GEORGIA HEALTHCARE GROUP

The first quarter of 2017 results

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Name of authorised official of issuer responsible for making notification:
Ekaterina Shavgulidze, Head of Investor Relations

An investor/analyst conference call, organised by GHG, will be held on Monday, 8 May 2017, at 14:00 UK / 15:00 CET / 09:00 U.S Eastern Time. Please find below the dial ins:

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TABLE OF CONTENTS

Georgia Healthcare Group PLC ("**GHG**" or the "**Group**" – LSE: GHG LN), announces the Group's first quarter 2017 consolidated financial results. Unless otherwise mentioned, comparatives are for the first quarter of 2016. The results are based on International Financial Reporting Standards ("**IFRS**") as adopted in the European Union ("**EU**"), are unaudited and extracted from management accounts.

PERFORMANCE HIGHLIGHTS

GHG announces today the Group's 1Q17 consolidated results, reporting a profit of GEL 13.0 million (US$5.3 million/GBP 4.3 million) and earnings per share ("**EPS**") of GEL 0.07 (US$0.03 per share/GBP 0.02 per share).

GHG – *the leading integrated player in the Georgian healthcare ecosystem of GEL 3.4 billion aggregate value*

- Net profit was GEL 13.0 million (US$5.3 million / GBP 4.3 million), (up 8.4% y-o-y, up 11.9% q-o-q on a normalised basis[1])
- EPS was GEL 0.07 (US$0.03 / GBP 0.02 per share)
- Revenue was GEL 186.6 million (up 157.1% y-o-y, up 37.2% q-o-q)
- EBITDA was GEL 25.1 million (up 46.3% y-o-y, up 3.2% q-o-q)
- ROAE, normalised, was 11.2%[2]

Healthcare services – *the largest healthcare services provider in the fast-growing, predominantly privately-owned, Georgian healthcare services market*

- Revenue was GEL 66.5 million (up 10.1% y-o-y, which was fully organic; down 1.6% q-o-q)
- Gross profit was GEL 27.9 million (up 3.3% y-o-y, down 12.7% q-o-q)
- EBITDA was GEL 16.8 million (down 5.7% y-o-y, down 21.9% q-o-q)
- EBITDA margin was 25.3% (down 420 bps y-o-y, down 660 bps q-o-q)
  - *Our 1Q17 EBITDA and EBITDA margin were impacted and temporarily reduced by the negative operating leverage of the healthcare facilities and services that are in the roll-out phase as well as an increase in tariffs of utilities (mainly on gas and electricity) effective from the fourth quarter of 2016. The effect of the roll-outs on the healthcare services EBITDA margin was three percentage points, while the cost of utilities effect, together with the seasonality, was two percentage points. We expect the EBITDA margin to recover gradually to our targeted level, of c.30% by 2018.*
- Net profit was GEL 7.2 million (down 41.0% y-o-y, down 40.1% q-o-q on a normalised basis[1])

Pharma business – *the largest pharmaceutical retailer and wholesaler in Georgia*

- The consolidation of Pharmadepot results started from January 2017
- Revenue was GEL 111.4 million (up 96.9% q-o-q)
  - Retail revenue from GPC[3] was GEL 40.4 million (up 3.2% q-o-q)
- Gross profit was GEL 27.0 million (up 123.3% q-o-q)
- Gross margin was 24.2% (up 280 bps q-o-q)
- EBITDA was GEL 8.7 million (up 155.9% q-o-q)
- EBITDA margin was 7.8% (up 180 bps q-o-q)
- Net profit was GEL 7.0 million (up 307.8% q-o-q)

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[1] In 4Q16 the net profit was normalised and adjusted for one-off non-recurring loss due to the deferred tax adjustment (in the amount of GEL 5.3 million for GHG which resulted from the Group's healthcare services – GEL 4.3 million, medical insurance business – GEL 0.8 million and pharma business – GEL 0.2 million).
[2] Normalised ROAE is calculated as net profit for the period attributable to shareholders, divided by average equity attributable to shareholders for the same period net of unutilised portion of IPO proceeds.
[3] We disclose retail revenue only, as the wholesale revenue is distorted by intercompany sales and will not be comparative to prior periods.

Medical insurance business – *the largest medical insurance provider in Georgia*

- Net insurance premiums earned were GEL 14.0 million (up 1.0% y-o-y, down 14.4% q-o-q)
- Gross profit was GEL 1.2 million (up 25.2% y-o-y, down 6.4% q-o-q)
- Loss ratio was 84.6% (down 180 bps y-o-y, down 70 bps q-o-q)
- Expense ratio was 20.2% (up 10 bps y-o-y, up 20 bps q-o-q)
- Combined ratio was 104.8% (down 170 bps y-o-y, down 50 bps q-o-q)
- EBITDA was negative GEL 0.4 million
- Net loss was GEL 1.1 million

CHIEF EXECUTIVE OFFICER STATEMENT

Georgia Healthcare Group is in a significant business roll-out phase on a number of key strategic priorities and we continue to make strong progress in execution. Over the next few years in our healthcare services business, we aim to achieve one-third market share by hospital beds, invest to close existing medical service gaps, and deliver a rapid launch of ambulatory clinics in the highly fragmented and underpenetrated outpatient market. In pharma, our newest business area, we aim to achieve more than 30% market share by revenue whilst improving the EBITDA margin to more than 8%. During the first quarter of 2017, we have grown our operations in all areas of the Georgian healthcare ecosystem through a combination of organic growth and acquisitions, and I am pleased with our progress on each of the strategic priorities.

In the **healthcare services business**, we delivered double-digit organic revenue growth during the quarter, at the same time as continuing to invest significantly in our two Tbilisi hospital redevelopments projects - Sunstone and Deka - and modernisation programmes. The first phase of Sunstone opened in April 2017, two months ahead of schedule, and the 220 newly renovated beds are already enabling a population of over one million in east Tbilisi and in East Georgia to get access to significantly improved healthcare services closer to their home. The first phase of Deka, the diagnostics centre, was opened in the second half of 2016, and we expect to complete the full launch of Deka as a 320 bed multi-profile flagship hospital by the end of 2017.

We are continuing our programme of launching new medical services in our referral hospitals and in 2017 plan to launch over 60 new services across 14 different hospitals. During the first quarter alone, we completed the launch of 11 new services in 10 different referral hospitals, and in January 2017, our HTMC hospital successfully completed a bone marrow transplantation procedure, the first such procedure ever performed in Georgia.

In addition, we continue to make progress in the development of a nationwide chain of outpatient clinics to provide quality outpatient services to a much larger part of Georgia’s population and, at the end of the quarter, had 13 district ambulatory clinics and 28 express ambulatory clinics in operation.

In the **pharma business**, the Group completed the acquisition of the Pharmadepot chain of pharmacies in January 2017. Pharmadepot is the fourth largest pharma retailer in Georgia with 127 pharmacies, and the addition of this business to our existing GPC chain has made GHG the market leader in the pharma segment. We now have 245 pharmacies in a country-wide distribution network, which also includes 25 express ambulatory clinics.

Our key focus during the first quarter of 2017 has been to ensure the successful integration of the newly-acquired Pharmadepot business. This is proceeding smoothly and has already been completed in a number of key areas. In the first quarter, the pharma business averaged more than two million retail customer interactions each month, leveraging our c.500,000 loyalty card members, with a 29% market share measured by sales. Our launch of a bundled product for customers of our pharma and healthcare services business resulted in some 2,500 customers, who have not previously used our ambulatory clinics, being redirected from our pharmacies to our clinics, using over 4,700 outpatient services.

In addition, we have made significant progress in delivering anticipated synergies. We have already achieved GEL 3.9 million of annualised procurement synergies, resulting from the increased purchasing power of our combined healthcare services and pharma businesses. We have also eliminated GEL 0.5 million unnecessary costs on an annualised basis and we continue to ensure the further elimination of unnecessary costs from the integration of the pharma businesses. Thus, we are well on track to achieve the targeted cost synergies announced at the time of the acquisition and to hit the targeted EBITDA margin of over 8% in medium-term. Going forward, the strong performance of the combined pharma business will be an important growth opportunity for the Group and allow us to further diversify our earnings.

Our **medical insurance business** is starting to make progress towards stabilising its earnings, following the expiration of its loss-making contract with the Ministry of Defence in the first quarter of 2017. Both the expense ratio and loss ratio of the business improved slightly year-on-year, with the resulting combined ratio improving to 104.8% in the first quarter of 2017, compared to 106.5% a year ago. More importantly, we continue to improve the ratio of medical insurance claims retained within the Group. In the first quarter of 2017, 35.6% of medical expense claims were retained within the Group, and we expect this ratio to continue to increase as a result of our ambulatory clinic expansion strategy.

Revenues, at GEL 186.6 million for the quarter, increased by 157.1% supported in particular by the impact of the first-time consolidation of the Pharmadepot pharma business, as well as the double-digit organic revenue growth in the healthcare services business, where revenue increased to GEL 66.5 million. Group EBITDA was GEL 25.1 million in the first quarter, a 46.3% increase y-o-y, despite the additional expense of facilities and services roll-outs. The EBITDA margin of the healthcare services business was lower at 25.3% (due to the roll-outs and cost of utilities impact), whilst the pharma business EBITDA increased 155.9% q-o-q to GEL 8.7 million with the first-time consolidation of Pharmadepot together with extracted synergies, and its EBITDA margin increased by 180 basis points to 7.8% over the same period (closing in on our more than 8% target in medium-term).

