



**GEORGIA
HEALTHCARE
GROUP**

First Quarter 2022 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 | 1Q22 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 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 three business lines: a healthcare services business, a pharmacy and distribution business and a medical insurance business.

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

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

Below is presented the Group’s and its businesses first quarter 2022 consolidated financial results. Unless otherwise mentioned, comparatives are for the first quarter of 2021. 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 67% equity interest through GHG¹, is the largest pharmaceuticals retailer and wholesaler in Georgia, with a 35% market share by revenue. The business consists of a retail pharmacy chain and a wholesale business that sells pharmaceuticals and medical supplies to hospitals and other pharmacies. The pharmacy chain operates a total of 359 pharmacies, of which 353 are in Georgia, and 6 are in Armenia.

1Q22 performance (GEL '000), Retail (pharmacy)²

INCOME STATEMENT HIGHLIGHTS

	1Q22	1Q21	Change
Revenue, net	198,802	173,797	14.4%
Of which, retail	154,878	127,529	21.4%
Of which, wholesale	43,924	46,268	-5.1%
Gross Profit	59,097	40,245	46.8%
Gross profit margin	29.7%	23.2%	6.5ppts
Operating expenses (ex. IFRS 16)	(38,480)	(27,155)	41.7%
EBITDA (ex. IFRS 16)	20,617	13,090	57.5%
EBITDA margin, (ex. IFRS 16)	10.4%	7.5%	2.9ppts
Net profit (ex. IFRS 16)	17,045	8,308	105.2%

CASH FLOW HIGHLIGHTS

Cash flow from operating activities (ex. IFRS 16)	16,806	(2,522)	NMF
EBITDA to cash conversion	81.5%	-19.3%	100.8ppts
Cash flow used in investing activities³	(20,394)	(1,821)	NMF
Free cash flow, (ex. IFRS 16)⁴	(1,964)	(5,137)	61.8%
Cash flow used in financing activities (ex. IFRS 16)	(9,697)	(3,682)	NMF

BALANCE SHEET HIGHLIGHTS

	31-Mar-22	31-Dec-21	Change
Total assets	516,303	522,814	-1.2%
Of which, cash and bank deposits	41,007	54,616	-24.9%
Of which, securities and loans issued	24,037	20,922	14.9%
Total liabilities	475,523	497,954	-4.5%
Of which, borrowings	85,769	89,844	-4.5%
Of which, lease liabilities	112,012	104,613	7.1%
Total equity	40,780	24,860⁵	64.0%

KEY POINTS / VALUATION DRIVERS

- Strong growth in 1Q22 revenues (up 14.4%) and EBITDA (excl. IFRS 16) (up 57.5%) y-o-y, reflecting overall improvement in economic activity and continued expansion of the pharmacy chain
- Robust gross profit margin of 29.7% in 1Q22 (up 6.5 ppts y-o-y), reflecting the growing profitability of the wholesale business line notwithstanding a 5.1% y-o-y revenue reduction in 1Q22 in that business, further supported by the increased sales of high margin para-pharmacy products in the retail business line
- EBITDA margin at 10.4% in 1Q22 (up 2.9 ppts y-o-y), exceeding the targeted 9%+
- Strong cash flow from operating activities, in line with the enhanced revenue streams - with an 81.5% EBITDA to cash conversion ratio
- Net debt⁶ amounted to GEL 20.7 million as of 31-Mar-22, up 44.9% q-o-q, mainly reflecting a decrease in cash balance due to the payment of GEL 10.0 million under the first tranche of the minority interest buyout (10% valued at GEL 41.2 million) in the business
- Added 37 pharmacies over the last 12 months, expanding from 322 to 359 stores
- Due to the expansion of local business as well as opening new pharmacies internationally (currently in Armenia), the business is upgrading its core IT system with SAP, which enables the company to implement a more efficient operating system for the warehouse, decrease operational risks and improve the day-to-day inventory management process. The implementation process will last approximately a year and a half, ending in June 2023, with the total estimated cost at around USD 3.2 million.

¹ In October 2021, GHG signed a share purchase agreement to acquire the 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. 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 8.8 million in 1Q22 (GEL 2.6 million in 1Q21); acquisition of minority share of GEL 10.0 million in 1Q22.

⁴ Calculated by deducting capex and acquisition of subsidiaries / payment of holdback from operating cash flows.

⁵ Adjusted for the impact of the minority buyout, previously reflected in the equity of the healthcare services business.

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

INCOME STATEMENT HIGHLIGHTS

The retail (pharmacy) business delivered 14.4% y-o-y revenue growth in 1Q22, reflecting expansion (adding 37 pharmacies over 12 months) as well as organic sales growth (same-store revenue up 12.5% in 1Q22). The retail revenue share in total revenue was 77.9% in 1Q22 (73.4% in 1Q21). The revenue from para-pharmacy, as a percentage of retail revenue from the pharmacy, was 34.6% in 1Q22 (34.8% in 1Q21).

Retail (Pharmacy)'s key operating performance highlights for 1Q22 are noted below:

	1Q22	1Q21	Change
Same store revenue growth	12.5%	-5.0%	17.5ppts
Number of bills issued (mln)	7.6	6.5	16.6%
Average bill size (GEL)	19.3	18.4	4.8%

Benefitting from the strong economic recovery, compared to 1Q21 when due to the increased competition and general macro backdrop business margins were significantly subdued, as well as increased marketing activities and sale of higher-margin para-pharmacy products, the business posted 29.7% (up 6.5 ppts y-o-y) gross profit margin in 1Q22.

Due to the continuous expansion of the pharmacy chains and subsequent increase in salary, marketing and utility expenditures associated with the openings of the new pharmacies, the operating expenses increased by 41.7% y-o-y. Notwithstanding the increased costs, the strong business performance led to a 57.5% increase in EBITDA (excl. IFRS 16), while the 1Q22 EBITDA margin reached 10.4% (up 2.9 ppts y-o-y). Excluding the impact from state tax subsidy for low salary range employees, effective during May 2020 - June 2021, EBITDA margin (excl. IFRS 16) was up 3.6 ppts y-o-y, in 1Q22.

Interest expense, excluding IFRS 16, was down 37.6% y-o-y in 1Q22, due to the lower level of net debt position during the quarter (also down 12.4 ppts q-o-q). GEL 0.6 million foreign currency gain, excluding IFRS 16, reflects the decrease in the GEL value of US\$ and EUR denominated payables to suppliers due to the appreciation of GEL in 1Q22 compared to the same period last year.

As a result, the business posted a GEL 17.0 million profit in 1Q22 (up 105.2% y-o-y).

