue received	188,561	149,084	26.5%	355,740	312,119	14.0%
Cost of services paid	(141,454)	(100,025)	41.4%	(286,749)	(231,608)	23.8%
Gross profit received	47,107	49,059	-4.0%	68,991	80,511	-14.3%
Salaries paid	(15,350)	(14,216)	8.0%	(25,682)	(25,482)	0.8%
General and administrative expenses paid	(9,299)	(4,275)	NMF	(17,172)	(10,386)	65.3%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(15,795)</i>	<i>(9,140)</i>	<i>72.8%</i>	<i>(29,921)</i>	<i>(20,696)</i>	<i>44.6%</i>
Other operating income/(expense) and tax paid	257	(1,204)	NMF	566	(494)	NMF
Net cash flows from operating activities before income tax	22,715	29,364	-22.6%	26,703	44,149	-39.5%
Income tax paid	(144)	(196)	-26.5%	(401)	(463)	-13.4%
Net cash flows from operating activities	22,571	29,168	-22.6%	26,302	43,686	-39.8%
Net cash flows from operating activities, excluding IFRS 16	16,075	24,303	-33.9%	13,553	33,376	-59.4%
Cash flows from / (used in) investing activities						
Cash outflow on Capex	(4,267)	(933)	NMF	(6,882)	(2,384)	NMF
Interest income received	726	851	-14.7%	1,137	1,120	1.5%
Intersegment loans issued proceeds from other investing activities	(265)	8	NMF	118	846	-86.1%
Net cash flow used in investing activities	(3,806)	(74)	NMF	(5,627)	(418)	NMF
Cash flows from / (used in) financing activities						
Payment of dividends	(7,253)	(7,341)	-1.2%	(14,667)	(18,833)	-22.1%
Purchase of treasury shares	-	(273)	NMF	-	(273)	NMF
Payment of finance lease liabilities	(4,823)	(3,480)	38.6%	(9,539)	(7,582)	25.8%
Interest expense paid on finance lease	(1,673)	(1,385)	20.8%	(3,210)	(2,728)	17.7%
Increase/(decrease) in borrowings	(4,477)	15,078	NMF	(234)	35,910	NMF
Interest expense paid	(909)	(1,263)	-28.0%	(1,420)	(2,031)	-30.1%
Net cash flows (used in)/from financing activities	(19,135)	1,336	NMF	(29,070)	4,463	NMF
Net cash flows (used in)/from financing activities, excluding IFRS 16	(12,639)	6,201	NMF	(16,321)	14,773	NMF
Effect of exchange rates changes on cash and cash equivalents	(1,290)	(466)	NMF	(829)	1,292	NMF
Net increase/(decrease) in cash and cash equivalents	(1,660)	29,964	NMF	(9,224)	49,023	NMF
Cash and bank deposits, beginning	29,292	26,833	9.2%	36,856	7,774	NMF
Cash and bank deposits, ending	27,632	56,797	-51.3%	27,632	56,797	-51.3%

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution, *continued*

BALANCE SHEET					
<i>GEL thousands, unless otherwise noted</i>	Jun-21	Mar-21	Change	Dec-20	Change
Cash and bank deposits	27,632	29,292	-5.7%	36,856	-25.0%
Receivables from sale of pharmaceuticals	12,651	12,541	0.9%	12,471	1.4%
Property and equipment	68,248	61,207	11.5%	57,948	17.8%
Right of use assets	40,482	37,938	6.7%	35,384	14.4%
Goodwill and other intangible assets	84,009	76,456	9.9%	71,888	16.9%
Inventory	52,583	52,672	-0.2%	52,964	-0.7%
Prepayments	184,584	178,064	3.7%	179,652	2.7%
Other assets	5,957	7,560	-21.2%	4,300	38.5%
<i>Of which, Securities and loans issued</i>	6,405	7,292	-12.2%	13,181	-51.4%
Total assets	482,551	463,022	4.2%	464,644	3.9%
Borrowed Funds	87,842	93,755	-6.3%	88,608	-0.9%
Lease liabilities	95,970	93,623	2.5%	85,919	11.7%
Accounts payable	152,179	148,394	2.6%	159,121	-4.4%
Other liabilities	19,315	22,851	-15.5%	27,400	-29.5%
Total liabilities	355,306	358,623	-0.9%	361,048	-1.6%
Total shareholders' equity	127,245	104,399	21.9%	103,596	22.8%