The Group delivered a profit of GEL 13.0 million in the first quarter of 2017, an increase of 8.4% compared to the first quarter of last year. Here again, the strong performance from the pharma business offset the impact of the facilities and services roll-outs.

Throughout the business, we are on track to deliver on our key priorities and to more than double our 2015 healthcare services revenues by 2018 and seize the opportunities created by our newly acquired market leadership position in the Georgian pharmaceuticals market. We believe we remain well positioned to deliver another strong performance in 2017 and beyond.

Nikoloz Gamkrelidze, CEO of Georgia Healthcare Group PLC

DISCUSSION OF GROUP RESULTS

Georgia Healthcare Group PLC is the UK incorporated holding company of the largest integrated player in the fast-growing predominantly privately owned Georgia Healthcare ecosystem of GEL 3.4 billion aggregated value. GHG is comprised of three main business lines: healthcare services business (consisting of hospital business and ambulatory business), pharma business and medical insurance business.

***GHG is the single largest market participant in healthcare services**, accounting for 23.4% of total hospital bed capacity in the country, as of 31 March 2017(market share further increased up to 24.6% after launching the first phase of Sunstone hospital in April 2017, with 220 newly renovated beds). Our healthcare services business offers the most comprehensive range of inpatient and outpatient services targeting the mass market segment, through its vertically integrated network of hospitals and ambulatory clinics. We operate 35 hospitals with a total of 2,557 beds, including 15 referral hospitals with a total of 2,092 beds, which provide secondary or tertiary level healthcare services and 20 community hospitals with a total of 465 beds, which provide basic outpatient and inpatient healthcare services. We operate ten ambulatory clusters consisting of 13 district ambulatory clinics and 28 express ambulatory clinics that provide outpatient diagnostic and treatment services. These clinics are located in Tbilisi and major regional cities.*

***GHG is the largest pharmaceuticals retailer and wholesaler in Georgia**, with approximately 29% market share by revenue via 245 pharmacies throughout the country. We entered into the pharma business in 2016 and expanded in 2017, by purchasing the third and fourth largest pharmaceuticals retailers and wholesalers in Georgia, JSC GPC ("**GPC**") in May 2016 and JSC ABC Pharmacia ("**ABC**") in January 2017. ABC's business, which is the chain of pharmacies, operates under the brand name of **Pharmadepot**.*

***GHG is also the largest provider of medical insurance in Georgia** with a 35.3% market share based on 2016 net insurance premiums. We have a wide distribution network and offer a variety of medical insurance products primarily to the Georgian corporates and also to retail clients. We had approximately 135,000 insurance customers as at 31 March 2017.*

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Income statement, GHG consolidated

GEL thousands; unless otherwise noted	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Revenue, gross	**186,627**	**72,576**	**157.1%**	**136,031**	**37.2%**
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%
Revenue, net	**186,004**	**72,166**	**157.7%**	**135,241**	**37.5%**
Revenue from healthcare services	65,905	60,041	9.8%	66,814	-1.4%
Revenue from pharma	111,399	-	-	56,586	96.9%
Net insurance premiums earned	13,965	13,830	1.0%	16,312	-14.4%
Eliminations	(5,265)	(1,705)	208.8%	(4,471)	17.8%
Costs of services	**(129,926)**	**(44,151)**	**194.3%**	**(89,626)**	**45.0%**
Cost of healthcare services	(37,957)	(32,998)	15.0%	(34,802)	9.1%
Cost of pharma	(84,408)	-	-	(44,498)	89.7%
Cost of insurance services	(12,734)	(12,847)	-0.9%	(14,997)	-15.1%
Eliminations	5,173	1,694	205.4%	4,671	10.7%
Gross profit	**56,078**	**28,015**	**100.2%**	**45,615**	**22.9%**
Salaries and other employee benefits	(17,728)	(6,923)	156.1%	(12,757)	39.0%
General and administrative expenses	(13,352)	(3,202)	317.0%	(9,470)	41.0%
Impairment of receivables	(1,121)	(980)	14.4%	56	NMF
Other operating income	1,182	220	437.3%	845	39.9%
EBITDA	**25,059**	**17,129**	**46.3%**	**24,289**	**3.2%**
Depreciation and amortisation	(5,872)	(4,465)	31.5%	(5,316)	10.5%
Net interest expense	(7,119)	(1,656)	329.9%	(4,773)	49.2%
Net gains/(losses) from foreign currencies	2,778	(260)	NMF	(3,170)	NMF
Net non-recurring income/(expense)	(1,792)	1,968	NMF	1,982	NMF
Profit before income tax expense	**13,054**	**12,716**	**2.7%**	**13,012**	**0.3%**
Income tax benefit	(19)	(693)	NMF	(6,682)	NMF
of which: Deferred tax adjustments	-	-		*(5,319)*	
Profit for the period	**13,035**	**12,023**	**8.4%**	**6,330**	**105.9%**
Attributable to:					
- shareholders of the Company	8,832	9,921	-11.0%	5,401	63.5%
- non-controlling interests	4,203	2,102	100.0%	929	352.4%
of which: Deferred tax adjustments	-	-		*(516)*	

Revenue. We delivered record quarterly revenue of GEL 186.6 million, up 157.1% y-o-y and up 37.2% q-o-q. The y-o-y growth was driven by all business lines. Our 1Q17 results now fully reflect our pharma business, GPC and Pharmadepot acquired in and consolidated from May 2016 and January 2017 respectively. The healthcare services business was the next biggest contributor to the y-o-y revenue growth, with strong organic growth of 10.1% in 1Q17. While y-o-y growth of net insurance premiums earned only contributed slightly to Group revenue growth, the retention of medical insurance claims within the Group increased significantly to 35.6% from 14.2% a year ago. Q-o-q revenue growth was driven by the consolidation of the pharma business.

In the first quarter 2017, the revenue mix of the Group was well diversified across all three segments of the Georgian healthcare ecosystem: 35% of the Group's revenues came from the healthcare services business, 58% came from the pharma business and the remaining 7% came from the medical insurance business. This level of diversification was achieved through the Group's entrance and further expansion into the pharma business, which is funded largely out-of-pocket and therefore has helped the Group to further diversify its revenue by payment sources.

Gross Profit. In 1Q17, we continued our focus on extracting operating efficiencies and synergies Group-wide. As anticipated, our healthcare services business margins are temporarily reduced due to the launches of new healthcare facilities and services which are currently in their initial roll-out phase and the impact of higher utilities costs. We achieved growing gross profit margins in our pharma business and improved the loss ratio in our medical insurance business. The recent launches of two large hospitals in Tbilisi and a number of new services have reduced our healthcare services business gross margin, as expected. We expect the roll-out phase to last for 12-18 months. Meanwhile we continue working towards increasing the utilisation of our healthcare facilities, particularly through elective care services and realising further cost synergies in our medical disposables procurement as a result of consolidating the procurement with the pharma business. This process is ongoing and the costs savings are expected to be reflected throughout the year. Since the acquisition of the pharma business we have focused on implementing initiatives toward improving our margins, which is reflected in the strong improvement in the pharma business gross margin, up 280 bps q-o-q. Initiatives include improving pricing from pharmaceuticals manufacturers, improving the mix of products and offerings to increase the mix of higher revenue margin products and the introduction of higher-margin generic and contract manufactured products in our pharmacies. Our medical insurance business has also improved its margins by focusing on higher margin revenues and optimising the cost base, which has resulted in an improved loss ratio of 84.6%, down from 86.4% a year ago. We remain on track to improve the loss ratio to our targeted level of under 80%.

EBITDA. We reported record EBITDA of GEL 25.1 million (up 46.3% y-o-y and up 3.2% q-o-q). The EBITDA margin for healthcare services business was 25.3% in 1Q17, compared to 29.5% in 1Q16 and 31.9% in 4Q16. Temporary reduction in EBITDA margin was due to the roll-outs explained above, as well as increase in tariffs of utilities on the back of winter season. We expect the healthcare services business margins to rebound gradually, and we continue to expect c.30% EBITDA margin in 2018. The healthcare services business was the main contributor to the Group's 1Q17 EBITDA, contributing 67.1% in total. The pharma business brought GEL 8.7 million EBITDA to the Group in 1Q17, improving the pharma business EBITDA margin to 7.8%, from 6.0% in 4Q16 and we are on track to deliver our goal of more than 8% EBITDA margin in the pharma business. For a more detailed discussion of the main factors driving our EBITDA performance, see the discussion of the segments on pages 12-21.

Profit. The Group's profit totaled GEL 13.0 million (up 8.4% y-o-y and up 105.9% q-o-q; up 11.9% q-o-q on a normalised basis) – healthcare services was main driver contributing GEL 7.2 million, followed by pharma business which contributed GEL 7.0 million. Our profit was partially offset by the loss of GEL 1.1 million reported by the medical insurance business.

