



**GEORGIA
HEALTHCARE
GROUP**

First Quarter 2023 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 | 1Q23 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: regional instability; impact of COVID-19; 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 the 1H22 Result Announcement and in Georgia Capital PLC's Annual Report and Accounts 2021. 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 four business lines: retail (pharmacy) business, hospitals business, medical insurance business and Clinics & Diagnostics 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 2022, continues to be listed on the premium segment of LSE (LN:CGEO).

Below is presented the Group’s and its businesses first quarter 2023 consolidated financial results. Unless otherwise mentioned, comparatives are for the first quarter of 2022. 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 Retail (pharmacy) Business Results

The retail (pharmacy) business, where GCAP owns a 77% equity interest¹, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 33% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The business operates a total of 378 pharmacies (of which 368 are in Georgia and 10 are in Armenia) and 11 franchise stores (of which, four are in Armenia and Azerbaijan).

1Q23 performance (GEL '000), Retail (pharmacy)²

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net	198,283	198,802	-0.3%
Of which, retail	156,198	154,878	0.9%
Of which, wholesale	42,085	43,924	-4.2%
Gross Profit	59,294	59,097	0.3%
Gross profit margin	29.9%	29.7%	0.2ppts
Operating expenses (ex. IFRS 16)	(38,779)	(38,480)	0.8%
EBITDA (ex. IFRS 16)	20,515	20,617	-0.5%
EBITDA margin, (ex. IFRS 16)	10.3%	10.4%	-0.1ppts
Net profit (ex. IFRS 16)	20,597	17,045	20.8%
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	14,572	16,806	-13.3%
EBITDA to cash conversion	71.0%	81.5%	-10.5ppts
Cash flow from investing activities³	6,826	(20,394)	NMF
Free cash flow, (ex. IFRS 16)⁴	19,451	(1,964)	NMF
Cash flow used in financing activities (ex. IFRS 16)	(8,066)	(9,697)	-16.8%
BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	581,595	576,060	1.0%
Of which, cash and bank deposits	88,179	75,279	17.1%
Of which, securities and loans issued	22,365	22,857	-2.2%
Total liabilities	499,210	515,081	-3.1%
Of which, borrowings	127,431	131,547	-3.1%
Of which, lease liabilities	110,035	107,455	2.4%
Total equity	82,385	60,979	35.1%

INCOME STATEMENT HIGHLIGHTS

- 1Q23 revenue was largely flat, notwithstanding a) a significant decrease in product prices, due to GEL's appreciation against foreign currencies (the FX effect is directly transmitted into the pricing as c.70% of the inventory purchases are denominated in foreign currencies), and b) the negative impact of the External Reference Pricing model, which introduces a maximum retail price on targeted prescription medicines that are financed by the State. The revenue growth was positively affected by the continued expansion of the pharmacy chain and franchise stores and the overall growth in the Georgian economy.
- The increased sales of high-margin para-pharmacy products in the retail business line (revenue from para-pharmacy, as a percentage of retail revenue, was 39.7% in 1Q23 compared to 34.6% in 1Q22) translated into a robust gross profit margin of 29.9% (up 20 bps y-o-y). Growing profitability was also supported by the developments in the wholesale business line, notwithstanding the y-o-y revenue reduction.
- Operating expenses, remained well managed, up by 0.8% y-o-y in 1Q23, notwithstanding the overall inflation.
- Interest expense (excluding IFRS 16) was down 8.4% y-o-y, reflecting a lower average net debt balance during 1Q23.
- The business posted GEL 20.6 million net profit excluding IFRS 16 in 1Q23, up 20.8% y-o-y, further reflecting GEL's appreciation against the basket of foreign currencies.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- A 10.5 ppts decrease in EBITDA to cash conversion ratio (71.0% in 1Q23), resulted from the advanced payments made by the business to some of its vendors in order to obtain supplier discounts.
- The cash flow from investing activities largely reflects the net impact of:
 - GEL 9.2 million proceed from the sale of an unutilised property.
 - GEL 4.3 million investments for the expansion of the retail chain.
- The net debt balance was down by 49.5% q-o-q to GEL 16.9 million, reflecting the strong cash flow generation of the business.

¹ In October 2021, GHG signed a share purchase agreement to acquire the then remaining 33% minority interest in its retail (pharmacy) business by 2027. The buyout will be executed in six annual tranches at a 5.25x EV/EBITDA multiple. The first tranche of 10% was acquired in 2022. The second tranche of 11% is expected to be acquired in 2023. For details, please see page 12 of our Annual Report 2021.

² The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

³ Of which - capex of GEL 4.3 million in 1Q23 (GEL 8.8 million in 1Q22); proceeds from sale of PPE GEL 9.2 million 1Q23.

⁴ Calculated by deducting capex and adding proceeds from sale of PPE.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The business added 19 pharmacies and 3 franchise stores (one of which is Carter's) over the last 12 months.

	Mar-23	Dec-22	Change (q-o-q)	Mar-22	Change (y-o-y)
Number of pharmacies	378	372	6	359	19
<i>Of which, Georgia</i>	<i>368</i>	<i>362</i>	<i>6</i>	<i>353</i>	<i>15</i>
<i>Of which, Armenia</i>	<i>10</i>	<i>10</i>	<i>-</i>	<i>6</i>	<i>4</i>
Number of franchise stores	11	12	(1)	8	3
<i>Of which, Georgia</i>	<i>7</i>	<i>8</i>	<i>(1)</i>	<i>6</i>	<i>1</i>
<i>Of which, Armenia</i>	<i>2</i>	<i>2</i>	<i>-</i>	<i>2</i>	<i>-</i>
<i>Of which, Azerbaijan</i>	<i>2</i>	<i>2</i>	<i>-</i>	<i>-</i>	<i>2</i>

- Retail (Pharmacy)'s key operating performance highlights for 1Q23 are noted below:

Key metrics	1Q23	1Q22	Change
<i>Same store revenue growth</i>	<i>-3.2%</i>	<i>12.5%</i>	<i>-15.7ppts</i>
<i>Number of bills issued (mln)</i>	<i>7.6</i>	<i>7.6</i>	<i>0.8%</i>
<i>Average bill size (GEL)</i>	<i>19.4</i>	<i>19.3</i>	<i>0.3%</i>

- The y-o-y decrease in the same store revenue growth rate in 1Q23 is attributable to GEL's appreciation against foreign currencies.

Discussion of Hospitals Business Results

The hospitals business, where GCAP owns a 100% equity, is the largest healthcare market participant in Georgia, comprised of 16 referral hospitals with a total of 2,524 beds, providing secondary and tertiary level healthcare services across Georgia.