CASH FLOW AND BALANCE SHEET HIGHLIGHTS

On the back of increased revenue, the business posted GEL 16.8 million cash flow from operating activities, translating into an 81.5% EBITDA to cash conversion ratio for the same period. Increased cash outflows from investing activities reflect increased capex for implementation of SAP (GEL 4.8 million in 1Q22), investments attributable to new projects such as opticians and opening body shops in Armenia, new format pharmacies and regular expansion of the chain. In 1Q22 the business paid the first tranche payment of GEL 10.0 million, out of the total GEL 41.2 million first tranche price, for a 10% minority interest buyout in the retail (pharmacy) business.

Discussion of Hospitals Business Results

The hospitals business, where GCAP owns a 100% equity interest through GHG, 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.

1Q22 performance (GEL '000), Hospitals⁷

INCOME STATEMENT HIGHLIGHTS	1Q22	1Q21	Change
Revenue, net⁸	77,074	70,696	9.0%
Gross Profit	27,777	29,652	-6.3%
<i>Gross profit margin</i>	<i>35.4%</i>	<i>41.7%</i>	<i>-6.3ppts</i>
Operating expenses (ex. IFRS 16)	(12,687)	(10,805)	17.4%
EBITDA (ex. IFRS 16)	15,090	18,847	-19.9%
<i>EBITDA margin (ex. IFRS 16)</i>	<i>19.2%</i>	<i>26.5%</i>	<i>-7.3ppts</i>
Net profit (ex. IFRS 16)	3,017	6,643	-54.6%

CASH FLOW HIGHLIGHTS			
Cash flow from operating activities (ex. IFRS 16)	10,591	3,943	168.6%
<i>EBITDA to cash conversion (ex. IFRS 16)</i>	<i>70.2%</i>	<i>20.9%</i>	<i>49.3ppts</i>
Cash flow used in investing activities⁹	(1,063)	(10,190)	-89.6%
Dividends and intersegment loans issued/received	(1,817)	6,304	NMF
Free cash flow (ex. IFRS 16)¹⁰	8,612	(6,552)	NMF
Cash flow used in financing activities (ex. IFRS 16)	(20,329)	(16,383)	24.1%

BALANCE SHEET HIGHLIGHTS	31-Mar-22	31-Dec-21	Change
Total assets	642,241	658,071	-2.4%
Of which, cash balance and bank deposits	33,625	46,131	-27.1%
Of which, securities and loans issued	12,763	11,678	9.3%
Total liabilities	275,377	293,428	-6.2%
Of which, borrowings	210,521	223,433	-5.8%
Total equity	366,864	364,643	0.6%

KEY POINTS / VALUATION DRIVERS

- Revenues up 9.0% y-o-y in 1Q22, reflecting a 33.9% y-o-y increase in the number of admissions during the quarter
- In March due to the reduced COVID cases in the country, the Government of Georgia ceased contracting the healthcare facilities for COVID treatments. Restructuring COVID hospitals to normal operating levels and phasing out from the COVID cost structure temporarily suppressed the business' margins in 1Q22
- Gross profit down 6.3% y-o-y with 35.4% gross profit margin in 1Q22 (down 6.3 ppts y-o-y)
- EBITDA margin (excl. IFRS 16) was down 7.3 ppts y-o-y in 1Q22, also reflecting a base effect of a state income tax subsidy for low salary range employees in 1Q21 (GEL c.1.7 million impact); Excluding the impact of state income tax subsidy, EBITDA margin (excl. IFRS 16) was down by 4.8 ppts y-o-y
- Operating cash (excl. IFRS 16) at GEL 10.6 million, with 70.2% EBITDA to cash conversion rate (excl. IFRS 16)
- Net debt at GEL 164.1 million (down nearly 1% q-o-q), reflecting solid cash flow generation during the quarter
- In April 2022, the hospitals business sold 100% equity interest in one of the low ROIC generating hospitals – Traumatology Hospital, for US\$ 2.9 million. The transaction is in line with the business strategy to divest from low ROIC generating assets. The divestment improves the hospitals business ROIC (by 20bps)

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

⁸ Net revenue – Gross revenue less corrections and rebates. Margins are calculated from gross revenue.

⁹ Of which – capex of GEL 3.8 million in 1Q22, GEL 4.3 million in 1Q21; acquisition of subsidiaries / payment of holdback of GEL 6.2 million in 1Q21; first tranche proceeds from sale of Traumatology hospital of GEL 1.8 million in 1Q22.

¹⁰ Operating cash flows less capex, less acquisition of subsidiaries / payment of holdback, plus net proceeds on sale of subsidiaries/associates.

INCOME STATEMENT HIGHLIGHTS

Over the course of the last two years, the hospitals business was actively engaged in supporting the COVID-19 pandemic response in Georgia and had mobilised 7 hospitals to receive COVID patients, with a total aggregate number of c.800 beds across the country during 1Q22. The Government of Georgia fully reimbursed costs associated with COVID-19 treatments and paid a fixed fee amount per bed designated for COVID patients. As the COVID cases declined substantially in Georgia starting from 2022, in mid-March, the Government suspended the COVID contracts with hospitals. Restructuring the cost base of COVID hospitals, and phasing out from Government contracts, temporarily suppressed the business margins in 1Q22.

Overall, the occupancy rate, as well as the number of admissions, were up y-o-y by 4.2 ppts and by 33.9% respectively in 1Q22. These trends translated into hospitals' y-o-y net revenue growth of 9.0% for the quarter.

The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the materials and direct salary rates¹¹. The materials rate remained well-controlled throughout the quarter (19.7% in 1Q22, 19.6% in 1Q21). However, due to the expiration of a 6-months state income tax subsidy, effective from May 2020 till June 2021, as well as COVID hospitals' contracts suspension since March (COVID hospitals had mainly a fixed direct salary structure), the direct salary rate was up 4.2 ppts to 34.4%. After restructuring the COVID hospitals to a normal operating level, the salary rate is expected to stabilise in the coming quarters. Utilities and other costs were up in 1Q22, mainly resulting from increased tariffs on water, gas and electricity, effective since February 2021 as well as globally increased fuel costs. As a result, the hospitals business posted a 35.4% gross margin in 1Q22, down 6.3 ppts y-o-y. Adjusted for the impact of state income tax subsidy, the gross profit margin was down 3.8 ppts y-o-y.

The administrative salary expense during the quarter was up by 11.5% y-o-y, in line with the organic growth of the hospitals business. Furthermore, increased marketing expenses in 1Q22 contributed to the higher general and administrative expenses (excl. IFRS 16) by 28.3% y-o-y. The increased cost base in 1Q22 resulted in the reduced EBITDA (excl. IFRS 16) by 19.9% with an EBITDA margin of 19.2%, down 7.3 ppts y-o-y. Adjusted for the state income tax subsidy impact, the EBITDA margin (excl. IFRS 16) was down by 4.8 ppts y-o-y.

Increased interest rates (NBG refinancing rate up 2.5 ppts in the last twelve months) led to an increase in net interest expense (excl. IFRS 16) in 1Q22, up by 16.4% y-o-y (down 6.5% q-o-q).