Depreciation and amortisation. The Group continued sizeable development projects throughout the year and actively invested in healthcare facilities as well as consolidating the pharma business entities was reflected in the y-o-y growth of depreciation and amortisation, which were up by 31.5%. The q-o-q increase is fully attributable to consolidating Pharmadepot's results since January 2017.

Financing costs. The increase in interest expense is due to three main factors: 1) *Lower base in 2016.* At the end of 2015 and the beginning of 2016, the Group prepaid local banks debt to utilise the available cash post-IPO, subsequently realising significant savings in interest expense throughout 2016. From the second quarter of 2016 and in the first quarter of 2017 the Group sourced longer-term and less expensive funding from both local commercial banks and Development Financial Institutions ("**DFIs**") and utilised funds on the development of healthcare facilities; 2) At the beginning of 2017, the Group raised GEL 33.0 million from a local commercial bank, to pay the first tranche of consideration payable for the

Pharmadepot acquisition. The increased debt in 1Q17 has resulted in increased interest expense; and 3) Recognised interest expense of GEL 0.4 million, due to unwinding of a discount resulting from remaining consideration payable, in the amount of US$13.0 million to Pharmadepot's former selling shareholders as part of total purchase price, payment of which will be carried out over the next five years. Discounted present value accounting is an IFRS requirement and does not result in actual cash outflow on interest.

Foreign currency exposure. Foreign currency gains are mainly attributable to the pharma business, and resulted from the decrease in the GEL value of Dollar and EUR denominated payables to suppliers as a result of the appreciation of GEL by the end of 1Q17. Additionally, the Group recorded a gain on revaluation of the remaining consideration payable to Pharmadepot's former selling shareholders (US$13.0 million) described above.

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Selected balance sheet items, GHG consolidated

GEL thousands; unless otherwise noted	31-Mar-17	31-Mar-16	Change, Y-o-Y	31-Dec-16	Change, Q-o-Q
Total assets, of which:	**1,109,533**	**737,815**	**50.4%**	**912,563**	**21.6%**
Cash and bank deposits	100,229	65,404	53.2%	47,115	112.7%
Receivables from healthcare services	90,142	73,750	22.2%	81,927	10.0%
Receivables from sale of pharmaceuticals	15,499	-	-	5,105	203.6%
Insurance premiums receivable	29,773	39,043	-23.7%	24,207	23.0%
Property and equipment	608,429	487,641	24.8%	574,972	5.8%
Goodwill and other intangible assets	118,781	26,171	353.9%	70,339	68.9%
Inventory	96,750	14,302	576.5%	54,920	76.2%
Prepayments	35,799	14,648	144.4%	30,518	17.3%
Other assets	14,131	16,856	-16.2%	23,460	-39.8%
Total liabilities, of which:	**588,612**	**261,819**	**124.8%**	**370,531**	**58.9%**
Borrowed funds	321,091	99,856	221.6%	223,581	43.6%
Accounts payable	94,125	37,365	151.9%	64,367	46.2%
Insurance contract liabilities	28,013	36,935	-24.2%	26,787	4.6%
Other liabilities	145,383	87,663	65.8%	55,796	160.6%
Total shareholders' equity attributable to:	**520,921**	**475,996**	**9.4%**	**542,032**	**-3.9%**
Shareholders of the Company	*463,369*	*428,805*	*8.1%*	*485,888*	*-4.6%*
Non-controlling interest	*57,552*	*47,191*	*22.0%*	*56,144*	*2.5%*

Our balance sheet increased substantially over the last twelve months to GEL 1,109.5 million as at 31 March 2017. The growth of total assets by 50.4% y-o-y was largely driven by a 24.8% increase in property and equipment reflecting investments in the renovation of hospitals, roll-out of ambulatory clinics and the consolidation of the pharma business, as a result of the two acquisitions completed in May 2016 and in January 2017.

- The higher level of cash and bank deposits at the end of 1Q17 reflects the receipt of DFI funding of GEL 61.0 million, which will be utilised in the upcoming period for the capex pipeline.
- The pharma businesses consolidation primarily affected inventories and goodwill. Out of the GEL 96.8 million inventory balance at the end of 1Q17, GEL 82.3 million was attributable to the pharma business.
- Borrowed funds have increased y-o-y as a result of the drivers explained above.
- The y-o-y increase in accounts payable is also attributable to consolidating the pharma business. Out of the GEL 94.1 million accounts payable balance, GEL 63.4 million relates to the pharma business.

As part of the Pharmadepot acquisition contract, the selling shareholders have a put option to sell their remaining 33% stake in combined pharma business to GHG during the period from 1 January 2023 to 31 December 2023. In accordance with IFRS requirements, the Group recognised GEL 55.0 million (present value) liability to purchase remaining 33% shares - included in other liabilities caption, resulting in an increase in the balance as at 31 March 2017. Non-controlling interest arising from consolidated pharma business, GEL 22.0 million, was fully de-recognised in accordance with IFRS requirements. The difference between the redemption liability GEL 55.0 million and non-controlling interest GEL 22.0 million was debited to equity, resulting in reduction of equity through other reserves by GEL 33.0 million.

Operating performance highlights and notable developments in 1Q17, GHG:

- **In January 2017, GHG completed its second acquisition in the pharma business. As a result, GHG became the largest pharma player in Georgia, with c.29% market share of the GEL 1.3 billion market.** Currently, we are in the process of integrating and consolidating the operations of Pharmadepot and GPC, and the process is firmly on track.

  These two acquisitions underpin our expansion strategy and further consolidate GHG's position as the leading, fully integrated, player in the Georgian healthcare ecosystem of GEL 3.4 billion aggregate value. Our pharma business is the largest retailer in the country, with over two million customer interactions per month in over 240 pharmacies. Being the leader in the Georgian retail pharma market strengthens GHG's position as the major purchaser of pharmaceutical products in Georgia, and provides a platform which offers significant cost and revenue synergy potential.

- In 1Q17 GHG further strengthened the Group management structure. The Group expanded its Risk Management function and combined the Group's Information Technology (**"IT"**) and Risk Management under the newly created executive position of Deputy CEO in charge of Risks and IT. Mr. **David Vakhtangishvili**, the Group's former CFO, has been appointed to this position. The newly created Risk Management department is a key area that we want to focus on, given the increasing size of the Group's operations. This, together with IT development, will be central to bringing GHG to the next stage of its development. Mr. **Irakli Gogia**, the Chief Operating Officer of the Group, has also been appointed as Chief Financial Officer (CFO) of the Group, combining the two functions - Finance and Operations (Deputy CEO in charge of Finance and Operations).
  - Investing in information systems will be one of our main priorities in 2017 and beyond to identify ways in which we can provide better service to our patients and customers. In 2016 we successfully rolled-out an integrated Enterprise Resource Planning system and a new core operating system involving the functions of billing, registration, human resource management and payroll. We plan to increase IT focus over the next few years, as we believe that superior IT competencies will be key to our success as we take GHG to the next level of developing the provision of integrated services across the whole patient pathway.

DISCUSSION OF SEGMENT RESULTS

The segment results discussion is presented for the healthcare services, pharma and medical insurance businesses.

Discussion of Healthcare Services Business Results

Our healthcare services business consists of hospitals and ambulatory clinics and provides the most comprehensive range of inpatient and outpatient services in Georgia. We target the mass market segment through our vertically integrated network of 35 hospitals and 10 ambulatory clusters, as at 31 March 2017.

Income Statement, healthcare services business

GEL thousands; unless otherwise noted	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
Healthcare service revenue, gross	**66,528**	**60,451**	**10.1%**	**67,604**	**-1.6%**
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%
Healthcare services revenue, net	**65,905**	**60,041**	**9.8%**	**66,814**	**-1.4%**
Costs of healthcare services	**(37,957)**	**(32,998)**	**15.0%**	**(34,802)**	**9.1%**
Gross profit	**27,948**	**27,043**	**3.3%**	**32,012**	**-12.7%**
Salaries and other employee benefits	(7,179)	(6,115)	17.4%	(6,676)	7.5%
General and administrative expenses	(4,082)	(2,483)	64.4%	(4,212)	-3.1%
Impairment of receivables	(980)	(858)	14.2%	145	NMF
Other operating income	1,112	241	361.4%	269	313.4%
EBITDA	**16,819**	**17,828**	**-5.7%**	**21,538**	**-21.9%**
EBITDA margin	***25.3%***	***29.5%***		***31.9%***	
Depreciation and amortisation	(4,939)	(4,261)	15.9%	(5,292)	-6.7%
Net interest income (expense)	(4,116)	(2,259)	82.2%	(3,815)	7.9%
Net gains/(losses) from foreign currencies	695	(411)	NMF	(2,053)	NMF
Net non-recurring income/(expense)	(1,276)	1,968	NMF	2,704	NMF
Profit before income tax expense	**7,183**	**12,865**	**-44.2%**	**13,082**	**-45.1%**
Income tax benefit/(expense)	(11)	(712)	NMF	(5,439)	-99.8%
of which: Deferred tax adjustments	-	-		*(4,321)*	
Profit for the period	**7,172**	**12,153**	**-41.0%**	**7,643**	**-6.2%**
Attributable to:					
- shareholders of the Company	5,764	10,051	-42.7%	6,714	-14.1%
- non-controlling interests	1,408	2,102	-33.0%	929	51.6%
of which: Deferred tax adjustments	-	-		*(516)*	

Healthcare services business revenue

Our healthcare services business recorded quarterly revenue of GEL 66.5 million (up 10.1% y-o-y and down 1.6% q-o-q). The healthcare services business sustained strong organic growth momentum, which was 10.1% y-o-y, despite the high revenue base in 1Q16 due to a flu virus epidemic trend that was observed in February and March 2016. The slight decrease in quarterly revenue was primarily due to a seasonally strong 4Q compared to 1Q.