SELECTED FINANCIAL INFORMATION – Medical Insurance

INCOME STATEMENT

<i>GEL thousands, unless otherwise noted</i>	2Q21	2Q20	Change	1H21	1H20	Change
Gross premiums written	9,255	11,993	-22.8%	46,421	43,341	7.1%
Earned premiums, gross	17,959	16,526	8.7%	35,286	34,695	1.7%
Earned premiums, net	17,926	16,491	8.7%	35,197	34,559	1.8%
Insurance claims expenses, gross	(15,055)	(10,949)	37.5%	(28,441)	(25,377)	12.1%
Insurance claims expenses, net	(15,055)	(10,954)	37.4%	(28,506)	(25,375)	12.3%
Acquisition costs, net	(861)	(551)	56.3%	(1,570)	(1,196)	31.3%
Net underwriting profit	2,010	4,986	-59.7%	5,121	7,988	-35.9%
Investment income	708	669	5.8%	1,422	1,257	13.1%
Net fee and commission income	(4)	-	NMF	(9)	13	NMF
Net investment profit	704	669	5.2%	1,413	1,270	11.3%
Salaries and employee benefits	(1,328)	(1,551)	-14.4%	(2,780)	(2,778)	0.1%
Selling, general and administrative expenses	(425)	(300)	41.7%	(783)	(817)	-4.2%
Depreciation & Amortisation	(370)	(295)	25.4%	(737)	(576)	28.0%
Impairment charges	(205)	(734)	-72.1%	(419)	(1,044)	-59.9%
Net other operating income	(25)	(32)	-21.9%	(37)	(135)	-72.6%
Operating profit	361	2,743	-86.8%	1,778	3,908	-54.5%
Foreign exchange (loss)/gain	115	41	NMF	298	(32)	NMF
Interest expense	(146)	(266)	-45.1%	(283)	(493)	-42.6%
Non-recurring expenses	(45)	(158)	-71.5%	(45)	(158)	-71.5%
Pre-tax profit	285	2,360	-87.9%	1,748	3,225	-45.8%
Income tax expense	(117)	(398)	-70.6%	(348)	(603)	-42.3%
Net profit	168	1,962	-91.4%	1,400	2,622	-46.6%

STATEMENT OF CASH FLOW

<i>GEL thousands, unless otherwise noted</i>	2Q21	2Q20	Change	1H21	1H20	Change
Insurance premium received	17,457	15,967	9.3%	32,366	34,387	-5.9%
Reinsurance premium paid	(91)	(352)	-74.1%	(123)	(527)	-76.7%
Insurance benefits and claims paid	(14,279)	(8,413)	69.7%	(26,146)	(22,419)	16.6%
Acquisition costs paid	(544)	(517)	5.2%	(972)	(1,017)	-4.4%
Salaries and benefits paid	(2,283)	(4,036)	-43.4%	(3,363)	(4,823)	-30.3%
Interest received	640	788	-18.8%	1,368	1,289	6.1%
Net other operating expenses paid	(685)	(550)	24.5%	(1,265)	(1,259)	0.5%
Income tax paid	(340)	(230)	47.8%	(840)	(1,130)	-25.7%
Net cash flows from operating activities	(125)	2,657	NMF	1,025	4,501	-77.2%
Cash outflows on capex	(135)	(97)	39.2%	(167)	(172)	-2.9%
Other investing activities	110	(629)	NMF	623	(303)	NMF
Net cash flows from used in investing activities	(25)	(726)	-96.6%	456	(475)	NMF
Dividend Paid	(1,048)	(375)	NMF	(2,098)	(750)	NMF
Purchase of treasury shares	-	(155)	NMF	-	(155)	NMF
Increase/(decrease) in borrowings	-	-	NMF	(375)	1,600	NMF
Interest Paid	(33)	(188)	-82.4%	(61)	(260)	-76.5%
Cash paid for lease liabilities	(179)	(93)	92.5%	(362)	(203)	78.3%
Net cash flows from financing activities	(1,260)	(811)	55.4%	(2,896)	232	NMF
Effect of exchange rates changes on cash and cash equivalents	(745)	63	NMF	(433)	441	NMF
Total cash inflow/(outflow)	(2,155)	1,183	NMF	(1,848)	4,699	NMF
Cash and cash equivalents, beginning	25,408	20,098	26.4%	25,101	16,582	51.4%
Cash and cash equivalents, ending	23,253	21,281	9.3%	23,253	21,281	9.3%