1Q23 performance (GEL '000), Hospitals⁵

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net ⁶	73,665	77,074	-4.4%
Gross Profit	25,986	27,777	-6.4%
Gross profit margin	35.0%	35.4%	-0.4ppts
Operating expenses (ex. IFRS 16)	(12,362)	(12,687)	-2.6%
EBITDA (ex. IFRS 16)	13,624	15,090	-9.7%
EBITDA margin (ex. IFRS 16)	18.3%	19.2%	-0.9ppts
Net (loss)/profit (ex. IFRS 16)	(828)	3,017	NMF

CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	(2,978)	10,591	NMF
EBITDA to cash conversion (ex. IFRS 16)	-21.9%	70.2%	-92.1ppts
Cash flow used in investing activities ⁷	(6,179)	(2,880)	NMF
Free cash flow (ex. IFRS 16) ⁸	(9,415)	8,612	NMF
Cash flow from financing activities (ex. IFRS 16)	8,627	(20,329)	NMF

BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	628,175	614,705	2.2%
Of which, cash balance and bank deposits	20,846	21,625	-3.6%
Of which, securities and loans issued	8,374	14,040	-40.4%
Total liabilities	286,023	270,418	5.8%
Of which, borrowings	223,317	213,880	4.4%
Total equity	342,152	344,287	-0.6%

INCOME STATEMENT HIGHLIGHTS

- 1Q23 y-o-y revenue decrease reflects:
 - Temporary closure of Iashvili Paediatric Tertiary Referral Hospital ("Iashvili Hospital), the largest paediatric services provider in the country, due to mandatory regulatory-related renovation works. The works commenced in October 2022 and were completed in March 2023.
 - The absence of revenues from the Traumatology Hospital, which was divested in April 2022.
 - The suspension of COVID contracts by the Government in mid-March 2022. Since the suspension, the business has been working on the restructuring of its COVID hospitals, which are now back to their normal operating levels.
- Adjusted for the temporary closure of Iashvili Hospital and the absence of revenues from the Traumatology Hospital, the 1Q23 revenue was up by 3.0% y-o-y.
- The cost of services in the business consists mainly of salaries, materials and utilities. Trends in salary and materials costs are captured in the direct salary and materials rates.⁹
 - The increase in direct salary rate, up 3.2 ppts y-o-y to 37.6% in 1Q23, is mainly attributable to the decrease in revenue, as a significant portion of direct salaries is fixed.
 - Phasing out of COVID as well as the completion of the transfer of the hospitals business' procurement department from pharmacy to hospitals (which began in January 2021 and was completed in December 2022), led to an improvement in materials rate (17.1% in 1Q23 compared to 19.7% in 1Q22).
 - Utilities and other costs were up by 5.1% y-o-y in 1Q23, resulting from inflation pressures.
- Negative operating leverage of 3.8% reflects the increase in general and administrative expenses (excl. IFRS 16) (up 16.6% in 1Q23 y-o-y), due to the launch of new products and services and increased marketing costs to support the transition to the post-COVID environment. The salaries and other employee expenses were well controlled (down 1.7% y-o-y in 1Q23).
- The developments described above resulted in a decrease in EBITDA (excl. IFRS 16) and EBITDA margin. The 1Q23 EBITDA adjusted for the temporary closure of Iashvili Hospital and the absence of revenues from the Traumatology Hospital was up by 13.1% y-o-y.
- Increased balance of net debt (up 8.9% q-o-q) mainly resulting from a) the delay in the collection of receivables from the State in 1Q23 due to one-off processing delays associated with the introduction of DRG and b) increased interest rates on the market, led to an increase in net interest expense (excl. IFRS 16) in 1Q23, up by 34.7% y-o-y.
- Overall, the business posted a GEL 0.8 million net loss excluding IFRS 16 in 1Q23.

⁵ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

⁶ Net revenue – Gross revenue less corrections and rebates. Margins are calculated from gross revenue.

⁷ Of which - capex of GEL 8.1 million in 1Q23 (GEL 3.8 million in 1Q22); proceeds from sale of PPE of GEL 1.6 million in 1Q23 (first tranche proceeds from sale of Traumatology hospital of GEL 1.8 million in 1Q22).

⁸ Operating cash flows less capex, less acquisition of subsidiaries / payment of holdback, plus net proceeds on sale of PPE/subsidiary.

⁹ The respective costs divided by gross revenues.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- Negative cash flow from operating activities (excl. IFRS 16) was due to the delay in the collection of receivables from the State in 1Q23 as described above.
- Capex investment was GEL 8.1 million in 1Q23, mainly reflecting maintenance capex and renovation works in Iashvili Hospital, as described above.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- To streamline the state funding financing in healthcare and improve the reimbursement process, the Georgian Government introduced an initiative to implement a Diagnosis Related Group (DRG) financing system. The DRG system categorises inpatient case types that are clinically similar and expected to use the same or similar resources into groups by applying various criteria (age, sex, intervention needed, comorbidity, etc.). The DRG system, which aims to increase the efficiency of state financing and improve the quality of healthcare service on the market, became effective on 1-Jan-23. The system is expected to better reflect inflation and other price pressures that are present in the healthcare sector.
- The business key operating performance highlights for 1Q23 are noted below:

Key metrics	1Q23	1Q22	Change
<i>Occupancy rate</i>	53.9%	61.9%	-8.0 pts
<i>Number of admissions (thousands)</i>	262.4	314.7	-16.6%

Discussion Of Medical Insurance Business Results

The insurance business comprises a) Property and Casualty (P&C) insurance business and b) medical insurance business. The medical insurance business is one of the country's largest private health insurers, with a 19% market share based on 2022 net insurance premiums. Medical Insurance offers a variety of health insurance products primarily to corporate and (selectively) to state entities and also to retail clients in Georgia. GCAP owns a 100% equity stake in both insurance businesses.

Discussion of results, Medical Insurance

(GEL '000)

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Insurance revenue	21,810	17,683	23.3%
Net underwriting profit	3,380	2,569	31.6%
Net investment profit	1,061	892	18.9%
Net profit	1,784	630	NMF
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	1,489	(1,368)	NMF
Free cash flow	1,449	(1,467)	NMF
BALANCE SHEET HIGHLIGHTS			
	31-Mar-23	31-Dec-22	Change
Total assets	68,000	65,578	3.7%
Total equity	38,306	35,936	6.6%

INCOME STATEMENT HIGHLIGHTS

- The increase in 1Q23 insurance revenue is due to the 7.4% y-o-y increase in the total number of insured clients (c.170,000 as of Mar-23), mainly in the corporate client segment.
- 1Q23 net claims expenses stood at GEL 17.5 million (up 22.6% y-o-y), out of which:
 - GEL 7.9 million (44.7% of the total) was inpatient;
 - GEL 6.6 million (37.8% of the total) was outpatient; and
 - GEL 3.0 million (17.5% of the total) was related to pharmaceuticals.
- The business maintained a targeted loss ratio of 80.5% in 1Q23 (down 0.5 ppts y-o-y).
- A 3.2 ppts y-o-y decrease in the expense ratio in 1Q23 was due to the top-line growth of the business, which translated into a 3.7 ppts y-o-y decrease in the combined ratio (down to 95.8% in 1Q23).
- The developments described above led to a 183.2% y-o-y increase in the 1Q23 net profit.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The business remains one of the largest medical insurers on the market with a 19% market share based on 2022 net insurance premiums. The insurance renewal rate was up 15.0 ppts to 82.7% in 1Q23.