Revenue by types of healthcare facilities

(GEL thousands, unless otherwise noted)	1Q17	1Q16	Change, Y-o-Y	4Q16	Change, Q-o-Q
Healthcare services revenue, net	**65,905**	**60,041**	**9.8%**	**66,814**	**-1.4%**
Referral hospitals	56,626	52,026	8.8%	58,020	-2.4%
Community hospitals	5,661	5,920	-4.4%	5,363	5.6%
Ambulatory clinics	3,618	2,095	72.7%	3,430	5.5%

The largest driver of the y-o-y growth in our healthcare services revenue was revenue from referral hospitals. Revenues from the ambulatory clinics posted strong growth since 1Q16, which was a result of the ongoing roll-out of clinics countrywide.

The y-o-y increase in revenue from referral hospitals was fully organic, which was in turn driven by strong demand for our current services at our existing facilities, as well as the renovation of our facilities and the launch of new services**.** Our renovation projects and our new services are described below under “Operating performance highlights and notable developments in 1Q17, healthcare services business”. The slight q-o-q decrease in revenue from referral hospitals is fully attributable to the seasonally strong fourth quarter.

In 1Q17, referral hospitals contributed 86% to total revenue from healthcare services. We expect a significant portion of the future growth of our healthcare services revenue to come from referral hospitals, in line with our strategy to further invest in facilities and to develop new, high-quality medical services in Georgia, particularly focusing on elective care, to cover existing service gaps. GHG’s current market share in elective care treatments is only c.15%, compared to urgent service treatments where we have approximately 30% market share. By launching a number of elective care services which are not currently present at our healthcare facilities, such as ophthalmology and maternity, we aim to further increase our market share whilst focusing on improving the quality of care throughout the country.

Community hospitals revenue remained largely flat in both, y-o-y and q-o-q. Community hospitals play a feeder role for the referral hospitals, so we expect their revenue growth to be slower compared to the growth of referral hospital revenue. In 1Q17, community hospitals contributed 9% to total revenue from healthcare services.

The EBITDA margin for our hospitals (referral and community) in 1Q17 was 25.9% compared to 30.0% in 1Q16, due to the roll-outs of new facilities and services and increased tariffs on utilities together with the seasonality.

Ambulatory clinics revenue growth continues to be driven by the rapid launch of ambulatory clusters, in line with our strategy to enter this highly-fragmented segment of the healthcare ecosystem in Georgia and become the largest ambulatory provider in Georgia. Since May 2016 we have opened six ambulatory clusters, in line with our initial plan, two of which were opened by the end of 2016. Currently we operate with 10 ambulatory clusters consisting of 13 district ambulatory clinics and 28 express ambulatory clinics. Express ambulatory clinics are mostly integrated into our pharmacies and play a facilitating role for our pharma and ambulatory patients. We expect growth in revenue from ambulatory clinics to accelerate over the next few years, in line with our strategy to increase the number of ambulatory clusters and clinics from today’s level, to more than 15 and 40 respectively by the end of 2018. In 1Q17, ambulatory clinics contributed 5% to total revenue from healthcare services, compared to 3% in 2016. Due to the new ambulatory clinics roll-outs, the EBITDA margin stood at 14.2% in 1Q17 compared to 28.0% in 1Q16.

Revenue by sources of payment

(GEL thousands, unless otherwise noted)	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Healthcare services revenue, net	**65,905**	**60,041**	**9.8%**	**66,814**	**-1.4%**
Government-funded healthcare programs	45,831	45,377	1.0%	47,262	-3.0%
Out-of-pocket payments by patients	15,228	11,426	33.3%	14,189	7.3%
Private medical insurance companies, *of which*	4,846	3,238	49.7%	5,363	-9.6%
GHG medical insurance	*2,693*	*1,694*	*59.0%*	*3,114*	*-13.5%*

The Universal Healthcare Programme (“**UHC**”) continued to be the main contributor to our healthcare services revenue in 1Q17, up by 1.0% y-o-y. Since the full roll-out of UHC in mid-2014, government expenditure on healthcare has grown considerably and is expected to be almost GEL 1 billion in 2017, compared to GEL 488 million in 2013, a year prior to the launch of UHC. This is expected to represent c.2.8% of GDP in 2017, still significantly below the 5% benchmark in peer countries.

Growth in out-of-pocket payments is driven by two main factors: the first is growth in a number of elective services provided which are partially or fully funded out-of-pocket. UHC imposes coverage limits on medical treatments, establishes co-payments and excludes certain charges. Any treatment costs in excess of the limits are covered by patients as co-payments on an out-of-pocket basis. With the increasing number of elective services, financed less by the state, the revenue from out-of-pocket payments by patients increases.

The second out-of-pocket revenue growth driver is the enhanced footprint of our ambulatory clinics, the revenue from which is primarily out-of-pocket, as the government provides minimal coverage for outpatient services. We expect the share of out-of-pocket payments and revenue from private medical insurance companies to increase over the next few years in line with our ambulatory clinics expansion strategy. Our investments in new service developments are also expected to support growth in revenue from out-of-pocket payments as the services that we develop include those not financed by the Government. At a healthcare services level, it is a priority for us to diversify the mix of payment sources contributing to our revenue, with the aim to decrease dependence on revenue from the Government, primarily UHC. Both the roll-out of outpatient services and the introduction of new services in hospitals not covered by UHC (e.g. IVF introduced earlier in 2016) will deliver this goal.

The y-o-y growth of revenue from private medical insurance companies also continues to be supported by the roll-out of the ambulatory clinics, which attract patients with private medical insurance. Our ambulatory clinics are brand new, modern and provide a diverse range of services in one location, unlike the majority of our competitors, and therefore are an attractive proposition for insured customers. Our own medical insurance clients have also increased the utilisation levels at our ambulatory clinics. Consequently, we retain significantly more outpatient claims from our medical insurance business within the Group. The retention stood at 39.0% in 1Q17, up from 33.8% in 1Q16. The q-o-q revenue decrease from medical insurance is attributable to a seasonally strong 4Q, as well as the expiration of the loss-making contract with the Ministry of Defence ("**MOD**"). For more details regarding the MOD contract, please refer to medical insurance business discussion on page 20.

Gross profit, healthcare services business

(GEL thousands, unless otherwise noted)	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Cost of healthcare services	**(37,957)**	**(32,998)**	**15.0%**	**(34,802)**	**9.1%**
Cost of salaries and other employee benefits	(23,095)	(19,752)	16.9%	(21,042)	9.8%
Cost of materials and supplies	(10,647)	(9,613)	10.8%	(10,616)	0.3%
Cost of medical service providers	(372)	(428)	-13.1%	(550)	-32.4%
Cost of utilities and other	(3,843)	(3,205)	19.9%	(2,594)	48.1%
Gross profit	**27,948**	**27,043**	**3.3%**	**32,012**	**-12.7%**
Gross margin	**42.0%**	**44.7%**		**47.4%**	
Cost of healthcare services as % of revenue					
Direct salary rate	34.7%	32.7%		31.1%	
Materials rate	16.0%	15.9%		15.7%	

The main cost drivers of our healthcare services business are the cost of salaries and other employee benefits and the cost of materials and supplies.

The growth in the cost of salaries and other employee benefits was mainly driven by the expansion of the hospital business, roll-out of new healthcare facilities and the launch of new services, some of which are in the early roll-out phase resulting in revenue generation lagging behind the respective salary expense growth. As a result, the share of the cost of salaries and other employee benefits in the total cost of services increased slightly to 60.8% in 1Q17, from 59.9% in 1Q16 and 60.5% in 4Q16. The direct salary rate in the healthcare services business (expense on direct salaries as a percentage of gross revenue) increased to 34.7% in 1Q17, up from 32.7% a year ago. After the ramp-up phase of the newly launched healthcare facilities and services is completed, we expect a normalisation of the direct salaries rate.

The cost of materials and supplies was well controlled, reflecting the benefits of consolidated purchasing power following the acquisition of the pharma business, and grew almost in line with revenue growth on y-o-y basis. The materials rate remained almost flat y-o-y as well as q-o-q, despite the GEL devaluation in January and February 2017.

The increase in the cost of utilities in is partially due to some increase in tariffs in the country effective from 4Q16. Apart from increased tariffs, the q-o-q increase in the cost of utilities is attributable to seasonality which had a negative effect on our EBITDA margin two percentage points, while y-o-y change is also due to the increased size of the business.

Despite the pressure on the healthcare services business gross profit margin due to the roll-out of new healthcare facilities and services, gross profit reached GEL 27.9 million in 1Q17, up 3.3% y-o-y and down 12.7% q-o-q. Gross profit margin was 42.0%, down by 270 bps y-o-y.