Overall, the business posted GEL 3.0 million net profit excluding IFRS 16 in 1Q22, down by 54.6% y-o-y.

CASH FLOW HIGHLIGHTS

Cash flow from operating activities (excl. IFRS 16) was up 168.6% y-o-y, mainly due to the weak 1Q21 cash collection when the business had considerably increased working capital needs. 1Q22 operating cash translated into a 70.2% EBITDA to cash conversion rate. Capex investment was GEL 3.8 million in 1Q22, mainly reflecting maintenance capex.

¹¹ The respective costs divided by gross revenues.

Discussion of Insurance Medical Insurance Business Results

GHG is the country's largest private medical insurer, with a 22.5% market share based on FY21 net insurance premiums. GHG offers a variety of medical insurance products primarily to Georgian corporate and state entities and also to retail clients. The medical insurance business plays a significant feeder role for GHG's polyclinics, pharmacies and hospitals. GCAP owns a 100% equity stake in both insurance businesses.

1Q22 performance (GEL '000), Medical Insurance ¹²

INCOME STATEMENT HIGHLIGHTS (GEL '000)	1Q22	1Q21	Change
Earned premiums, net	17,457	17,271	1.1%
Net underwriting profit	2,343	3,110	-24.7%
Net investment profit	767	709	8.2%
Net profit	404	1,230	-67.2%
CASH FLOW HIGHLIGHTS			
Net cash flows from operating activities	(1,368)	1,151	NMF
Free cash flow	(1,467)	1,120	NMF
BALANCE SHEET HIGHLIGHTS			
	31-Mar-22	31-Dec-21	Change
Total assets	100,475	78,822	27.5%
Total equity	33,425	32,230	3.7%

KEY POINTS / KEY DRIVERS FOR VALUATION

- Earned premiums net up 1.1% y-o-y in 1Q22, mainly reflecting c.5% increase in the price of the insurance policies
- Insurance renewal rate down 3.8 ppts to 67.7% in 1Q22, while the number of insured clients was down 4.0% over the quarter to c.159,000 as of 31-Mar-22, reflecting the increased price of insurance policies
- On the back of increased demand for healthcare services, the loss ratio was up 4.1 ppts in 1Q22 to 82.0%

INCOME STATEMENT HIGHLIGHTS

The modest 1.1% y-o-y increase in 1Q22 earned premiums net, reflects the combined effect of an increase in the price of insurance policies and a 7.6% decrease in the number of insured clients for the same period (from c.172,000 in 1Q21 to 159,000 in 1Q22). Various incentives such as the direct settlement of claims with the provider mean that, on top of its own positive contribution to GHG's profitability, the medical insurance business plays a feeder role in originating and directing patients to GHG's healthcare facilities, mainly to polyclinics and to pharmacies. The direct settlement improves claims retention rates within GHG.

Claims retention rates	1Q22	1Q21	Change
Total claims retained within the GHG	36.5%	35.9%	0.6ppts
Total claims retained in outpatient	37.7%	39.0%	-1.3ppts

In 1Q22, the net claims expenses were GEL 14.3 million (up 6.4% y-o-y), of which GEL 6.3 million (44.2% of total) was inpatient, GEL 5.1 million (35.5 % of total) was outpatient and GEL 2.9 million (20.3 % of total) was related to pharmaceuticals. Reflecting a rebounding trend in the number of admissions at hospitals and clinics, compared to patient footprint slowdown at healthcare facilities last year due to the pandemic, the loss ratio was up 4.1 ppts to 82.0% in 1Q22. As a result, the combined ratio increased by 4.9 ppts y-o-y to 100.8% for the quarter. The business posted a net profit of GEL 0.4 million in 1Q22 (down 67.2% y-o-y).

BALANCE SHEET AND CASH FLOW HIGHLIGHTS

The operating cash flow decline is associated with the state prepaying insurance policy fees on some of its largest contracts in 4Q21 in the preceding quarter and a corresponding decrease in 1Q22.

¹² The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

Discussion of Clinics and Diagnostics Business Results

The clinics and diagnostics business, where GCAP owns a 100% equity interest through GHG, is the largest healthcare market participant in Georgia. The business comprises two segments: 1) Clinics: 19 community clinics with 353 beds (providing outpatient and basic inpatient services); 15 polyclinics (providing outpatient diagnostic and treatment services) and 16 lab retail points at GPC pharmacies; 2) Diagnostics, operating the largest laboratory in the entire Caucasus region – “Mega Lab”.

1Q22 performance (GEL '000), Clinics and Diagnostics¹³

INCOME STATEMENT HIGHLIGHTS

	1Q22	1Q21	Change
Revenue, net¹⁴	25,928	19,616	32.2%
Of which, clinics	19,607	15,306	28.1%
Of which, diagnostics	7,828	5,547	41.1%
Of which, inter-business eliminations	(1,507)	(1,237)	21.8%
Gross Profit	10,453	8,654	20.8%
Gross profit margin	40.2%	43.9%	-3.7ppts
Operating expenses (ex. IFRS 16)	(5,733)	(4,438)	29.2%
EBITDA (ex. IFRS 16)	4,720	4,216	12.0%
EBITDA margin (ex. IFRS 16)	18.2%	21.4%	-3.2ppts
Net profit (ex. IFRS 16)	1,582	1,077	46.9%

CASH FLOW HIGHLIGHTS

Cash flow from operating activities (ex. IFRS 16)	1,076	352	205.7%
EBITDA to cash conversion (ex. IFRS 16)	22.8%	8.3%	14.5ppts
Cash flow from/used in investing activities	(2,442)	(1,493)	63.6%
Free cash flow (ex. IFRS 16)¹⁵	(1,313)	(1,174)	11.8%
Cash flow from financing activities (ex. IFRS 16)	(1,344)	8,225	NMF

BALANCE SHEET HIGHLIGHTS

	31-Mar-22	31-Dec-21	Change
Total assets	184,281	178,592	3.2%
Of which, cash balance and bank deposits	3,595	6,292	-42.9%
Of which, securities and loans issued	3,643	3,699	-1.5%
Total liabilities	84,278	80,613	4.5%
Of which, borrowings	51,062	50,854	0.4%
Total equity	100,003	97,979	2.1%

Discussion of results, Clinics

KEY POINTS / VALUATION DRIVERS

- As explained on page 13 above, at the hospitals business discussion, suspension of COVID contracts from the Government also affected the clinics business, as 12 of our community clinics, with c.300 beds, were engaged in the programme. Apart from community clinics, our polyclinics were also affected due to the reduced traffic for COVID services, such as COVID tests and vaccinations. Phasing out from the COVID cost structure temporarily suppressed the clinic's business margins in 1Q22
- Revenues up 28.1% y-o-y in 1Q22, reflecting increasing demand for regular outpatient services
- Revenue growth was further reflected in increased gross profit up by 16.5% in 1Q22 y-o-y, with a 41.6% margin (down 4.0 ppts y-o-y)
- EBITDA (excl. IFRS 16) was up 13.2% 1Q22, with an 18.5% EBITDA margin (down 2.4 ppts y-o-y), also reflecting an absence of a state income tax subsidy for low salary range employees in 1Q22; excluding the GEL 0.6 million impact of state income tax subsidy, EBITDA margin (excl. IFRS 16) was up by 1.2 ppts y-o-y in 1Q22
- The business spent GEL 2.0 million on capex, of which GEL 0.7 million was maintenance capex and GEL 1.3 million was growth capex, primarily related to the opening of two new polyclinics in Tbilisi

¹³ The detailed IFRS financial statements are included in supplementary excel file, available at <https://georgiacapital.ge/ir/financial-results>.