Discussion of Clinics and Diagnostics Business Results

The clinics and diagnostics business, where GCAP owns a 100% equity interest, is the second largest healthcare market participant in Georgia after our hospitals business. The business comprises two segments: 1) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services); 17 polyclinics (providing outpatient diagnostic and treatment services) and 14 lab retail points at GPC pharmacies; 2) Diagnostics, operating the largest laboratory in the entire Caucasus region – “Mega Lab”.

1Q23 performance (GEL '000), Clinics and Diagnostics¹⁰

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net¹¹	19,897	25,928	-23.3%
Of which, clinics	17,069	19,607	-12.9%
Of which, diagnostics	4,416	7,828	-43.6%
Of which, inter-business eliminations	(1,588)	(1,507)	5.4%
Gross Profit	8,401	10,453	-19.6%
Gross profit margin	41.7%	40.2%	1.5ppts
Operating expenses (ex. IFRS 16)	(5,826)	(5,733)	1.6%
EBITDA (ex. IFRS 16)	2,575	4,720	-45.4%
EBITDA margin (ex. IFRS 16)	12.8%	18.2%	-5.4ppts
Net (loss)/profit (ex. IFRS 16)	(471)	1,582	NMF
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	(1,039)	1,076	NMF
EBITDA to cash conversion (ex. IFRS 16)	-40.3%	22.8%	-63.1ppts
Cash flow used in investing activities	(2,979)	(2,442)	22.0%
Free cash flow (ex. IFRS 16)¹²	(3,963)	(1,313)	NMF
Cash flow from financing activities (ex. IFRS 16)	4,274	(1,344)	NMF
BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	195,537	190,767	2.5%
Of which, cash balance and bank deposits	7,224	6,966	3.7%
Of which, securities and loans issued	3,081	3,107	-0.8%
Total liabilities	99,335	94,786	4.8%
Of which, borrowings	65,820	60,832	8.2%
Total equity	96,202	95,981	0.2%

Discussion of results, Clinics

(GEL '000)

INCOME STATEMENT HIGHLIGHTS	1Q23	1Q22	Change
Revenue, net⁴⁹	17,069	19,607	-12.9%
Of which, polyclinics	11,422	11,007	3.8%
Of which, community clinics	5,647	8,600	-34.3%
Gross Profit	7,383	8,177	-9.7%
Gross profit margin	42.6%	41.6%	1.0ppts
Operating expenses (ex. IFRS 16)	(5,064)	(4,532)	11.7%
EBITDA (ex. IFRS 16)	2,319	3,645	-36.4%
EBITDA margin (ex. IFRS 16)	13.4%	18.5%	-5.1ppts
Net (loss)/profit (ex. IFRS 16)	(317)	832	NMF
CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	373	1,423	-73.8%
EBITDA to cash conversion (ex. IFRS 16)	16.1%	39.0%	-22.9ppts
Cash flow used in investing activities¹³	(2,389)	(2,103)	13.6%
Free cash flow (ex. IFRS 16)¹⁴	(1,954)	(607)	NMF
Cash flow from financing activities (ex. IFRS 16)	3,361	(1,036)	NMF
BALANCE SHEET HIGHLIGHTS	31-Mar-23	31-Dec-22	Change
Total assets	165,035	160,691	2.7%
Of which, cash balance and bank deposits	7,170	5,825	23.1%
Of which, securities and loans issued	3,357	3,379	-0.7%
Total liabilities	87,502	83,531	4.8%
Of which, borrowings	60,914	56,908	7.0%
Total equity	77,533	77,160	0.5%

¹⁰ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

¹¹ Net revenue – Gross revenue less corrections and rebates. Margins are calculated from Gross revenue.

¹² Operating cash flows less capex.

¹³ Of which capex of GEL 2.3 million in 1Q23 (GEL 2.0 million in 1Q22).

¹⁴ Operating cash flows less capex.

INCOME STATEMENT HIGHLIGHTS

- The 1Q23 net revenue reflects a combination of factors:
 - A 3.8% increase in revenue of polyclinics, attributable to the net impact of a) a 38.5% y-o-y increase in the revenues from non-COVID, regular ambulatory services, resulting from the expansion of the business (opened two new polyclinics in 1H22), and b) a 97.0% y-o-y decrease in COVID-related revenues, following the suspension of the Government COVID contracts in mid-March last year.
 - A 34.3% y-o-y decrease in 1Q23 revenues of the community clinics, reflecting a 98.7% y-o-y decrease in COVID-related revenues, partially offset by a 103.2% y-o-y increase in revenues from non-COVID services.
- The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the direct materials and salary rates¹⁵ (a significant portion of direct salaries are fixed). The 1.0 ppts y-o-y increase in the 1Q23 gross profit margin was due to the following factors:
 - The post-COVID transition was reflected in the improved materials rate (COVID treatments are characterised by high materials rate) and stood at 4.8% in 1Q23 compared to 12.2% in 1Q22.
 - The 1Q23 direct salary rate was up by 3.7 ppts y-o-y resulting from a) the opening of a new polyclinic as mentioned above, and b) the suspension of the COVID contracts in March 2022 and related decrease in revenue.
- Operating expenses (excl. IFRS 16) were up y-o-y in 1Q23, mainly reflecting the increase in salaries and other employee benefits (up 6.0% y-o-y) and general and administrative expenses (excl. IFRS 16) (up 3.8% y-o-y). The increase is mainly attributable to the expansion as well as the restructuring of the business back to normal operating levels.
- As a result, the EBITDA margin (excl. IFRS 16) was down 5.1 ppts y-o-y to 13.4% in 1Q23.
- The interest expense (excl. IFRS 16) was up 9.6% y-o-y in 1Q23, reflecting a) an increased balance of net debt due to weaker cash generation and investment made for the openings of new polyclinics and b) increased interest rates on the market.