EBITDA, healthcare services business

(GEL thousands, unless otherwise noted)	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Operating expenses	**(11,129)**	**(9,215)**	**20.8%**	**(10,474)**	**6.3%**
Salaries and other employee benefits	(7,179)	(6,115)	17.4%	(6,676)	7.5%
General and administrative expenses	(4,082)	(2,483)	64.4%	(4,212)	-3.1%
Impairment of receivables	(980)	(858)	NMF	145	NMF
Other operating income	1,112	241	361.4%	269	313.4%
EBITDA	**16,819**	**17,828**	**-5.7%**	**21,538**	**-21.9%**
EBITDA margin	***25.3%***	***29.5%***		***31.9%***	

Primarily driven by the expansion of the business as well as new openings, operating expenses increased by 20.8% in 1Q17, compared to the same period last year, and increased by 6.3% over 4Q16.

The increase in administrative salaries compared to previous year, is mainly attributable to: 1) overall expansion of the business and roll-out of the new healthcare facilities; and 2) an increase cost of share based compensation for our employees at managerial positions and introducing a new share scheme to our key doctors, to attract, motivate and retain talent.

The y-o-y increase in general and administrative expenses by 64.4% was primarily driven by the following factors: 1) rental costs of the newly launched ambulatory clinics. Since 1Q16 we have launched six new ambulatory clusters; and 2) the increased marketing activity alongside the roll-out of our ambulatory clinics, compared to a low base of marketing activity in the first quarter of last year.

We reported quarterly EBITDA of GEL 16.8 million, down 5.7% y-o-y and down 21.9% q-o-q. The roll-out of new healthcare facilities and services as well as increased cost of utilities described above, temporarily decreased our healthcare services business EBITDA margin to 25.3% for 1Q17. The effect of the roll-outs on healthcare services EBITDA margin was negative three percentage points, while increased cost of utilities negative effect was two percentage points. We expect our healthcare services EBITDA margin to rebound gradually up to our initial target, to c.30% by 2018.

Profit for the period, healthcare services business

(GEL thousands, unless otherwise noted)	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Depreciation and amortisation	(4,939)	(4,261)	15.9%	(5,292)	-6.7%
Net interest income (expense)	(4,116)	(2,259)	82.2%	(3,815)	7.9%
Net gains/(losses) from foreign currencies	695	(411)	NMF	(2,053)	NMF
Net non-recurring income/(expense)	(1,276)	1,968	NMF	2,704	NMF
Profit before income tax expense	**7,183**	**12,865**	**-44.2%**	**13,082**	**-45.1%**
Income tax benefit/(expense)	(11)	(712)	-98.5%	(5,439)	-99.8%
of which: Deferred tax adjustments	-	-		*(4,321)*	
Profit for the period	**7,172**	**12,153**	**-41.0%**	**7,643**	**-6.2%**
Attributable to:					
- shareholders of the Company	5,764	10,051	-42.7%	6,714	-14.1%
- non-controlling interests	1,408	2,102	-33.0%	929	51.6%
of which: Deferred tax adjustments	-	-		*(516)*	

The y-o-y increase in depreciation expense in 1Q17 is a result of the increased asset base from our expansion and the associated capex. The increase in net interest expense reflects the increase in our borrowing levels as explained earlier in this report, on page 9.

The relatively weak seasonal first quarter compared to strong seasonal fourth quarter by nature as well as pressures on margins from the newly launched healthcare facilities and services and higher expense on the increased levels of borrowings, translated into a profit of GEL 7.2 million in 1Q17, down 41.0% y-o-y and down 6.2% q-o-q.

Operating performance highlights and notable developments in 1Q17, healthcare services business

- Continuing its efforts to make its healthcare spending more efficient, the Government adopted a new regulation, effective May 2017, implementing UHC coverage eligibility for citizens based on their income level, contrary to the previous approach which did not differentiate between citizens with different income levels. Citizens with income of: 1) below GEL 1,000 per month will continue to receive the same coverage by UHC, with reimbursement of their healthcare service needs and introducing certain medicines for those, who are at certain level of poverty; 2) between GEL 1,000 per month but below GEL 40,000 annually are partially covered by UHC with co-payments – this is close to the coverage they received previously; and 3) more than GEL 40,000 annually are excluded from UHC coverage. We expect the implementation of this change to have a positive effect on medical insurance business.

- The Government has also introduced, effective from May 2017, a revised reimbursement mechanism relating to the provision of intensive care, reducing UHC reimbursement for these services. Whilst it is too early to be precise with regards to the exact impact, our initial estimate is that the revised level of reimbursement could reduce revenues by approximately GEL 3-4 million in 2017.

- Our healthcare services market share by number of beds was 23.4% as of 31 March 2017. The market share increased further in April 2017 up to 24.6% as a result of launching the first phase of Sunstone hospital described below.
- Our hospital bed occupancy rate[4] was 60.5% in 1Q17 (60.4% in 1Q16, 57.6% in 4Q16).
    - Our referral hospital bed occupancy rate was 68.1% in 1Q17 (66.7% in 1Q16, 65.3% in 4Q16).
- The average length of stay[5] was 5.3 days in 1Q17 (4.9 in 1Q16, 5.0 in 4Q16).
    - The average length of stay at referral hospitals was 5.6 days in 1Q17 (5.2 days in 1Q16, 5.2 days in 4Q16)
- During 1Q17, we continued to invest in the development of our healthcare facilities. We spent a total of GEL 20.5 million on capital expenditures, primarily on the extensive renovations of Deka and Sunstone hospitals, as well as enhancing our service mix and introducing new services to cater to previously unmet patient needs. Of this, maintenance capex was GEL 2.6 million.
    - We continued the process of launching new services at our referral hospitals. This includes services like paediatrics, neonatology, diagnostics, ophthalmology, mammography and breast surgery, gynaecology, cardio-surgery, traumatology, angio-surgery, intensive care and reproductive services. More sophisticated services we launch include: oncology, transplantation of bone marrow and paediatric kidney transplant. In total, during 1Q17, we have launched 11 new services in 10 different referral hospitals. In 2017 as a whole we plan to launch more than 60 new services in 14 hospitals.
    - In January 2017, for the first time in Georgia, we conducted transplantation of bone marrow in HTMC hospital in Tbilisi. The transplantation was for autologous bone marrow and the operation was conducted by a joint effort of Georgian and Israeli physicians. Prior to launching the service, key specialists from the local team were trained in Israel. With the support of colleagues from abroad, further training is currently ongoing at HTMC hospital, as part of our Continuous Medical Education programme.
  - The renovation of the first phase of Sunstone (c.332 beds) was completed two months ahead of the initial schedule, within budget and in April 2017 we opened the hospital with 220 newly renovated beds. The hospital will serve as a third level referral hospital for the Eastern Tbilisi population and will become East Georgia's main referral centre, covering more than 300,000 citizens. It will provide high level acute and elective paediatric and adult healthcare services including: maternity, neonatology, neurology, cardiology, cardio surgery and general surgery. The full launch of the 332-bed Sunstone hospital is planned by the end of this year, in line with the expected increase in demand. *Sunstone was acquired in May 2014 with a view to transform this previously under-developed, Soviet-era hospital. We started renovations in January 2016.*
  - The renovation and full launch of Deka (c.320 beds) is on budget and on target for completion by year-end according to the revised (slightly delayed) schedule announced in February. In August 2016, we opened Deka's

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[4] This calculation excludes emergency beds
[5] This calculation excludes data for the emergency department

diagnostic centre, which is one of the largest in Tbilisi. The opening of the diagnostic centre was the first step toward developing Deka into a flagship multi-profile hospital in Georgia.

- We also expanded the number of specialties offered in our residency programme in line with our strategy to develop a new generation of doctors. We obtained accreditation in an additional seven specialties bringing the total number of specialties to 20. This increased the total number of slots for admission to the programme by 65 residents, bringing the total number of slots for admission to 234 residents. For 2017, we announced 110 slots for admission and received more than 400 applications from 295 prospective residents. To incentivise and support top talent's enrollment in our residency programme, we offer grants, student loans and employment after graduating from our residency programme.
- The cardiac surgery department at Iashvili Paediatric Tertiary Referral Hospital has signed a cooperation memorandum with one of the leading hospitals in Italy "Bambino Gesu" and with Chinese hospital "Hebei Provincial Children's Hospital". According to the memorandum, colleagues from Italy and China will conduct training programmes for our physicians in one of the most critical fields – children's cardiac surgery. We are always proud to announce such cooperation, as it enables us to improve the qualification of our physicians and respective operations, resulting in improved quality of care at our hospitals and further development of our services.

Discussion of Pharma Business Results

We entered the pharma business in 2016 and expanded further in 2017 through the acquisition of third and fourth largest pharma retailers and wholesalers in Georgia, GPC in May 2016 and Pharmadepot in January 2017. Our results of operations for 4Q16 include only GPC results, which we have been consolidating since May 2016 and for 1Q17 include GPC's and Pharmadepot's combined results, consolidation of Pharmadepot started from January 2017. Our combined pharma business consists of retail and wholesale pharma distribution operations through 245 pharmacies. 25 of these pharmacies also have express ambulatory clinics. We have approximately over 2 million retail customer interactions per month in our pharmacies, with c.0.5 million loyalty card members. The number of our pharmacies located at our hospitals has now reached 24, up from four in May 2016.