¹⁴ Net revenue – Gross revenue less corrections and rebates. Margins are calculated from Gross revenue.

¹⁵ Operating cash flows less capex.

1Q22 performance (GEL '000), Clinics

INCOME STATEMENT HIGHLIGHTS (GEL '000)	1Q22	1Q21	Change
Revenue, net ¹⁶	19,607	15,306	28.1%
Gross Profit	8,177	7,021	16.5%
Gross profit margin	41.6%	45.6%	-4.0ppts
Operating expenses (ex. IFRS 16)	(4,532)	(3,802)	19.2%
EBITDA (ex. IFRS 16)	3,645	3,219	13.2%
EBITDA margin (ex. IFRS 16)	18.5%	20.9%	-2.4ppts
Net profit (ex. IFRS 16)	832	406	104.9%

CASH FLOW HIGHLIGHTS

Cash flow from operating activities (ex. IFRS 16)	1,423	2,107	-32.5%
EBITDA to cash conversion (ex. IFRS 16)	39.0%	65.5%	-26.5ppts
Cash flow used in investing activities ¹⁷	(2,103)	(1,111)	89.3%
Free cash flow (ex. IFRS 16) ¹⁸	(607)	900	NMF
Cash flow from financing activities (ex. IFRS 16)	(1,036)	8,385	NMF

BALANCE SHEET HIGHLIGHTS

	31-Mar-22	31-Dec-21	Change
Total assets	152,842	147,368	3.7%
Of which, cash balance and bank deposits	1,447	3,149	-54.0%
Of which, securities and loans issued	3,897	3,947	-1.3%
Total liabilities	73,587	69,387	6.1%
Of which, borrowings	46,766	46,417	0.8%
Total equity	79,255	77,981	1.6%

INCOME STATEMENT HIGHLIGHTS

The clinics business was also actively engaged in supporting the COVID-19 pandemic response in Georgia, allocating 12 community clinics, with a total c.300 bed across the country. The Government of Georgia fully reimbursed costs associated with COVID-19 treatments and paid a fixed fee amount per bed designated for COVID patients. In March 2022, similarly to the hospitals business, the Government suspended the COVID contracts with clinics which temporarily suppressed the business' margins. At our clinics, the number of admissions was up by 39.7% in 1Q22 y-o-y. The number of registered patients in Tbilisi also increased by c.27,000 y-o-y to c.262,000 and by c.57,000 y-o-y to c.595,000 across the country in 1Q22. This translated into clinics' y-o-y net revenue growth of 28.1% in 1Q22.

The cost of services in the business consists mainly of materials, salaries and utilities. Trends in materials and salary costs are captured in the materials and direct salary rates¹⁹. The materials rate remained well-controlled at 12.2% in 1Q22. However, due to the expiration of a 6-months state income tax subsidy, effective from May 2020 till June 2021 as well COVID clinics' contracts suspension in March (COVID clinics had mainly fixed direct salary structure), the direct salary rate was up 3.7 ppts to 31.4%. After restructuring the COVID clinics to a normal operating level, the salary rate is expected to stabilise in the coming quarters. As a result, the clinics business posted a 41.6% gross profit margin in 1Q22, down 4.0 ppts y-o-y. Adjusted for the impact of state income tax subsidy, the gross profit margin was down 0.4 ppts y-o-y in 1Q22.

Salaries and other employee benefits, as well as general and administrative expenses (excl. IFRS 16), were up y-o-y, by 21.2% and 23.5% respectively, in 1Q22, mainly due to the increased cost structure for COVID clinics and the expansion of the business. This translated into the business' EBITDA margin (excl. IFRS 16) being down by 2.4 ppts, at 18.5%. When adjusted for the state subsidy impact, the EBITDA margin (excl. IFRS 16) was up 1.2 ppts y-o-y. Since April 2022, the COVID clinics also started to restructure to a normal opening level, which is expected to stabilise the operating cost base going forward. Increased interest rates on the market led to an increase in net interest expense (excl. IFRS 16) in 1Q22 up 28.3% y-o-y (up 3.1% q-o-q). Overall, the business posted GEL 0.8 million net profit excluding IFRS 16 in 1Q22, up 104.9% y-o-y.

CASH FLOW HIGHLIGHTS

In 4Q21 the business had a strong performance in terms of operating cash when the Government reimbursed most of the payables by the end of the year. This translated into reduced operating cash inflows in 1Q22, with a 39.0% EBITDA to cash conversion rate. The rate is expected to rebound in the coming quarters.

¹⁶ Net revenue – Gross revenue less corrections and rebates. Margins are calculated from gross revenue.

¹⁷ Of which – capex of GEL 2.0 million in 1Q22 (GEL 1.2 million in 1Q21).

¹⁸ Operating cash flows less capex.

¹⁹ The respective costs divided by gross revenues.

Discussion of results, Diagnostics

KEY POINTS / VALUATION DRIVERS

- The number of tests performed amounted to c.759,000 in 1Q22, up 42.2% y-o-y, of which, c.80% were related to the regular lab tests (up by 24.8% y-o-y), and c.20% to COVID tests (up 3.0x y-o-y)
- Average Revenue per test of GEL 10.3 in 1Q22, down 0.7% y-o-y

INCOME STATEMENT HIGHLIGHTS (GEL '000)	1Q22	1Q21	Change
Revenue, net²⁰	7,828	5,547	41.1%
<i>Of which, from COVID-19 tests</i>	4,156	2,710	53.4%
<i>Of which, from regular lab tests</i>	3,672	2,837	29.4%
Gross Profit	2,270	1,633	39.0%
<i>Gross profit margin</i>	29.0%	29.4%	-0.4ppts
Operating expenses (ex. IFRS 16)	(1,195)	(636)	87.9%
EBITDA (ex. IFRS 16)	1,075	997	7.8%
<i>EBITDA margin (ex. IFRS 16)</i>	13.7%	18.0%	-4.3ppts
Net profit (ex. IFRS 16)	750	671	11.8%

INCOME STATEMENT HIGHLIGHTS

The diagnostics segment, which, apart from regular diagnostics services, is also engaged in COVID-19 testing, increased its revenue by 41.1% y-o-y in 1Q22 to GEL 7.8 million. Approximately half of diagnostics revenue relates to COVID-19 testing and another half to regular lab tests. From March the Government has also suspended the contracts with laboratories for COVID tests which is expected to reduce the revenues from COVID in the coming months. The business posted a 29.0% gross profit margin and 13.7% EBITDA margin, the latter being down 4.3 ppts y-o-y due to the increased operating costs, mainly related to marketing. The net profit (excl. IFRS 16) amounted to GEL 0.8 million in 1Q22, up 11.8% y-o-y.