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

- The decrease in operating cash flow reflects the state prepayment of some invoices under the universal healthcare coverage in December 2022, coupled with the nature of the first quarter, characterised by weak cash collection.
- In 1Q23, the business spent GEL 2.3 million on capex, primarily related to the opening of two new polyclinics in 2022.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- Our community clinics and (to a lesser extent) our polyclinics were both affected by the reduced traffic for COVID services, such as COVID tests and vaccinations in 1Q23:

	1Q23	1Q22	Change
Number of admissions (thousands)	510.1	638.6	-20.1%
Of which, polyclinics	411.6	488.4	-15.7%
Of which, community clinics	98.6	150.2	-34.4%

- The business added 2 polyclinics over the last 12 months.

	Mar-23	Dec-22	Change (q-o-q)	Mar-22	Change (y-o-y)
Number of clinics	36	36	NMF	34	2
Of which, polyclinics	17	17	NMF	15	2
Of which, community clinics	19	19	NMF	19	NMF

- The number of registered patients increased by c.18,000 y-o-y to c.280,000 in Tbilisi and by c.22,000 y-o-y to c.617,000 across the country as of 31-Mar-23.

¹⁵ The respective costs divided by gross revenues.

Discussion of results, Diagnostics

(GEL '000)

INCOME STATEMENT HIGHLIGHTS

	1Q23	1Q22	Change
Revenue, net¹⁶	4,416	7,828	-43.6%
Of which, from COVID-19 tests	213	4,156	-94.9%
Of which, from regular lab tests	4,203	3,672	14.5%
Gross Profit	1,018	2,270	-55.2%
Gross profit margin	23.1%	29.0%	-5.9ppts
Operating expenses (ex. IFRS 16)	(762)	(1,195)	-36.2%
EBITDA (ex. IFRS 16)	256	1,075	-76.2%
EBITDA margin (ex. IFRS 16)	5.8%	13.7%	-7.9ppts
Net (loss)/profit (ex. IFRS 16)	(154)	750	NMF

INCOME STATEMENT HIGHLIGHTS

- A 43.6% y-o-y decrease in the 1Q23 revenue of the business, which apart from regular diagnostics services was also actively engaged in COVID testing, reflects a significantly reduced number of COVID cases in the country and the suspension of Government contracts from mid-March 2022, which led to a 94.9% y-o-y decrease in revenues from COVID-19 tests in 1Q23.
- The impact of the post-COVID transition on total revenue was partially offset by increased revenues from regular lab tests, up 14.5% in 1Q23, y-o-y.
- A decrease in total revenue translated into reduced gross profit and EBITDA. The growth is expected to rebound over the next few quarters from the launch of the new ambulatory services as well as referrals and tests performed in the expanded polyclinics chain.

OTHER VALUATION DRIVERS AND OPERATING HIGHLIGHTS

- The key operating performance highlights for 1Q23 are noted below:

	1Q23	1Q22	Change
Number of non-Covid tests performed (thousands)	608	603	0.9%
Average revenue per non-Covid test (GEL)	6.9	6.1	13.4%

¹⁶ Net revenue – Gross revenue less corrections and rebates.

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution

INCOME STATEMENT			
<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change
Revenue	198,283	198,802	-0.3%
Costs of services	(138,989)	(139,705)	-0.5%
Cost of pharma – wholesale	(30,498)	(33,026)	-7.7%
Cost of pharma - retail	(108,491)	(106,679)	1.7%
Gross profit	59,294	59,097	0.3%
Gross profit margin	29.9%	29.7%	+0.2 ppts
Salaries and other employee benefits	(21,156)	(20,115)	5.2%
General and administrative expenses	(11,701)	(11,068)	5.7%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(18,580)</i>	<i>(18,284)</i>	1.6%
Impairment of receivables	(7)	(110)	-93.6%
Other operating income	964	29	NMF
EBITDA	27,394	27,833	-1.6%
EBITDA excluding IFRS 16	20,515	20,617	-0.5%
EBITDA margin excluding IFRS 16	10.3%	10.4%	-0.1 ppts
Depreciation and amortization	(8,019)	(7,604)	5.5%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(1,895)</i>	<i>(1,557)</i>	21.7%
Net interest income (expense)	(3,204)	(3,293)	-2.7%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(1,287)</i>	<i>(1,405)</i>	-8.4%
Net gains/(losses) from foreign currencies	8,252	586	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>3,445</i>	<i>630</i>	NMF
Net non-recurring income/(expense)	(40)	(816)	-95.1%
Net profit before income tax expense	24,383	16,706	46.0%
Income tax benefit/(expense)	(141)	(424)	-66.7%
Net profit for the period	24,242	16,282	48.9%
Attributable to:			
- shareholders of the Company	18,759	10,067	86.3%
- non-controlling interests	5,483	6,215	-11.8%
Net profit for the period excluding IFRS 16	20,597	17,045	20.8%
Attributable to:			
- shareholders of the Company	15,952	10,578	50.8%
- non-controlling interests	4,645	6,467	-28.2%
STATEMENT OF CASH FLOW			
<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change
Cash flows from operating activities			
Revenue received	183,769	193,435	-5.0%
Cost of services paid	(134,613)	(142,730)	-5.7%
Gross profit received	49,156	50,705	-3.1%
Salaries paid	(16,735)	(15,018)	11.4%
General and administrative expenses paid	(11,131)	(11,760)	-5.3%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(18,010)</i>	<i>(18,976)</i>	-5.1%
Other operating income/(expense) and tax paid	419	403	4.0%
Net cash flows from operating activities before income tax	21,709	24,330	-10.8%
Income tax paid	(258)	(308)	-16.2%
Net cash flows from operating activities	21,451	24,022	-10.7%
Net cash flows from operating activities, excluding IFRS 16	14,572	16,806	-13.3%
Cash flows from investing activities			
Cash outflow on Capex	(4,289)	(8,770)	-51.1%
Acquisition of subsidiaries/payments of holdback	-	(10,000)	NMF
Interest income received	1,945	1,152	68.8%
Intersegment loans issued proceeds from other investing activities	9,170	(2,776)	NMF
Net cash flow from investing activities	6,826	(20,394)	NMF
Cash flows from financing activities			
Payment of dividends	(1,064)	(2,898)	-63.3%
Payment of finance lease liabilities	(4,962)	(5,328)	-6.9%
Interest expense paid on finance lease	(1,917)	(1,888)	1.5%
Increase/(decrease) in borrowings	(3,905)	(4,337)	-10.0%
Interest expense paid	(3,097)	(2,462)	25.8%
Net cash flows from financing activities	(14,945)	(16,913)	-11.6%
Net cash flows from financing activities, excluding IFRS 16	(8,066)	(9,697)	-16.8%
Effect of exchange rates changes on cash and cash equivalents	(432)	(324)	33.6%
Net increase/(decrease) in cash and cash equivalents	12,900	(13,609)	NMF
Cash and bank deposits, beginning	75,279	54,616	37.8%
Cash and bank deposits, ending	88,179	41,007	NMF