Income Statement, pharma business

GEL thousands; unless otherwise noted	**1Q17**	**4Q16**	**Change, Q-o-Q**
Pharma revenue	**111,399**	**56,586**	**96.9%**
Costs of pharma	**(84,408)**	**(44,498)**	**89.7%**
Gross profit	**26,991**	**12,088**	**123.3%**
Salaries and other employee benefits	(9,616)	(4,561)	110.8%
General and administrative expenses	(8,762)	(4,678)	87.3%
Impairment of receivables	(28)	-	-
Other operating income	101	545	-81.5%
EBITDA	**8,686**	**3,394**	**155.9%**
EBITDA margin	***7.8%***	***6.0%***	
Depreciation and amortisation	(711)	202	NMF
Net interest income (expense)	(2,793)	(548)	409.7%
Net gains/(losses) from foreign currencies	2,095	(928)	NMF
Net non-recurring income/(expense)	(316)	(17)	NMF
Profit before income tax expense	**6,961**	**2,103**	**231.0%**
Income tax benefit/(expense)	(8)	(398)	NMF
Deferred tax adjustments	-	*(200)*	-
Profit for the period	**6,953**	**1,705**	**307.8%**
Attributable to:			
- shareholders of the Company	4,157	1,705	143.8%
- non-controlling interests	2,796	-	

From January 2017, we started the integration process of the two pharma companies and we are pleased to report that the process is going smoothly and is fully on track, resulting in a strong performance of the business.

The combined pharma business performed well in 1Q17, achieving strong quarterly revenue of GEL 111.4 million. The performance was partially attributable to strengthening the pharma management team, a new incentive plan in managerial positions of the pharma business and active marketing campaigns. The new incentive plan is built around sales and efficiency KPIs. Most of the new marketing campaigns have focused on sales initiatives. The revenue mix by sales channels was GEL 81.7 million (73.4% of total) from retail and GEL 29.7 million (26.6% of total) from wholesale. The share of para-pharmacies in retail revenue was 30.9%.

Cost of pharma (cost of goods sold) grew more slowly than revenue and was up 89.7% q-o-q compared to a 96.9% increase in revenue from the same period. This was partially a result of realising previously announced procurement synergies from volume rebates as the largest purchaser of pharmaceuticals in Georgia. After the acquisition of Pharmadepot and the strengthening of our position as the largest purchaser of pharmaceuticals in Georgia, we have continued renegotiations with manufacturers for additional discounts and already realised GEL 3.9 million procurement synergies on an annualised basis. We have also started the process of introducing higher-margin generic and contract manufactured products at our pharmacies. In 1Q17 we added four new contract manufactured and ten new generic products and the process to introduce more products will continue throughout the year.

This has resulted in a gross margin improvement to 24.2% in 1Q17, compared to 21.4% in 4Q16. More importantly, the retail gross margin increased from 22.1% in 4Q16, to 25.6% in 1Q17.

The increase in salaries and other employee benefits, up 110.8% q-o-q, is mainly attributable to consolidating Pharmadepot's results. Growth in general and administrative expenses was also slower than revenue growth, up 87.3% q-o-q, attributable to the fact that Pharmadepot has better rental cost and agreement terms for pharmacies than GPC. Our cost management initiatives also include the elimination of unnecessary costs, some of which have been delivered. The process is ongoing and we are on track to deliver all initially expected cost savings and revenue enhancement. We have rolled-out a number of initiatives, as outlined at the time of the acquisition, which have had a positive effect on the pharma business and are partially reflected in the 1Q17 performance.

Overall, the improved sales performance coupled with disciplined cost management has resulted in positive operating leverage of 12.7 percentage points q-o-q in our pharma business. This resulted in GEL 8.7 million EBITDA from our pharma business, which more than doubled after Pharmadepot's integration, while delivering an EBITDA margin of 7.8%, nearing our more than 8% target in medium-term.

The increase in interest expense is due to the allocation of the cost of funding incurred on the borrowings raised to pay the first tranches of the consideration payable for the acquisition of GPC and Pharmadepot.

Foreign currency exposure. The foreign currency gain is mainly due to the decrease in the GEL value of Dollar and EUR denominated payables to suppliers due to the appreciation of GEL towards the end of 1Q17. Additionally, the Group recorded a gain on revaluation of consideration payable to Pharmadepot's selling shareholders as part of total purchase price, which will be carried out over the next five years, in the amount of US$13.0 million.

The pharma business reported a net profit of GEL 7.0 million, more than tripling q-o-q. This demonstrates the benefits of the combination with Pharmadepot, and the effects of our optimisation and integration efforts which we expect will continue to be reflected in the full year results of 2017.

Operating highlights and notable developments in 1Q17, pharma business:

- After the acquisition of Pharmadepot we continued negotiations with manufacturers for additional discounts, as a result of the increased consolidated purchasing power of our healthcare services and pharma businesses. In 1Q17 we have already delivered GEL 3.9 million procurement synergies on an annualised basis out of expected GEL 7.9 million on an annualised basis in 2017, as it was our initial guidance.
- After the acquisition of Pharmadepot we have started to eliminate unnecessary costs. In 1Q17 we have eliminated GEL 0.5 million on an annualised basis and the process is ongoing. As it was our initial guidance, we expect the elimination of annualised GEL 3.9 million total unnecessary costs to be achieved out of this transaction.
- We also accelerated the procurement of medical disposables for our healthcare services business through our pharma business. In 1Q17, we had GEL 1.0 million in intercompany purchases, compared to GEL 0.6 million in 1Q16.
- In total, we operate a country-wide distribution network of 245 pharmacies in major cities, out of which two pharmacies were opened in 1Q17. 25 of these pharmacies also have express ambulatory clinics, and the number of our pharmacies located at our hospitals and clinics now totals 24.
- We launched a bundled product for the customers of our pharma and healthcare services businesses, to tap into c.500,000 GPC clients that have never previously utilised our ambulatory clinics. In 1Q17 c.2,500 unique customers, who have not used our ambulatory services before, were redirected from our pharmacies to our ambulatory clinics, using more than 4,700 outpatient services.
- In 1Q17, the pharma business had:
  - c.2 million retail customer interactions per month
  - c.0.5 million loyalty card members
  - Average bill size of GEL 13.6
  - 29% market share measured by sales
  - Total number of bills issued was 6.4 million

Discussion of Medical Insurance Business Results

Our medical insurance business consists of private medical insurance operations in Georgia, providing medical insurance products to corporate and retail clients. It is the largest provider of medical insurance in Georgia, with a 35.3% market share based on net insurance premiums earned as of 31 December 2016 and had approximately 135,000 insurance customers as at 31 March 2017. Our medical insurance business plays an important role in our business model, as it is a significant feeder for our healthcare services business, particularly for the ambulatory clinics, and we believe that role will grow in the future as we roll-out our ambulatory growth strategy.

Income Statement, medical insurance business

GEL thousands; unless otherwise noted	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Net insurance premiums earned	**13,965**	**13,830**	**1.0%**	**16,312**	**-14.4%**
Cost of insurance services	**(12,734)**	**(12,847)**	**-0.9%**	**(14,997)**	**-15.1%**
Gross profit	**1,231**	**983**	**25.2%**	**1,315**	**-6.4%**
Salaries and other employee benefits	(1,048)	(819)	28.0%	(1,320)	-20.6%
General and administrative expenses	(507)	(719)	-29.5%	(580)	-12.6%
Impairment of receivables	(113)	(122)	-7.4%	(89)	27.0%
Other operating income	(7)	(21)	NMF	31	NMF
EBITDA	**(444)**	**(699)**	**NMF**	**(643)**	**NMF**
EBITDA margin	***-3.2%***	***-5.1%***		***-3.9%***	
Depreciation and amortisation	(222)	(204)	8.8%	(226)	-1.8%
Net interest income (expense)	(210)	603	NMF	(242)	-13.2%
Net gains/(losses) from foreign currencies	(12)	151	-107.9%	(189)	-93.7%
Net non-recurring income/(expense)	(200)	-	NMF	(704)	NMF
Profit before income tax expense	**(1,088)**	**(149)**	**630.2%**	**(2,004)**	**-45.7%**
Income tax benefit/(expense)	-	19	-100.0%	(845)	NMF
Deferred tax adjustments	-	-	-	*(798)*	
(Loss) / Profit for the period	**(1,088)**	**(130)**	**736.9%**	**(2,849)**	**NMF**
Attributable to:					
- shareholders of the Company	(1,088)	(130)	736.9%	(2,849)	NMF
- non-controlling interests	-	-		-	

Medical insurance business revenue. In 1Q17, our medical insurance business contributed GEL 14.0 million to the Group's revenue, up 1.0% y-o-y and down 14.4% q-o-q.

Our medical insurance premiums earned were largely flat y-o-y. Excluding the effect of the MOD contract, renewal of existing contracts and new sales at adjusted prices that started from January 2016 are expected to have a gradual positive effect throughout the year. The q-o-q decrease in revenue is attributable to the expiration of the MOD contract. This contract had a high loss ratio from the time it was signed, and became even more unfavorable in May 2016, when MOD beneficiaries were excluded from UHC coverage. Therefore the contract was allowed to expire in January 2017.