BALANCE SHEET

<i>GEL thousands, unless otherwise noted</i>	Jun-21	Mar-21	Change	Dec-20	Change
Total assets, of which:	91,711	102,952	-10.9%	81,408	12.7%
Cash and bank deposits	23,253	25,408	-8.5%	25,101	-7.4%
Insurance premiums receivable	38,005	47,023	-19.2%	25,393	49.7%
Property and equipment	13,155	13,101	0.4%	13,138	0.1%
Right of use assets	557	700	-20.4%	853	-34.7%
Goodwill and other intangible assets	5,465	5,507	-0.8%	5,518	-1.0%
Inventory	336	314	7.0%	297	13.1%
Prepayments	1,666	1,642	1.5%	1,339	24.4%
Other assets of which:	9,274	9,257	0.2%	9,769	-5.1%
securities and intercompany loans	8,240	8,207	0.4%	8,689	-5.2%
Total liabilities, of which:	60,174	71,742	-16.1%	49,344	21.9%
Borrowed Funds	5,118	5,018	2.0%	5,299	-3.4%
Accounts payable	292	338	-13.6%	312	-6.4%
Insurance contract liabilities	43,423	51,057	-15.0%	30,022	44.6%
Other liabilities	11,341	15,329	-26.0%	13,711	-17.3%
Total shareholders' equity	31,537	31,210	1.0%	32,064	-1.6%