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution, *continued*

BALANCE SHEET			
<i>GEL thousands, unless otherwise noted</i>	Mar-23	Dec-22	Change
Cash and bank deposits	88,179	75,279	17.1%
Securities and loans issued	22,365	22,857	-2.2%
Receivables from sale of pharmaceuticals	39,063	35,631	9.6%
Property and equipment	45,463	53,545	-15.1%
Right of use assets	110,558	104,264	6.0%
Goodwill and other intangible assets	56,348	55,749	1.1%
Inventory	207,967	218,433	-4.8%
Prepayments	8,676	7,656	13.3%
Other assets	2,976	2,646	12.5%
Total assets	581,595	576,060	1.0%
Borrowed Funds	127,431	131,547	-3.1%
Lease liabilities	110,035	107,455	2.4%
Accounts payable	148,368	164,827	-10.0%
Other liabilities	113,376	111,252	1.9%
Total liabilities	499,210	515,081	-3.1%
Total shareholders' equity	82,385	60,979	35.1%

SELECTED FINANCIAL INFORMATION – Hospitals

INCOME STATEMENT

<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change
Revenue, gross	74,307	78,436	-5.3%
Corrections & rebates	(642)	(1,362)	-52.9%
Revenue, net	73,665	77,074	-4.4%
Costs of services	(47,679)	(49,297)	-3.3%
Cost of salaries and other employee benefits	(27,974)	(27,004)	3.6%
Cost of materials and supplies	(12,733)	(15,456)	-17.6%
Cost of medical service providers	(1,435)	(1,571)	-8.7%
Cost of utilities and other	(5,537)	(5,266)	5.1%
Gross profit	25,986	27,777	-6.4%
Gross profit margin	35.0%	35.4%	-0.4 pts
Salaries and other employee benefits	(9,266)	(9,429)	-1.7%
General and administrative expenses	(3,581)	(2,786)	28.5%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(3,717)</i>	<i>(3,189)</i>	<i>16.6%</i>
Impairment of receivables	(1,520)	(1,185)	28.3%
Other operating income	2,141	1,116	91.8%
EBITDA	13,760	15,493	-11.2%
EBITDA excluding IFRS 16	13,624	15,090	-9.7%
EBITDA margin excluding IFRS 16	18.3%	19.2%	-0.9 pts
Depreciation and amortization	(7,544)	(7,460)	1.1%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(6,850)</i>	<i>(6,991)</i>	<i>-2.0%</i>
Net interest income (expense)	(6,295)	(4,656)	35.2%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(6,218)</i>	<i>(4,617)</i>	<i>34.7%</i>
Net gains/(losses) from foreign currencies	123	(63)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>(138)</i>	<i>(60)</i>	<i>NMF</i>
Net non-recurring income/(expense)	(1,246)	(405)	NMF
Net (loss)/profit before income tax expense	(1,202)	2,909	NMF
Income tax benefit/(expense)	-	-	NMF
Net (loss)/profit for the period	(1,202)	2,909	NMF
Attributable to:			
- shareholders of the Company	(1,862)	2,471	NMF
- non-controlling interests	660	438	50.7%
Net (loss)/profit for the period excluding IFRS 16	(828)	3,017	NMF
Attributable to:			
- shareholders of the Company	(1,488)	2,579	NMF
- non-controlling interests	660	438	50.7%

SELECTED FINANCIAL INFORMATION – Hospitals, Continued**STATEMENT OF CASH FLOW**

<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change
Cash flows from operating activities			
Revenue received	54,206	77,415	-30.0%
Cost of services paid	(39,516)	(52,407)	-24.6%
Gross profit received	14,690	25,008	-41.3%
Salaries paid	(10,657)	(8,467)	25.9%
General and administrative expenses paid	(6,028)	(5,087)	18.5%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(6,164)</i>	<i>(5,490)</i>	<i>12.3%</i>
Other operating income/(expense) and tax paid	(841)	(442)	90.3%
Net cash flows from operating activities before income tax	(2,836)	11,012	NMF
Income tax paid	(6)	(18)	-66.7%
Net cash flows from operating activities	(2,842)	10,994	NMF
Net cash flows from operating activities, excluding IFRS 16	(2,978)	10,591	NMF
Cash flows from investing activities			
Cash outflow on Capex	(8,067)	(3,796)	NMF
Interest income received	216	916	-76.4%
Proceeds from sale of associate/subsidiary	1,630	1,818	-10.3%
Dividends and intersegment loans issued/received	42	(1,818)	NMF
Net cash flow from investing activities	(6,179)	(2,880)	NMF
Cash flows from financing activities			
Contributions under share-based payment plan	(1,910)	(1,606)	18.9%
Purchase of treasury shares	-	(774)	NMF
Payment of finance lease liabilities	(59)	(364)	-83.8%
Interest expense paid on finance lease	(77)	(39)	97.4%
Increase/(decrease) in borrowings	17,605	(11,132)	NMF
Interest expense paid	(7,068)	(6,817)	3.7%
Net cash flows from financing activities	8,491	(20,732)	NMF
Net cash flows from financing activities, excluding IFRS 16	8,627	(20,329)	NMF
Effect of exchange rates changes on cash and cash equivalents	(249)	112	NMF
Net increase/(decrease) in cash and cash equivalents	(779)	(12,506)	-93.8%
Cash and bank deposits, beginning	21,625	46,131	-53.1%
Cash and bank deposits, ending	20,846	33,625	-38.0%

SELECTED FINANCIAL INFORMATION – Hospitals, Continued**BALANCE SHEET**

<i>GEL thousands, unless otherwise noted</i>	Mar-23	Dec-22	Change
Cash and bank deposits	20,846	21,625	-3.6%
Receivables from healthcare services	105,720	88,969	18.8%
Property and equipment	387,703	389,957	-0.6%
Right of use assets	3,175	3,869	-17.9%
Goodwill and other intangible assets	56,004	54,892	2.0%
Inventory	18,905	19,102	-1.0%
Prepayments	8,420	7,069	19.1%
Other assets	27,402	29,222	-6.2%
<i>Of which, securities and intercompany loans</i>	<i>8,374</i>	<i>14,040</i>	<i>-40.4%</i>
Total assets	628,175	614,705	2.2%
Borrowed Funds	223,317	213,880	4.4%
Accounts payable	19,296	15,900	21.4%
Other liabilities	43,410	40,638	6.8%
Total liabilities	286,023	270,418	5.8%
Total shareholders' equity attributable to:	342,152	344,287	-0.6%
Shareholders of the Company	310,067	312,855	-0.9%
Non-controlling interest	32,085	31,432	2.1%