²⁰ Net revenue – Gross revenue less corrections and rebates.

SELECTED FINANCIAL INFORMATION – Retail (Pharmacy)

INCOME STATEMENT			
<i>GEL thousands, unless otherwise noted</i>			
Revenue	1Q22	1Q21	Change
	198,802	173,797	14.4%
Costs of services	(139,705)	(133,552)	4.6%
Cost of pharma – wholesale	(33,026)	(39,367)	-16.1%
Cost of pharma - retail	(106,679)	(94,185)	13.3%
Gross profit	59,097	40,245	46.8%
Gross profit margin	29.7%	23.2%	+6.5 ppts
Salaries and other employee benefits	(20,115)	(12,665)	58.8%
General and administrative expenses	(11,068)	(8,319)	33.0%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(18,284)</i>	<i>(14,572)</i>	25.5%
Impairment of receivables	(110)	(9)	NMF
Other operating income	29	91	-68.1%
EBITDA	27,833	19,343	43.9%
EBITDA excluding IFRS 16	20,617	13,090	57.5%
EBITDA margin excluding IFRS 16	10.4%	7.5%	+2.9 ppts
Depreciation and amortization	(7,604)	(5,844)	30.1%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(1,557)</i>	<i>(1,165)</i>	33.6%
Net interest income (expense)	(3,293)	(3,790)	-13.1%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(1,405)</i>	<i>(2,253)</i>	-37.6%
Net gains/(losses) from foreign currencies	586	(3,483)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>630</i>	<i>(943)</i>	NMF
Net non-recurring income/(expense)	(816)	(50)	NMF
Profit before income tax expense	16,706	6,176	NMF
Income tax benefit/(expense)	(424)	(371)	14.3%
Profit for the period	16,282	5,805	NMF
Attributable to:			
- shareholders of the Company	10,067	3,434	NMF
- non-controlling interests	6,215	2,371	NMF
Profit for the period excluding IFRS 16	17,045	8,308	105.2%
Attributable to:			
- shareholders of the Company	10,578	5,111	107.0%
- non-controlling interests	6,467	3,197	102.3%
STATEMENT OF CASH FLOW			
<i>GEL thousands, unless otherwise noted</i>			
Cash flows from operating activities	1Q22	1Q21	Change
Revenue received	193,435	167,179	15.7%
Cost of services paid	(142,730)	(145,295)	-1.8%
Gross profit received	50,705	21,884	NMF
Salaries paid	(15,018)	(10,332)	45.4%
General and administrative expenses paid	(11,760)	(7,873)	49.4%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(18,976)</i>	<i>(14,126)</i>	34.3%
Other operating income/(expense) and tax paid	403	309	30.4%
Net cash flows from operating activities before income tax	24,330	3,988	NMF
Income tax paid	(308)	(257)	19.8%
Net cash flows from operating activities	24,022	3,731	NMF
Net cash flows from operating activities, excluding IFRS 16	16,806	(2,522)	NMF
Cash flows from investing activities			
Cash outflow on Capex	(8,770)	(2,615)	NMF
Acquisition of subsidiaries/payments of holdback	(10,000)	-	NMF
Interest income received	1,152	411	NMF
Intersegment loans issued proceeds from other investing activities	(2,776)	383	NMF
Net cash flow from investing activities	(20,394)	(1,821)	NMF
Cash flows from financing activities			
Payment of dividends	(2,898)	(7,414)	-60.9%
Purchase of treasury shares	-	-	NMF
Payment of finance lease liabilities	(5,328)	(4,716)	13.0%
Interest expense paid on finance lease	(1,888)	(1,537)	22.8%
Increase/(decrease) in borrowings	(4,337)	4,243	NMF
Interest expense paid	(2,462)	(511)	NMF
Net cash flows from financing activities	(16,913)	(9,935)	70.2%
Net cash flows from financing activities, excluding IFRS 16	(9,697)	(3,682)	NMF
Effect of exchange rates changes on cash and cash equivalents	(324)	461	NMF
Net increase/(decrease) in cash and cash equivalents	(13,609)	(7,564)	79.9%
Cash and bank deposits, beginning	54,616	36,856	48.2%
Cash and bank deposits, ending	41,007	29,292	40.0%

SELECTED FINANCIAL INFORMATION – Pharmacy and Distribution, *continued*

BALANCE SHEET			
<i>GEL thousands, unless otherwise noted</i>	Mar-22	Dec-21	Change
Cash and bank deposits	41,007	54,616	-24.9%
Securities and loans issued	24,037	20,922	14.9%
Receivables from sale of pharmaceuticals	57,822	59,113	-2.2%
Property and equipment	46,047	44,020	4.6%
Right of use assets	99,545	92,653	7.4%
Goodwill and other intangible assets	55,885	54,453	2.6%
Inventory	179,416	191,371	-6.2%
Prepayments	10,778	5,186	NMF
Other assets	1,766	480	NMF
Total assets	516,303	522,814	-1.2%
Borrowed Funds	85,769	89,844	-4.5%
Lease liabilities	112,012	104,613	7.1%
Accounts payable	147,258	166,562	-11.6%
Other liabilities	130,484	136,935	-4.7%
Total liabilities	475,523	497,954	-4.5%
Total shareholders' equity	40,780	24,860	64.0%