Gross profit, medical insurance business

(GEL thousands, unless otherwise noted)	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Cost of insurance services	**(12,734)**	**(12,847)**	**-0.9%**	**(14,997)**	**-15.1%**
Net insurance claims incurred	(11,812)	(11,953)	-1.2%	(13,911)	-15.1%
Agents, brokers and employee commissions	(922)	(894)	3.1%	(1,086)	-15.1%
Gross profit	**1,231**	**983**	**25.2%**	**1,315**	**-6.4%**
Loss ratio	*84.6%*	*86.4%*		*85.3%*	

The decrease in cost of insurance services favourably outpaced the decrease in net insurance premiums earned. The exclusion of MOD contract losses from our medical insurance claims starting from February 2017, as well as our focus on efficiency improvements, were reflected in the improved loss ratio (net insurance claims divided by net insurance revenue) in 1Q17. The loss ratio decreased by 180 bps y-o-y and by 70 bps q-o-q, down to 84.6% in first quarter 2017. **In the**

absence of the MOD contract going forward, we expect a significant improvement in our loss ratio, increased efficiency and stabilisation of earnings in 2017.

To reduce the concentration risks associated with large corporate contracts, diversifying our insurance portfolio is one of the key targets for our medical insurance business. In 1Q17, we managed to reduce the concentration of our top five clients to 19.8%, down from 25.1% a year ago, measured by insurance revenue.

We also improved the level of medical insurance claims retained within the Group. In 1Q17, our medical insurance claims expense was GEL 11.8 million, of which GEL 4.9 million (41.6 % of total) was inpatient, GEL 4.1 million (34.7 % of total) was outpatient and GEL 2.8 million (23.7 % of total) accounted for drugs. In 1Q17, GEL 4.2 million, or 35.6 % (14.2% in 1Q16) of our total medical insurance claims were retained within the Group, of which GEL 2.4 million and GEL 1.8 million were, retained in the healthcare services and pharma businesses, respectively. The feeder role of our medical insurance business is particularly important for the Group's ambulatory services business. In 1Q17, GEL 1.6 million, or 39.0%, of our medical insurance claims on ambulatory clinics were retained within the Group, which represents an increase of 5.2 percentage points from 33.8 % y-o-y. With our recently launched ambulatory clinics and the ambulatory expansion strategy, the retention rate should improve further in the future, on a larger base, providing a significant revenue boost for our healthcare services business. In addition, following the expansion of our healthcare services business in referral hospitals in Tbilisi, where our medical insurance business has the highest concentration of its insured clients, more of our medical insurance customers will be utilising more of our hospitals. Our facilities are increasingly favoured by these customers over competitor facilities due to the better quality of service, access to one-stop-shop style ambulatory clinics and the ease of claim reimbursement procedures.

Gross profit recorded in 1Q17 was GEL 1.2 million up 25.2% y-o-y and down 6.4% q-o-q.

EBITDA, medical insurance business

(GEL thousands, unless otherwise noted)	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Operating expenses	**(1,675)**	**(1,681)**	**-0.4%**	**(1,958)**	**-14.5%**
Salaries and other employee benefits	(1,048)	(819)	28.0%	(1,320)	-20.6%
General and administrative expenses	(507)	(719)	-29.5%	(580)	-12.6%
Impairment of receivables	(113)	(122)	-7.4%	(89)	27.0%
Other operating income	(7)	(21)	NMF	31	NMF
EBITDA	**(444)**	**(699)**	**NMF**	**(643)**	**NMF**
Expense ratio	20.2%	20.1%		20.0%	
Combined ratio	104.8%	106.5%		105.3%	

The Group continues to optimise its operating expenses as a result of focused efficiency initiatives, with salaries and other employee benefits decreasing by 20.6% q-o-q. The decrease in general and administrative expenses by 12.6% q-o-q is a result of savings in rent expense due to a new head office, as well as decreasing administrative expenses due to re-negotiation of terms and conditions with different service providers. The full annualised impact of this efficiency exercise will be reflected in 2017.

Our medical insurance business is starting to make progress towards stabilising its earnings by decreasing the loss ratio. We expect this to continue to improve and for our medical insurance business to reach its 2018 targets of a loss ratio less than 80% and c.14% expense ratio (excluding commissions). Our medical insurance business recorded GEL 0.4 million negative EBITDA, compared to the negative EBITDA of GEL 0.7 million and GEL 0.6 million recorded in 1Q16 and in 4Q16 respectively.

Operating highlights and notable developments in 1Q17, medical insurance business

- The number of insured clients was 135,000 as at 31 March 2017
- Our medical insurance market share was 35.3% based on net insurance premium revenue, as at 31 December 2016
- Our insurance renewal rate was 77.3% in 1Q17

SELECTED FINANCIAL INFORMATION

Income Statement, ***Quarterly***	**Healthcare services**					**Pharma**			**Medical insurance**					**Eliminations**			**GHG**				
GEL thousands; unless otherwise noted	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**	**1Q17**	**4Q16**	**Change, Q-o-Q**	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**	**1Q17**	**1Q16**	**4Q16**	**1Q17**	**1Q16**	**Change, Y-o-Y**	**4Q16**	**Change, Q-o-Q**
Revenue, gross	**66,528**	**60,451**	**10.1%**	**67,604**	**-1.6%**	**111,399**	**56,586**	**96.9%**	**13,965**	**13,830**	**1.0%**	**16,312**	**-14.4%**	**(5,265)**	**(1,705)**	**(4,471)**	**186,627**	**72,576**	**157.1%**	**136,031**	**37.2%**
Corrections & rebates	(623)	(410)	52.0%	(790)	-21.1%	-	-	-	-	-	-	-	-	-	-	-	(623)	(410)	52.0%	(790)	-21.1%
Revenue, net	**65,905**	**60,041**	**9.8%**	**66,814**	**-1.4%**	**111,399**	**56,586**	**96.9%**	**13,965**	**13,830**	**1.0%**	**16,312**	**-14.4%**	**(5,265)**	**(1,705)**	**(4,471)**	**186,004**	**72,166**	**157.7%**	**135,241**	**37.5%**
Costs of services	**(37,957)**	**(32,998)**	**15.0%**	**(34,802)**	**9.1%**	**(84,408)**	**(44,498)**	**89.7%**	**(12,734)**	**(12,847)**	**-0.9%**	**(14,997)**	**-15.1%**	**5,173**	**1,694**	**4,671**	**(129,926)**	**(44,151)**	**194.3%**	**(89,626)**	**45.0%**
Cost of salaries and other employee benefits	(23,095)	(19,752)	16.9%	(21,042)	9.8%	-	-	-	-	-	-	-	-	855	565	1,534	(22,240)	(19,187)	15.9%	(19,508)	14.0%
Cost of materials and supplies	(10,647)	(9,613)	10.8%	(10,616)	0.3%	-	-	-	-	-	-	-	-	1,363	275	761	(9,284)	(9,338)	-0.6%	(9,855)	-5.8%
Cost of medical service providers	(372)	(428)	-13.1%	(550)	-32.4%	-	-	-	-	-	-	-	-	14	12	39	(358)	(416)	-13.9%	(511)	-29.9%
Cost of utilities and other	(3,843)	(3,205)	19.9%	(2,594)	48.1%	-	-	-	-	-	-	-	-	142	92	189	(3,701)	(3,113)	18.9%	(2,405)	53.9%
Net insurance claims incurred	-	-	-	-	-	-	-	-	(11,812)	(11,953)	-1.2%	(13,911)	-15.1%	2,799	750	2,148	(9,013)	(11,203)	-19.5%	(11,763)	-23.4%
Agents, brokers and employee commissions	-	-	-	-	-	-	-	-	(922)	(894)	3.1%	(1,086)	-15.1%	-	-	-	(922)	(894)	3.1%	(1,086)	-15.1%
Cost of pharma - wholesale	-	-	-	-	-	(22,496)	(13,700)	64.2%	-	-	-	-	-	-	-	-	(22,496)	-	-	(13,700)	64.2%
Cost of pharma - retail	-	-	-	-	-	(61,912)	(30,797)	101.0%	-	-	-	-	-	-	-	-	(61,912)	-	-	(30,797)	101.0%
Gross profit	**27,948**	**27,043**	**3.3%**	**32,012**	**-12.7%**	**26,991**	**12,088**	**123.3%**	**1,231**	**983**	**25.2%**	**1,315**	**-6.4%**	**(92)**	**(11)**	**200**	**56,078**	**28,015**	**100.2%**	**45,615**	**22.9%**
Salaries and other employee benefits	(7,179)	(6,115)	17.4%	(6,676)	7.5%	(9,616)	(4,561)	110.8%	(1,048)	(819)	28.0%	(1,320)	-20.6%	116	11	(200)	(17,728)	(6,923)	156.1%	(12,757)	39.0%
General and administrative expenses	(4,082)	(2,483)	64.4%	(4,212)	-3.1%	(8,762)	(4,678)	87.3%	(507)	(719)	-29.5%	(580)	-12.6%	-	-	-	(13,352)	(3,202)	317.0%	(9,470)	41.0%
Impairment of other receivables	(980)	(858)	14.2%	145	NMF	(28)	-	-	(113)	(122)	-7.4%	(89)	27.0%	-	-	-	(1,121)	(980)	14.4%	56	NMF
Other operating income	1,112	241	361.4%	269	313.4%	101	545	-81.5%	(7)	(21)	-66.7%	31	NMF	(24)	-	-	1,182	220	437.3%	845	39.9%
EBITDA	**16,819**	**17,828**	**-5.7%**	**21,538**	**-21.9%**	**8,686**	**3,394**	**155.9%**	**(444)**	**(698)**	**-36.4%**	**(643)**	**-30.9%**	**-**	**-**	**-**	**25,059**	**17,129**	**46.3%**	**24,289**	**3.2%**
EBITDA margin	***25.3%***	***29.5%***		***31.9%***		***7.8%***	***6.0%***	-	***-3.2%***	***-5.0%***		***-3.9%***		-	-	-	***13.4%***	***23.6%***		***17.9%***	
Depreciation and amortisation	(4,939)	(4,261)	15.9%	(5,292)	-6.7%	(711)	202	NMF	(222)	(204)	8.8%	(226)	-1.8%	-	-	-	(5,872)	(4,465)	31.5%	(5,316)	10.5%
Net interest income (expense)	(4,116)	(2,259)	82.2%	(3,815)	7.9%	(2,793)	(548)	409.7%	(210)	603	NMF	(242)	-13.2%	-	-	(168)	(7,119)	(1,656)	329.9%	(4,773)	49.2%
Net gains/(losses) from foreign currencies	695	(411)	NMF	(2,053)	NMF	2,095	(928)	NMF	(12)	151	NMF	(189)	-93.7%	-	-	-	2,778	(260)	NMF	(3,170)	NMF
Net non-recurring income/(expense)	(1,276)	1,968	NMF	2,704	NMF	(316)	(17)	NMF	(200)	-	-	(704)	-71.6%	-	-	-	(1,792)	1,968	NMF	1,982	NMF
Profit before income tax expense	**7,183**	**12,865**	**-44.2%**	**13,082**	**-45.1%**	**6,961**	**2,103**	**231.0%**	**(1,088)**	**(149)**	**NMF**	**(2,004)**	**-45.7%**	**-**	**-**	**(168)**	**13,054**	**12,716**	**2.7%**	**13,012**	**0.3%**
Income tax benefit/(expense)	(11)	(712)	NMF	(5,439)	NMF	(8)	(398)	NMF	-	19	NMF	(845)	NMF	-	-	-	(19)	(693)	NMF	(6,682)	NMF
of which: Deferred tax adjustments	-	-	-	*(4,321)*	-		*(200)*	-	-	-	-	*(798)*	-	-	-	-	-	-	-	*(5,319)*	-
Profit for the period	**7,172**	**12,153**	**-41.0%**	**7,643**	**-6.2%**	**6,953**	**1,705**	**307.8%**	**(1,088)**	**(130)**	**NMF**	**(2,849)**	**-61.8%**	-	-	(168)	**13,035**	**12,023**	**8.4%**	**6,330**	**105.9%**
Attributable to:																					
- shareholders of the Company	5,764	10,051	-42.7%	6,714	-14.1%	4,157	1,705	143.8%	(1,088)	(130)	NMF	(2,849)	-61.8%	-	-	(168)	8,832	9,921	-11.0%	5,401	63.5%
- non-controlling interests	1,408	2,102	-33.0%	929	51.6%	2,796	-	-	-	-	-	-	-	-	-	-	4,203	2,102	100.0%	929	352.4%
of which: Deferred tax adjustments	-	-	-	*(516)*	-	-	-		-	-	-	-	-	-	-	-	-	-	-	*(516)*	-