SELECTED FINANCIAL INFORMATION – Medical Insurance

INCOME STATEMENT			
<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change
Insurance revenue, gross	22,053	17,912	23.1%
Insurance claims expenses, gross	(17,616)	(14,320)	23.0%
Acquisition costs, net	(882)	(795)	10.9%
Insurance service result before reinsurance contracts held	3,555	2,797	27.1%
Allocation of reinsurance premiums	(243)	(229)	6.1%
Amounts recoverable from reinsurers for incurred claims	68	1	NMF
Net expense from reinsurance contracts held	(175)	(228)	-23.2%
Insurance revenue, net	21,810	17,683	23.3%
Insurance service expense, net	(18,430)	(15,114)	21.9%
Insurance service result	3,380	2,569	31.6%
Investment income	1,027	868	18.3%
Net Fee and commission income	34	24	41.7%
Net investment profit	1,061	892	18.9%
Salaries and other employee benefits	(1,453)	(1,486)	-2.2%
Selling, general administrative expenses	(337)	(452)	-25.4%
Depreciation&Amortization	(603)	(388)	55.4%
Impairment charges	(99)	(141)	-29.8%
Net other operating income	33	(18)	NMF
Operating profit	1,982	976	NMF
Foreign exchange gain / (loss)	301	129	NMF
Interest expense	(220)	(278)	-20.9%
Non-recurring income / (costs)	-	(67)	NMF
Pre-tax Profit	2,063	760	NMF
Corporate income tax expense	(279)	(130)	NMF
Net profit	1,784	630	NMF

STATEMENT OF CASH FLOW			
<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change
Insurance premium received	18,696	15,059	24.2%
Reinsurance premium paid	-	(350)	NMF
Insurance benefits and claims paid	(15,901)	(14,457)	10.0%
Reinsurance claims received	11	5	NMF
Acquisition costs paid	(457)	(454)	0.7%
Salaries and benefits paid	(1,398)	(1,135)	23.2%
Interest received	1,060	617	71.8%
Net other operating expenses paid	(522)	(653)	-20.1%
Net cash flows from operating activities	1,489	(1,368)	NMF
Cash outflows on capex	(552)	(99)	NMF
Other investing activities	312	-	NMF
Net cash flows from used in investing activities	(240)	(99)	NMF
Increase/(decrease) in borrowings	-	80	NMF
Interest Paid	(41)	(84)	-51.2%
Cash paid for lease liabilities	(235)	(166)	41.6%
Net cash flows from financing activities	(276)	(170)	62.4%
Effect of exchange rates changes on cash and cash equivalents	(489)	112	NMF
Total cash inflow/(outflow)	484	(1,525)	NMF
Cash and cash equivalents, beginning	26,236	23,900	9.8%
Cash and cash equivalents, ending	26,720	22,375	19.4%

SELECTED FINANCIAL INFORMATION – Medical Insurance, *continued***BALANCE SHEET***GEL thousands, unless otherwise noted*

	Mar-23	Dec-22	Change
Total assets, of which:	68,000	65,578	3.7%
Cash and bank deposits	26,720	26,236	1.8%
Insurance premiums receivable	3,642	7,587	-52.0%
Property and equipment	13,639	1,977	NMF
Right of use assets	5,855	13,753	-57.4%
Goodwill and other intangible assets	5,538	6,191	-10.5%
Inventory	275	5,530	-95.0%
Prepayments	432	271	59.4%
Other assets of which:	11,899	432	NMF
securities and intercompany loans	7,677	3,601	NMF
Total liabilities, of which:	29,694	30,182	-1.6%
Borrowed Funds	4,395	5,352	-17.9%
Accounts payable	322	310	3.9%
Insurance contract liabilities	17,482	17,122	2.1%
Other liabilities	7,495	7,398	1.3%
Total shareholders' equity	38,306	35,396	8.2%