SELECTED FINANCIAL INFORMATION – Hospitals

INCOME STATEMENT			
<i>GEL thousands, unless otherwise noted</i>	1Q22	1Q21	Change
Revenue, gross	78,436	71,154	10.2%
Corrections & rebates	(1,362)	(458)	NMF
Revenue, net	77,074	70,696	9.0%
Costs of services	(49,297)	(41,044)	20.1%
Cost of salaries and other employee benefits	(27,004)	(21,489)	25.7%
Cost of materials and supplies	(15,456)	(13,933)	10.9%
Cost of medical service providers	(1,571)	(1,654)	-5.0%
Cost of utilities and other	(5,266)	(3,968)	32.7%
Gross profit	27,777	29,652	-6.3%
Gross profit margin	35.4%	41.7%	-6.3 ppts
Salaries and other employee benefits	(9,429)	(8,456)	11.5%
General and administrative expenses	(2,786)	(2,223)	25.3%
<i>General and administrative expenses excluding IFRS 16</i>	<i>(3,189)</i>	<i>(2,486)</i>	28.3%
Impairment of receivables	(1,185)	(791)	49.8%
Other operating income	1,116	928	20.3%
EBITDA	15,493	19,110	-18.9%
EBITDA excluding IFRS 16	15,090	18,847	-19.9%
EBITDA margin excluding IFRS 16	19.2%	26.5%	-7.3 ppts
Depreciation and amortization	(7,460)	(6,229)	19.8%
<i>Depreciation and amortization excluding IFRS 16</i>	<i>(6,991)</i>	<i>(6,034)</i>	15.9%
Net interest income (expense)	(4,656)	(4,015)	16.0%
<i>Net interest income (expense) excluding IFRS 16</i>	<i>(4,617)</i>	<i>(3,968)</i>	16.4%
Net gains/(losses) from foreign currencies	(63)	(1,663)	-96.2%
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	<i>(60)</i>	<i>(1,550)</i>	-96.1%
Net non-recurring income/(expense)	(405)	(652)	-37.9%
Profit before income tax expense	2,909	6,551	-55.6%
Income tax benefit/(expense)	-	-	NMF
Profit for the period	2,909	6,551	-55.6%
Attributable to:			
- shareholders of the Company	2,471	6,103	-59.5%
- non-controlling interests	438	448	-2.2%
Profit for the period excluding IFRS 16	3,017	6,643	-54.6%
Attributable to:			
- shareholders of the Company	2,579	6,195	-58.4%
- non-controlling interests	438	448	-2.2%
STATEMENT OF CASH FLOW			
<i>GEL thousands, unless otherwise noted</i>	1Q22	1Q21	Change
Cash flows from operating activities			
Revenue received	77,415	58,532	32.3%
Cost of services paid	(52,407)	(43,655)	20.0%
Gross profit received	25,008	14,877	68.1%
Salaries paid	(8,467)	(6,882)	23.0%
General and administrative expenses paid	(5,087)	(3,275)	55.3%
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(5,490)</i>	<i>(3,538)</i>	55.2%
Other operating income/(expense) and tax paid	(442)	(508)	-13.0%
Net cash flows from operating activities before income tax	11,012	4,212	NMF
Income tax paid	(18)	(6)	NMF
Net cash flows from operating activities	10,994	4,206	NMF
Net cash flows from operating activities, excluding IFRS 16	10,591	3,943	NMF
Cash flows from investing activities			
Cash outflow on Capex	(3,796)	(4,277)	-11.2%
Acquisition of subsidiaries/payments of holdback	-	(6,218)	NMF
Interest income received	916	305	NMF
Proceeds from sale of associate/subsidiary	1,817	-	NMF
Dividends and intersegment loans issued/received	(1,817)	6,304	NMF
Net cash flow from investing activities	(2,880)	(3,886)	-25.9%
Cash flows from financing activities			
Payment of dividends	(1,606)	(195)	NMF
Purchase of treasury shares	(774)	(5,020)	-84.6%
Payment of finance lease liabilities	(364)	(216)	68.5%
Interest expense paid on finance lease	(39)	(47)	-17.0%
Increase/(decrease) in borrowings	(11,132)	(1,560)	NMF
Interest expense paid	(6,817)	(9,608)	-29.0%
Net cash flows from financing activities	(20,732)	(16,646)	24.5%
Net cash flows from financing activities, excluding IFRS 16	(20,329)	(16,383)	24.1%
Effect of exchange rates changes on cash and cash equivalents	112	579	-80.7%
Net increase/(decrease) in cash and cash equivalents	(12,506)	(15,747)	-20.6%
Cash and bank deposits, beginning	46,131	87,392	-47.2%
Cash and bank deposits, ending	33,625	71,645	-53.1%

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

<i>GEL thousands, unless otherwise noted</i>	Mar-22	Dec-21	Change
Cash and bank deposits	33,625	46,131	-27.1%
Receivables from healthcare services	93,326	94,065	-0.8%
Property and equipment	400,755	403,062	-0.6%
Right of use assets	1,757	2,435	-27.8%
Goodwill and other intangible assets	54,725	54,728	0.0%
Inventory	21,792	23,869	-8.7%
Prepayments	6,768	5,317	27.3%
Other assets	29,493	28,464	3.6%
<i>Of which, securities and intercompany loans</i>	12,763	11,678	9.3%
Total assets	642,241	658,071	-2.4%
Borrowed Funds	210,521	223,433	-5.8%
Accounts payable	26,796	33,648	-20.4%
Other liabilities	38,060	36,347	4.7%
Total liabilities	275,377	293,428	-6.2%
Total shareholders' equity attributable to:	366,864	364,643	0.6%
Shareholders of the Company	337,774	335,973	0.5%
Non-controlling interest	29,090	28,670	1.5%

SELECTED FINANCIAL INFORMATION – Medical Insurance

INCOME STATEMENT			
<i>GEL thousands, unless otherwise noted</i>	1Q22	1Q21	Change
Gross premiums written	37,692	37,166	1.4%
Earned premiums, gross	17,686	17,327	2.1%
Earned premiums, net	17,457	17,271	1.1%
Insurance claims expenses, gross	(14,320)	(13,386)	7.0%
Insurance claims expenses, net	(14,319)	(13,452)	6.4%
Acquisition costs, net	(795)	(709)	12.1%
Net underwriting profit	2,343	3,110	-24.7%
Investment income	743	714	4.1%
Net fee and commission income	24	(5)	NMF
Net investment profit	767	709	8.2%
Salaries and employee benefits	(1,486)	(1,452)	2.3%
Selling, general and administrative expenses	(452)	(358)	26.3%
Depreciation & Amortisation	(388)	(367)	5.7%
Impairment charges	(141)	(214)	-34.1%
Net other operating income	(18)	(12)	50.0%
Operating profit	625	1,416	-55.9%
Foreign exchange (loss)/gain	129	183	-29.5%
Interest expense	(153)	(137)	11.7%
Non-recurring expenses	(67)	-	NMF
Pre-tax profit	534	1,462	-63.5%
Income tax expense	(130)	(232)	-44.0%
Net profit	404	1,230	-67.2%
STATEMENT OF CASH FLOW			
<i>GEL thousands, unless otherwise noted</i>	1Q22	1Q21	Change
Insurance premium received	15,059	14,909	1.0%
Reinsurance premium paid	(350)	(32)	NMF
Insurance benefits and claims paid	(14,457)	(11,866)	21.8%
Reinsurance claims received	5	-	NMF
Acquisition costs paid	(454)	(428)	6.1%
Salaries and benefits paid	(1,135)	(1,080)	5.1%
Interest received	617	728	-15.2%
Net other operating expenses paid	(653)	(580)	12.6%
Income tax paid	-	(500)	NMF
Net cash flows from operating activities	(1,368)	1,151	NMF
Cash outflows on capex	(99)	(31)	NMF
Other investing activities	-	513	NMF
Net cash flows from used in investing activities	(99)	482	NMF
Dividend Paid	-	(1,050)	NMF
Purchase of treasury shares	-	-	NMF
Increase/(decrease) in borrowings	80	(375)	NMF
Interest Paid	(84)	(28)	NMF
Cash paid for lease liabilities	(166)	(183)	-9.3%
Net cash flows from financing activities	(170)	(1,636)	-89.6%
Effect of exchange rates changes on cash and cash equivalents	115	310	-62.9%
Total cash inflow/(outflow)	(1,522)	307	NMF
Cash and cash equivalents, beginning	23,900	25,101	-4.8%
Cash and cash equivalents, ending	22,378	25,408	-11.9%