Selected ratios and KPIs

Selected ratios and KPIs	2Q21	2Q20	Change	1H21	1H20	Change
GHG, consolidated						
ROIC (%)	17.5%	7.7%	9.8ppts	16.1%	9.8%	6.3ppts
Group rent expenditure	8,313	5,876	41.5%	16,052	12,322	30.3%
<i>of which, pharmacy and distribution business</i>	7,588	5,389	40.8%	14,798	11,537	28.3%
Group capex (maintenance)	4,342	2,431	78.6%	7,309	5,153	41.8%
Group capex (development)	8,612	4,405	95.5%	14,484	9,984	45.1%
Number of employees	15,395	15,555		15,395	15,555	
Number of physicians	3,271	3,476		3,271	3,476	
Number of nurses	3,130	3,301		3,130	3,301	
Nurse to doctor ratio, referral hospitals	0.96	0.95		0.96	0.95	
Number of pharmacists	2,931	2,887		2,931	2,887	
Hospitals						
EBITDA margin <i>excluding IFRS 16</i>	24.6%	13.1%	11.5ppts	25.5%	17.5%	8.0ppts
Direct salary rate (direct salary as % of revenue)	30.1%	37.1%	-7.0ppts	30.1%	36.4%	-6.3ppts
Materials rate (direct materials as % of revenue)	21.5%	19.4%	2.1ppts	20.6%	18.6%	2.0ppts
Administrative salary rate (administrative salaries as % of revenue)	11.4%	16.3%	-4.9ppts	11.6%	14.2%	-2.6ppts
SG&A rate (SG&A expenses as % of revenue)	3.8%	6.2%	-2.4ppts	3.6%	5.4%	-1.8ppts
Number of hospitals	17	18		17	18	
Number of hospital beds	2,596	2,967		2,596	2,967	
Hospitals bed occupancy rate	66.2%	42.3%	23.9ppts	62.0%	51.2%	10.8ppts
Hospitals bed occupancy rate, excluding TRH ¹² and CMC ¹³	68.7%	43.6%	25.1ppts	64.2%	53.6%	10.6ppts
CMC bed occupancy rate	48.8%	34.2%	14.6ppts	51.8%	37.6%	14.2ppts
TRH bed occupancy rate	66.4%	49.3%	17.1ppts	56.9%	52.6%	4.3ppts
Average length of stay (days)	5.4	5.6	-4.3%	5.6	5.6	-0.6%
Average revenue per hospital bed	126.2	72.4	74.4%	117.9	83.1	41.9%
Clinics						
EBITDA margin <i>excluding IFRS 16</i>	21.3%	13.1%	8.2ppts	21.1%	16.8%	4.3ppts
EBITDA margin of polyclinics <i>excluding IFRS 16</i>	24.1%	13.7%	10.4ppts	23.7%	13.2%	10.5ppts
Direct salary rate (direct salary as % of revenue)	29.0%	34.3%	-5.3ppts	28.3%	34.0%	-5.7ppts
Materials rate (direct materials as % of revenue)	8.8%	7.0%	1.8ppts	9.6%	6.5%	3.1ppts
Number of community clinics	19	19		19	19	
Number of community clinics beds	353	353		353	353	
Number of polyclinics	15	15		15	15	
Diagnostics						
EBITDA margin <i>excluding IFRS 16 impact</i>	32.6%	1.5%	NMF	26.4%	-3.5%	NMF
Number of patients served ('000)	281	139	102.4%	506	245	106.4%
Number of tests performed ('000)	641	325	97.2%	1,175	591	98.8%
Average revenue per test GEL	11.9	5.5	116.4%	11.2	5.8	93.1%
Average number of tests per patient	2.3	2.3	0.0%	2.3	2.4	-4.2%
Pharmacy and Distribution						
EBITDA margin <i>excluding IFRS 16</i>	10.1%	10.5%	-0.4ppts	8.9%	10.5%	-1.6ppts
Number of bills issued (millions)	7.20	5.73		13.7	13.4	29.3%
Average bill size	18.5	17.6	5.4%	18.8	16.5	13.7%
Revenue from wholesale as a percentage of total revenue from pharma	28.2%	25.4%	2.8ppts	27.5%	26.0%	1.5ppts
Revenue from retail as a percentage of total revenue from pharma	71.8%	74.6%	-2.8ppts	72.5%	74.0%	-1.5ppts
Revenue from para-pharmacy as a percentage of retail revenue from pharma	33.9%	38.7%	-4.8ppts	34.3%	34.0%	0.3ppts
Number of pharmacies	329	299	10.0%	329	299	10.0%
Medical Insurance						
Loss ratio	84.0%	66.4%	17.6ppts	81.0%	73.4%	7.6ppts
Expense ratio <i>excluding IFRS 16, of which</i>	18.1%	21.0%	-2.9ppts	18.2%	19.0%	-0.8ppts
<i>Commission ratio</i>	4.8%	3.3%	1.5ppts	4.5%	3.5%	1.0ppts
Combined ratio <i>excluding IFRS 16</i>	102.1%	87.4%	14.7ppts	99.2%	92.4%	6.8ppts
Renewal rate	76.9%	77.1%	-0.2ppts	74.1%	71.3%	2.9ppts

¹² Tbilisi Referral Hospital¹³ Caucasus Medical Center