SELECTED FINANCIAL INFORMATION – Clinics & Diagnostics

INCOME STATEMENT	Clinics			Diagnostic			Eliminations		Clinics & Diagnostics		
	1Q23	1Q22	Change	1Q23	1Q22	Change	1Q23	1Q22	1Q23	1Q22	Change
<i>GEL thousands, unless otherwise noted</i>											
Revenue, gross	17,320	19,671	-12.0%	4,416	7,828	-43.6%	(1,588)	(1,507)	20,148	25,992	-22.5%
Corrections & rebates	(251)	(64)	NMF	-	-	NMF	-	-	(251)	(64)	NMF
Revenue, net	17,069	19,607	-12.9%	4,416	7,828	-43.6%	(1,588)	(1,507)	19,897	25,928	-23.3%
Costs of services	(9,686)	(11,430)	-15.3%	(3,398)	(5,558)	-38.9%	1,588	1,513	(11,496)	(15,475)	-25.7%
Cost of salaries and other employee benefits	(6,072)	(6,169)	-1.6%	(1,131)	(1,244)	-9.1%	-	-	(7,203)	(7,413)	-2.8%
Cost of materials and supplies	(836)	(2,397)	-65.1%	(1,761)	(3,813)	-53.8%	-	-	(2,597)	(6,210)	-58.2%
Cost of medical service providers	(1,608)	(1,857)	-13.4%	(183)	(176)	4.0%	1,588	1,513	(203)	(520)	-61.0%
Cost of utilities and other	(1,170)	(1,007)	16.2%	(323)	(325)	-0.6%	-	-	(1,493)	(1,332)	12.1%
Gross profit	7,383	8,177	-9.7%	1,018	2,270	-55.2%	-	6	8,401	10,453	-19.6%
Gross profit margin	42.6%	41.6%	+1.0ppts	23.1%	29.0%	-5.9ppts	N/A	N/A	41.7%	40.2%	+1.5ppts
Salaries and other employee benefits	(3,175)	(2,994)	6.0%	(432)	(476)	-9.2%	-	-	(3,607)	(3,470)	3.9%
General and administrative expenses	(1,518)	(1,283)	18.3%	(312)	(681)	-54.2%	-	-	(1,830)	(1,964)	-6.8%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(1,746)</i>	<i>(1,682)</i>	<i>3.8%</i>	<i>(312)</i>	<i>(681)</i>	<i>-54.2%</i>	<i>-</i>	<i>-</i>	<i>(2,058)</i>	<i>(2,363)</i>	<i>-12.9%</i>
Impairment of receivables	(73)	(87)	-16.1%	-	-	NMF	-	-	(73)	(87)	-16.1%
Other operating income	(70)	231	NMF	(18)	(38)	-52.6%	-	(6)	(88)	187	NMF
EBITDA	2,547	4,044	-37.0%	256	1,075	-76.2%	-	-	2,803	5,119	-45.2%
EBITDA excluding IFRS 16	2,319	3,645	-36.4%	256	1,075	-76.2%	-	-	2,575	4,720	-45.4%
EBITDA margin excluding IFRS 16	13.4%	18.5%	-5.1ppts	5.8%	13.7%	-7.9ppts	N/A	N/A	12.8%	18.2%	-5.4ppts
Depreciation and amortization	(2,029)	(1,611)	25.9%	(204)	(185)	10.3%	-	-	(2,233)	(1,796)	24.3%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(1,793)</i>	<i>(1,514)</i>	<i>18.4%</i>	<i>(204)</i>	<i>(185)</i>	<i>10.3%</i>	<i>-</i>	<i>-</i>	<i>(1,997)</i>	<i>(1,699)</i>	<i>17.5%</i>
Net interest income (expense)	(1,518)	(1,359)	11.7%	(141)	(92)	53.3%	-	-	(1,659)	(1,451)	14.3%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(1,331)</i>	<i>(1,214)</i>	<i>9.6%</i>	<i>(141)</i>	<i>(92)</i>	<i>53.3%</i>	<i>-</i>	<i>-</i>	<i>(1,472)</i>	<i>(1,306)</i>	<i>12.7%</i>
Net gains/(losses) from foreign currencies	1,248	65	NMF	13	6	NMF	-	-	1,261	71	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>648</i>	<i>1</i>	<i>NMF</i>	<i>13</i>	<i>6</i>	<i>NMF</i>	<i>-</i>	<i>-</i>	<i>661</i>	<i>7</i>	<i>NMF</i>
Net non-recurring income/(expense)	(160)	(86)	86.0%	(78)	(54)	44.4%	-	-	(238)	(140)	70.0%
Net profit/(loss) before income tax expense	88	1,053	-91.6%	(154)	750	NMF	-	-	(66)	1,803	NMF
Income tax benefit/(expense)	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Net profit/(loss) for the period	88	1,053	-91.6%	(154)	750	NMF	-	-	(66)	1,803	NMF
Attributable to:											
- shareholders of the Company	51	938	-94.6%	(154)	750	NMF	-	-	(103)	1,688	NMF
- non-controlling interests	37	115	-67.8%	-	-	NMF	-	-	37	115	-67.8%
Net (loss)/profit for the period excluding IFRS 16	(317)	832	NMF	(154)	750	NMF	-	-	(471)	1,582	NMF
Attributable to:											
- shareholders of the Company	(354)	717	NMF	(154)	750	NMF	-	-	(508)	1,467	NMF
- non-controlling interests	37	115	-67.8%	-	-	NMF	-	-	37	115	-67.8%

SELECTED FINANCIAL INFORMATION – Clinics & Diagnostics, *continued*

STATEMENT OF CASH FLOW	Clinics			Diagnostic			Eliminations		Clinics & Diagnostics		
<i>GEL thousands, unless otherwise noted</i>	1Q23	1Q22	Change	1Q23	1Q22	Change	1Q23	1Q22	1Q23	1Q22	Change
Cash flows from operating activities											
Revenue received	14,284	15,212	-6.1%	3,421	7,002	-51.1%	(1,462)	(1,075)	16,243	21,139	-23.2%
Cost of services paid	(9,088)	(9,987)	-9.0%	(2,977)	(4,013)	-25.8%	1,462	1,075	(10,603)	(12,925)	-18.0%
Gross profit received	5,196	5,225	-0.6%	444	2,989	-85.1%	-	-	5,640	8,214	-31.3%
Salaries paid	(2,469)	(2,177)	13.4%	(1,596)	(2,783)	-42.7%	-	-	(4,065)	(4,960)	-18.0%
General and administrative expenses paid	(1,825)	(1,058)	72.5%	(248)	(518)	-52.1%	-	-	(2,073)	(1,576)	31.5%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(2,053)</i>	<i>(1,457)</i>	<i>40.9%</i>	<i>(248)</i>	<i>(518)</i>	<i>-52.1%</i>	-	-	<i>(2,301)</i>	<i>(1,975)</i>	<i>16.5%</i>
Other operating income/(expense) and tax paid	(301)	(168)	79.2%	(12)	(35)	-65.7%	-	-	(313)	(203)	54.2%
Net cash flows from operating activities before income tax	601	1,822	-67.0%	(1,412)	(347)	NMF	-	-	(811)	1,475	NMF
Income tax paid	-	-	NMF	-	-	NMF	-	-	-	-	NMF
Net cash flows from operating activities	601	1,822	-67.0%	(1,412)	(347)	NMF	-	-	(811)	1,475	NMF
Net cash flows from operating activities, excluding IFRS 16	373	1,423	-73.8%	(1,412)	(347)	NMF	-	-	(1,039)	1,076	NMF
Cash flows from investing activities											
Cash outflow on Capex	(2,327)	(2,030)	14.6%	(597)	(359)	66.3%	-	-	(2,924)	(2,389)	22.4%
Interest income received	52	128	-59.4%	7	20	-65.0%	-	-	59	148	-60.1%
Dividends and intersegment loans issued/received	(114)	(201)	-43.3%	-	-	NMF	-	-	(114)	(201)	-43.3%
Net cash flow from investing activities	(2,389)	(2,103)	13.6%	(590)	(339)	74.0%	-	-	(2,979)	(2,442)	22.0%
Cash flows from financing activities											
Payment of finance lease liabilities	(91)	(254)	-64.2%	-	-	NMF	-	-	(91)	(254)	-64.2%
Interest expense paid on finance lease	(137)	(145)	-5.5%	-	-	NMF	-	-	(137)	(145)	-5.5%
Increase/(decrease) in borrowings	5,015	543	NMF	1,059	(218)	NMF	-	-	6,074	325	NMF
Interest expense paid	(1,654)	(1,579)	4.7%	(146)	(90)	62.2%	-	-	(1,800)	(1,669)	7.8%
Net cash flows from financing activities	3,133	(1,435)	NMF	913	(308)	NMF	-	-	4,046	(1,743)	NMF
Net cash flows from financing activities, excluding IFRS 16	3,361	(1,036)	NMF	913	(308)	NMF	-	-	4,274	(1,344)	NMF
Effect of exchange rates changes on cash and cash equivalents	-	15	NMF	2	-	NMF	-	-	2	15	NMF
Net increase/(decrease) in cash and cash equivalents	1,345	(1,701)	NMF	(1,087)	(994)	9.6%	-	-	258	(2,695)	NMF
Cash and bank deposits, beginning	5,825	3,148	85.0%	1,141	3,143	-63.7%	-	-	6,966	6,291	10.7%
Cash and bank deposits, ending	7,170	1,447	NMF	54	2,149	-97.6%	-	-	7,224	3,596	NMF