Selected Balance Sheet items	Healthcare services					Pharma			Medical insurance				
GEL thousands; unless otherwise noted	**31-Mar-17**	**31-Mar-16**	**Change, Y-o-Y**	**31-Dec-16**	**Change, Q-o-Q**	**31-Mar-17**	**31-Dec-16**	**Change, Q-o-Q**	**31-Mar-17**	**31-Mar-16**	**Change, Y-o-Y**	**31-Dec-16**	**Change, Q-o-Q**
Assets:													
Cash and bank deposits	82,893	52,408	58.2%	30,242	174.1%	6,924	2,498	177.2%	10,412	12,996	-19.9%	14,375	-27.6%
Property and equipment	579,505	481,969	20.2%	560,407	3.4%	22,922	9,003	154.6%	6,002	5,672	5.8%	5,562	7.9%
Inventory	14,282	14,109	1.2%	14,712	-2.9%	82,256	40,004	105.6%	212	193	9.8%	204	3.9%
Liabilities:													
Borrowed Funds	228,596	92,336	147.6%	192,145	19.0%	83,463[6]	19,613	325.6%	9,032	11,775	-23.3%	11,823	-23.6%
Accounts payable	41,844	36,533	14.5%	33,969	23.2%	63,440	34,193	85.5%	-	832	-	-	-

Selected Balance Sheet items	Consolidation and eliminations			GHG				
GEL thousands; unless otherwise noted	**31-Mar-17**	**31-Mar-16**	**31-Dec-16**	**31-Mar-17**	**31-Mar-16**	**Change, Y-o-Y**	**31-Dec-16**	**Change, Q-o-Q**
Assets								
Cash and bank deposits	-	-	-	100,229	65,404	53.2%	47,115	112.7%
Property and equipment	-	-	-	608,429	487,641	24.8%	574,972	5.8%
Inventory	-	-	-	96,750	14,302	576.5%	54,920	76.2%
Liabilities:								
Borrowed Funds	-	(4,255)	-	321,091	99,856	221.6%	223,581	43.6%
Accounts payable	(11,159)	-	(3,795)	94,125	37,365	151.9%	64,367	46.2%

[6] Pharma business borrowing balance includes allocated debts, obtained to pay first tranches of consideration payables for the acquisition of the pharma businesses, GPC and Pharmadepot

Selected ratios and KPIs

	1Q17	1Q16	4Q16
GHG			
EPS, GEL	0.07	0.08	0.04
EPS normalised, GEL	0.07	0.08	0.08
ROAE	7.4%	9.4%	6.6%
ROAE, normalised	11.2%	16.5%	12.5%
Group rent expenditure	5,019	405	3,530
of which, Pharma	*4,485*	-	*2,729*
Group capex (maintenance)	2,630	2,537	2,471
Group capex (growth)	17,866	14,357	27,036
Number of employees	14,593	9,747	12,811
Number of physicians	3,278	2,762	3,218
Number of nurses	2,980	2,706	2,869
Nurse to doctor ratio, referral hospitals	0.93	0.93	0.93
Total number of shares	131,681,820	131,681,820	131,681,820
Less: Treasury shares	(3,452,534)	(3,500,000)	(3,727,835)
Shares outstanding	128,229,286	128,181,820	127,953,985
Of which:			
Total free float	43,610,783	42,550,000	42,322,165
Shares held by BGEO GROUP PLC	84,618,503	85,631,820	85,631,820
Healthcare services			
EBITDA margin of healthcare services	25.3%	29.5%	31.9%
Direct salary rate (direct salary as % of revenue)	34.7%	32.7%	31.1%
Materials rate (direct materials as % of revenue)	16.0%	15.9%	15.7%
Administrative salary rate (administrative salaries as % of revenue)	10.8%	10.1%	9.9%
SG&A rate (SG&A expenses as % of revenue)	6.1%	4.1%	6.2%
Number of hospitals	35	35	35
Number of district outpatient clinics	13	7	13
Number of express ambulatory clinics	28	-	28
Number of beds	2,557	2,686	2,557
Number of referral hospital beds	2,092	2,229	2,092
Bed occupancy rate	60.5%	60.4%	57.6%
Bed occupancy rate, referral hospitals	68.1%	66.7%	65.3%
Bed occupancy rate, community hospitals	24.0%	26.6%	21.1%
Average length of stay (days)	5.3	4.9	5.0
Average length of stay (days), referral hospitals	5.6	5.2	5.2
Average length of stay (days), community hospitals	3.2	3.0	3.3
Pharma			
EBITDA margin	7.8%	-	6.0%
Days sales outstanding, wholesale	31.3	-	23.1
Number of bills issued	6.39mln	-	3.11mln
Average bill size	13.6	-	13.4
Revenue from wholesale as a percentage of total revenue from pharma	27%	-	31%
Revenue from retail as a percentage of total revenue from pharma	73%	-	69%
Revenue from para-pharmacy as a percentage of retail revenue from pharma	30.9%	-	31.5%
Number of pharmacies	245	-	118
Medical insurance			
Loss ratio	84.6%	86.4%	85.3%
Expense ratio, *of which*	20.2%	20.1%	20.0%
Commission ratio	*6.6%*	*6.5%*	*6.7%*
Combined ratio	104.8%	106.5%	105.3%
Renewal rate	77.3%	76.0%	75.6%

Annexes:

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

COMPANY INFORMATION

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Registered under number 09752452 in England and Wales
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