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

	Mar-22	Dec-21	Change
Total assets, of which:	100,475	78,822	27.5%
Cash and bank deposits	22,378	23,900	-6.4%
Insurance premiums receivable	46,875	24,585	90.7%
Property and equipment	13,033	13,050	-0.1%
Right of use assets	415	587	-29.3%
Goodwill and other intangible assets	5,401	5,377	0.4%
Inventory	390	392	-0.5%
Prepayments	1,380	1,585	-12.9%
Other assets of which:	10,603	9,346	13.4%
securities and intercompany loans	8,154	8,133	0.3%
Total liabilities, of which:	67,050	46,592	43.9%
Borrowed Funds	4,608	4,469	3.1%
Accounts payable	335	289	15.9%
Insurance contract liabilities	52,426	31,725	65.3%
Other liabilities	9,681	10,109	-4.2%
Total shareholders' equity	33,425	32,230	3.7%

SELECTED FINANCIAL INFORMATION – Clinics & Diagnostics

INCOME STATEMENT	Clinics			Diagnostic		
	1Q22	1Q21	Change	1Q22	1Q21	Change
Revenue, gross	19,671	15,393	27.8%	7,828	5,547	41.1%
Corrections & rebates	(64)	(87)	-26.4%	-	-	NMF
Revenue, net	19,607	15,306	28.1%	7,828	5,547	41.1%
Costs of services	(11,430)	(8,285)	38.0%	(5,558)	(3,914)	42.0%
Cost of salaries and other employee benefits	(6,169)	(4,251)	45.1%	(1,244)	(517)	NMF
Cost of materials and supplies	(2,397)	(1,604)	49.4%	(3,813)	(3,110)	22.6%
Cost of medical service providers	(1,857)	(1,416)	31.1%	(176)	(69)	NMF
Cost of utilities and other	(1,007)	(1,014)	-0.7%	(325)	(218)	49.1%
Gross profit	8,177	7,021	16.5%	2,270	1,633	39.0%
Gross profit margin	41.6%	45.6%	-4.0 ppts	29.0%	29.4%	-0.4 ppts
Salaries and other employee benefits	(2,994)	(2,470)	21.2%	(476)	(385)	23.6%
General and administrative expenses	(1,283)	(1,010)	27.0%	(681)	(187)	NMF
<i>General and administrative expenses excluding IFRS 16</i>	(1,682)	(1,362)	23.5%	(681)	(187)	NMF
Impairment of receivables	(87)	(64)	35.9%	-	-	NMF
Other operating income	231	94	NMF	(38)	(64)	-40.6%
EBITDA	4,044	3,571	13.2%	1,075	997	7.8%
EBITDA excluding IFRS 16	3,645	3,219	13.2%	1,075	997	7.8%
EBITDA margin excluding IFRS 16	18.5%	20.9%	-2.4 ppts	13.7%	18.0%	-4.3 ppts
Depreciation and amortization	(1,611)	(1,677)	-3.9%	(185)	(169)	9.5%
<i>Depreciation and amortization excluding IFRS 16</i>	(1,514)	(1,510)	0.3%	(185)	(169)	9.5%
Net interest income (expense)	(1,359)	(1,073)	26.7%	(92)	(153)	-39.9%
<i>Net interest income (expense) excluding IFRS 16</i>	(1,214)	(946)	28.3%	(92)	(153)	-39.9%
Net gains/(losses) from foreign currencies	65	(489)	NMF	6	(2)	NMF
<i>Net gains/(losses) from foreign currencies excluding IFRS 16</i>	1	(256)	NMF	6	(2)	NMF
Net non-recurring income/(expense)	(86)	(101)	-14.9%	(54)	(2)	NMF
Profit before income tax expense	1,053	231	NMF	750	671	11.8%
Income tax benefit/(expense)	-	-	NMF	-	-	NMF
Profit for the period	1,053	231	NMF	750	671	11.8%
Attributable to:						
- shareholders of the Company	938	130	NMF	750	671	11.8%
- non-controlling interests	115	101	13.9%	-	-	NMF
Profit for the period excluding IFRS 16	832	406	NMF	750	671	11.8%
Attributable to:						
- shareholders of the Company	717	305	NMF	750	671	11.8%
- non-controlling interests	115	101	13.9%	-	-	NMF
STATEMENT OF CASH FLOW	Clinics			Diagnostic		
<i>GEL thousands, unless otherwise noted</i>	1Q22	1Q21	Change	1Q22	1Q21	Change
Cash flows from operating activities						
Revenue received	15,212	12,580	20.9%	7,002	4,798	45.9%
Cost of services paid	(9,987)	(7,506)	33.1%	(4,013)	(5,498)	-27.0%
Gross profit received	5,225	5,074	3.0%	2,989	(700)	NMF
Salaries paid	(2,177)	(1,574)	38.3%	(2,783)	(661)	NMF
General and administrative expenses paid	(1,058)	(991)	6.8%	(518)	(83)	NMF
<i>General and administrative expenses paid, excluding IFRS 16</i>	<i>(1,457)</i>	<i>(1,343)</i>	<i>8.5%</i>	<i>(518)</i>	<i>(83)</i>	<i>NMF</i>
Other operating income/(expense) and tax paid	(168)	(50)	NMF	(35)	(311)	-88.7%
Net cash flows from operating activities before income tax	1,822	2,459	-25.9%	(347)	(1,755)	-80.2%
Income tax paid	-	-	NMF	-	-	NMF
Net cash flows from operating activities	1,822	2,459	-25.9%	(347)	(1,755)	-80.2%
Net cash flows from operating activities, excluding IFRS 16	1,423	2,107	-32.5%	(347)	(1,755)	-80.2%
Cash flows from investing activities						
Cash outflow on Capex	(2,030)	(1,207)	68.2%	(359)	(319)	12.5%
Acquisition of subsidiaries/payments of holdback	-	-	NMF	-	-	NMF
Interest income received	128	107	19.6%	20	-	NMF
Dividends and intersegment loans issued/received	(201)	(11)	NMF	-	(63)	NMF
Net cash flow from investing activities	(2,103)	(1,111)	89.3%	(339)	(382)	-11.3%
Cash flows from financing activities						
Payment of dividends	(25)	(50)	-50.0%	-	-	NMF
Purchase of treasury shares	-	-	NMF	-	-	NMF
Payment of finance lease liabilities	(254)	(225)	12.9%	-	-	NMF
Interest expense paid on finance lease	(145)	(127)	14.2%	-	-	NMF
Increase/(decrease) in borrowings	568	9,041	-93.7%	(218)	(160)	36.3%
Interest expense paid	(1,579)	(606)	NMF	(90)	-	NMF
Net cash flows from financing activities	(1,435)	8,033	NMF	(308)	(160)	92.5%
Net cash flows from financing activities, excluding IFRS 16	(1,036)	8,385	NMF	(308)	(160)	92.5%
Effect of exchange rates changes on cash and cash equivalents	14	-	NMF	(1)	-	NMF
Net increase/(decrease) in cash and cash equivalents	(1,702)	9,381	NMF	(995)	(2,297)	-56.7%
Cash and bank deposits, beginning	3,149	2,446	28.7%	3,143	3,896	-19.3%
Cash and bank deposits, ending	1,447	11,827	-87.8%	2,148	1,599	34.4%