SELECTED FINANCIAL INFORMATION – Clinics & Diagnostics, *continued*

BALANCE SHEET	Clinics			Diagnostic			Eliminations		Clinics & Diagnostics		
	Mar-23	Dec-22	Change	Mar-23	Dec-22	Change	Mar-23	Dec-22	Mar-23	Dec-22	Change
<i>GEL thousands, unless otherwise noted</i>											
Cash and bank deposits	7,170	5,825	23.1%	54	1,141	-95.3%	-	-	7,224	6,966	3.7%
Receivables from healthcare services	13,950	11,495	21.4%	5,789	5,079	14.0%	(1,679)	(1,502)	18,060	15,072	19.8%
Property and equipment	102,964	102,904	0.1%	15,876	16,049	-1.1%	-	-	118,840	118,953	-0.1%
Right of use assets	12,023	12,593	-4.5%	-	-	NMF	-	-	12,023	12,593	-4.5%
Goodwill and other intangible assets	14,544	14,291	1.8%	3,424	2,847	20.3%	-	-	17,968	17,138	4.8%
Inventory	1,990	2,022	-1.6%	2,132	1,456	46.4%	-	-	4,122	3,478	18.5%
Prepayments	2,422	2,075	16.7%	4,543	4,543	NMF	-	-	6,965	6,618	5.2%
Other assets	9,972	9,486	5.1%	664	760	-12.6%	(301)	(297)	10,335	9,949	3.9%
<i>Of which, securities and intercompany loans</i>	3,357	3,379	-0.7%	-	-	NMF	(276)	(272)	3,081	3,107	-0.8%
Total assets	165,035	160,691	2.7%	32,482	31,875	1.9%	(1,980)	(1,799)	195,537	190,767	2.5%
Borrowed Funds	60,914	56,908	7.0%	5,183	4,196	23.5%	(277)	(272)	65,820	60,832	8.2%
Accounts payable	11,733	11,782	-0.4%	7,122	7,424	-4.1%	(1,703)	(1,527)	17,152	17,679	-3.0%
Other liabilities	14,855	14,841	0.1%	1,107	1,033	7.2%	401	401	16,363	16,275	0.5%
Total liabilities	87,502	83,531	4.8%	13,412	12,653	6.0%	(1,579)	(1,398)	99,335	94,786	4.8%
Total shareholders' equity attributable to:	77,533	77,160	0.5%	19,070	19,222	-0.8%	(401)	(401)	96,202	95,981	0.2%
Shareholders of the Company	76,610	76,281	0.4%	19,070	19,222	-0.8%	(401)	(401)	95,279	95,102	0.2%
Non-controlling interest	923	879	5.0%	-	-	NMF	-	-	923	879	5.0%

Selected ratios and KPIs

Selected ratios and KPIs	1Q23	1Q22	Change
GHG			
ROIC (%)	12.2%	14.2%	-2.0ppts
Group rent expenditure	9,291	9,008	3.1%
<i>of which, Pharma</i>	8,437	8,125	3.8%
	-	-	
Group capex (maintenance)	5,257	5,063	3.8%
Group capex (growth)	10,576	9,990	5.9%
Number of employees	15,532	15,783	
Number of physicians	3,453	3,217	
Number of nurses	3,092	3,165	
Nurse to doctor ratio, referral hospitals	0.90	0.98	
Number of pharmacists	2,827	3,000	
Hospitals	1Q23	1Q22	Change
EBITDA margin of Hospitals excl. IFRS 16	18.3%	19.2%	-0.9 ppts
Direct salary rate (direct salary as % of revenue)	37.6%	34.4%	3.2 ppts
Materials rate (direct materials as % of revenue)	17.1%	19.7%	-2.6 ppts
Administrative salary rate (administrative salaries as % of revenue)	12.5%	12.0%	0.5 ppts
SG&A rate (SG&A expenses as % of revenue)	5.0%	4.1%	0.9 ppts
Number of hospitals	16	16	
Number of referral hospital beds	2,524	2,524	
Bed occupancy rate	53.9%	61.9%	-8.0 ppts
Bed occupancy rate, excluding Tbilisi Referral Hospital and Regional Hospital beds	51.8%	64.6%	-12.8 ppts
Bed occupancy rate, Regional Hospital beds	73.7%	51.6%	22.1 ppts
Bed occupancy rate, Tbilisi Referral Hospital beds	48.2%	55.4%	-7.2 ppts
Average length of stay (days)	5.2	5.7	-8.3%
Average revenue per hospital bed	117.8	118.8	-0.8%
Clinics	1Q23	1Q22	Change
EBITDA margin of clinics excluding IFRS 16	13.4%	18.5%	-5.1 ppts
EBITDA margin of polyclinics excluding IFRS 16	15.6%	19.2%	-3.6 ppts
Direct salary rate (direct salary as % of revenue)	35.1%	31.4%	3.7 ppts
Materials rate (direct materials as % of revenue)	4.8%	12.2%	-7.4 ppts
Number of community clinics	19	19	
Number of community clinics beds	353	353	
Number of polyclinics	17	15	
Pharmacy and distribution	1Q23	1Q22	Change
EBITDA margin excluding IFRS 16	10.3%	10.4%	-0.1 ppts
Number of bills issued in mln	7.6	7.6	-
Average bill size	19.4	19.3	0.5%
Revenue from wholesale as a percentage of total revenue from pharma	21.2%	22.1%	-0.9 ppts
Revenue from retail as a percentage of total revenue from pharma	78.8%	77.9%	0.9 ppts
Revenue from para-pharmacy as a percentage of retail revenue from pharma	39.7%	34.5%	5.2 ppts
Total number of pharmacies, <i>of which:</i>	378	359	19
<i>Georgia</i>	368	353	15
<i>Armenia</i>	10	6	4
Medical insurance	1Q23	1Q22	Change
Loss ratio	80.5%	82.0%	-1.5 ppts
Expense ratio, <i>of which:</i>	15.2%	18.7%	-3.5 ppts
<i>Commission ratio</i>	4.0%	4.6%	-0.6 ppts
Combined ratio	95.7%	100.7%	-5.0 ppts
Renewal rate	82.7%	67.7%	15.0 ppts
Diagnostics	1Q23	1Q22	Change
EBITDA margin excluding IFRS 16	5.8%	13.7%	NMF
Number of patients served ('000)	207	343	-39.7%
Number of tests performed ('000)	619	759	-18.4%
Average revenue per test GEL	7.1	10.3	-31.1%
Average number of tests per patient	3.0	2.2	36.4%