SELECTED FINANCIAL INFORMATION – Clinics & Diagnostics, *continued*

BALANCE SHEET	Clinics			Diagnostic		
<i>GEL thousands, unless otherwise noted</i>	Mar-22	Dec-21	Change	Mar-22	Dec-21	Change
Cash and bank deposits	1,447	3,149	-54.0%	2,148	3,143	-31.7%
Receivables from healthcare services	15,740	11,803	33.4%	8,501	7,640	11.3%
Property and equipment	101,851	100,472	1.4%	16,318	16,409	-0.6%
Right of use assets	7,186	5,457	31.7%	-	-	NMF
Goodwill and other intangible assets	13,721	13,394	2.4%	2,609	2,582	1.0%
Inventory	2,647	3,491	-24.2%	2,136	1,635	30.6%
Prepayments	1,539	1,242	23.9%	931	931	NMF
Other assets	8,711	8,360	4.2%	768	772	-0.5%
<i>Of which, securities and intercompany loans</i>	3,897	3,947	-1.3%	-	-	NMF
Total assets	152,842	147,368	3.7%	33,411	33,112	0.9%
Borrowed Funds	46,766	46,417	0.8%	4,551	4,687	-2.9%
Accounts payable	15,035	11,963	25.7%	6,929	6,383	8.6%
Other liabilities	11,786	11,007	7.1%	1,183	2,044	-42.1%
Total liabilities	73,587	69,387	6.1%	12,663	13,114	-3.4%
Total shareholders' equity attributable to:	79,255	77,981	1.6%	20,748	19,998	3.8%
Shareholders of the Company	78,514	77,372	1.5%	20,748	19,998	3.8%
Non-controlling interest	741	609	21.7%	-	-	NMF

Selected ratios and KPIs

Selected ratios and KPIs	1Q22	1Q21	Change
GHG, consolidated			
ROIC (%)	14.2%	13.9%	0.3ppts
Group rent expenditure	9,008	7,739	16.4%
<i>of which, pharmacy and distribution business</i>	8,125	7,210	12.7%
Group capex (maintenance)	5,063	2,967	70.6%
Group capex (development)	9,990	5,871	70.2%
Number of employees	15,783	15,241	
Number of physicians	3,217	3,525	
Number of nurses	3,165	3,114	
Nurse to doctor ratio, referral hospitals	0.98	0.88	
Number of pharmacists	3,000	2,909	
Hospitals			
EBITDA margin <i>excluding IFRS 16</i>	19.2%	26.5%	-7.3ppts
Direct salary rate (direct salary as % of revenue)	34.4%	30.2%	4.2ppts
Materials rate (direct materials as % of revenue)	19.7%	19.6%	0.1ppts
Administrative salary rate (administrative salaries as % of revenue)	12.0%	11.9%	0.1ppts
SG&A rate (SG&A expenses as % of revenue)	4.1%	3.5%	0.6ppts
Number of hospitals	16	17	
Number of hospital beds	2,524	2,596	
Hospitals bed occupancy rate	61.9%	57.7%	4.2 ppts
Hospitals bed occupancy rate, excluding TRH ²¹ and CMC ²²	64.6%	59.6%	5.0 ppts
CMC bed occupancy rate	51.6%	54.7%	-3.1 ppts
TRH bed occupancy rate	55.4%	47.4%	8.0 ppts
Average length of stay (days)	5.7	5.9	-3.4%
Average revenue per hospital bed	118.8	109.6	8.4%
Clinics			
EBITDA margin <i>excluding IFRS 16</i>	18.5%	20.9%	-2.4ppts
EBITDA margin of polyclinics <i>excluding IFRS 16</i>	19.2%	23.2%	-4.0ppts
Direct salary rate (direct salary as % of revenue)	31.4%	27.6%	3.8ppts
Materials rate (direct materials as % of revenue)	12.2%	10.4%	1.8ppts
Number of community clinics	19	19	
Number of community clinics beds	353	353	
Number of polyclinics	15	15	
Diagnostics			
EBITDA margin <i>excluding IFRS 16 impact</i>	13.7%	18.0%	-4.3%
Number of patients served ('000)	343	224	53.1%
Number of tests performed ('000)	759	534	42.1%
Average revenue per test GEL	10.3	10.4	-1.0%
Average number of tests per patient	2.2	2.4	-8.3%
Pharmacy and Distribution			
EBITDA margin <i>excluding IFRS 16</i>	10.4%	7.5%	2.9ppts
Number of bills issued (millions)	7.6	6.5	17.1%
Average bill size	19.3	18.4	4.9%
Revenue from wholesale as a percentage of total revenue from pharma	22.1%	26.6%	-4.5ppts
Revenue from retail as a percentage of total revenue from pharma	77.9%	73.4%	4.5ppts
Revenue from para-pharmacy as a percentage of retail revenue from pharma	34.5%	34.8%	-0.3%
Number of pharmacies	353	318	11.0%
Medical Insurance			
Loss ratio	82.0%	77.9%	4.1ppts
Expense ratio <i>excluding IFRS 16, of which</i>	18.7%	18.0%	0.7ppts
<i>Commission ratio</i>	4.6%	4.1%	0.5ppts
Combined ratio <i>excluding IFRS 16</i>	100.7%	95.9%	4.8ppts
Renewal rate	67.7%	71.5%	-3.8ppts

²¹ Tbilisi Referral Hospital

²² Caucasus Medical Center