MEDICALgorithmics
INNOVATIVE SOLUTIONS IN MEDICINE

Interim condensed financial statement of

Medicalgorithmics S.A.

for the period Jan 1 2015 - Mar 31 2015

Warsaw, May 15th 2015

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I. Selected financial data

	in thousand PLN		in thousand EUR	
	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014
Revenues from sales	10 932,3	5 942,3	2 635,0	1 418,4
Profit from sales	6 783,5	3 730,2	1 635,0	890,4
Profit from operating activity	4 670,3	3 765,6	1 125,7	898,9
Profit before taxation	6 284,3	4 672,1	1 514,7	1 115,2
Net profit	5 066,9	3 772,7	1 221,3	900,6
Net profit per ordinary share (PLN/EUR)	1,47	1,1	0,4	0,3
Net cash flows from investment activity	2 062,5	102,1	497,1	24,4
Net cash flows from financial activity	-	-	-	-
Total net cash flows	1 185,7	(2 376,1)	285,8	(567,2)
	Mar 31 2015	**Dec 31 2014**	**Mar 31 2015**	**Dec 31 2014**
Total assets				
Fixed assets	50 737,6	51 524,8	12 408,3	12 088,5
Current assets	49 855,1	43 367,1	12 192,5	10 174,6
Long-term liabilities	312,2	246,8	76,4	57,9
Short-term liabilities	4 422,1	3 853,6	1 081,5	904,1
Equity	95 858,4	90 791,5	23 443,0	21 301,1
Share capital	345,6	345,6	84,5	81,1

II. Condensed financial statement

I. 1. Statement of financial position

ASSETS (in thousand PLN)	Note	Mar 31 2015	Dec 31 2014
Fixed assets			
Intangible assets		9 983,8	9 344,4
Property, plant and equipment		942,1	960,4
Long-term receivables	11,13	8,8	9,9
Long-term financial assets	10	39 391,1	41 206,4
Deferred tax assets		411,8	3,7
Total fixed assets		**50 737,6**	**51 524,8**
Stocks	12	7 951,0	7 941,3
Trade and other receivables	11,13	16 518,2	10 897,2
Short-term financial assets	10	-	328,4
Cash and cash equivalents	9	25 385,9	24 200,2
Total current assets		**49 855,1**	**43 367,1**
TOTAL ASSETS		**100 592,7**	**94 891,9**

LIABILITIES AND EQUITY (in thousand PLN)	Note	Mar 31 2015	Dec 31 2014
Equity	6		
Share capital		345,6	345,6
Supplementary capital		75 919,6	75 919,6
Retained earnings		19 593,2	14 526,3
Total equity		**95 858,4**	**90 791,5**
Provisions		-	15,5
Deferred tax liability		312,2	231,3
Total long-term liabilities		**312,2**	**246,8**
Loans and credits, including current account overdrafts	7	18,8	2,7
Other financial liabilities		-	-
Trade and other liabilities	8,15	1 629,0	1 072,8
Income tax liabilities	8	110,8	-
Accruals and prepayments	8	2 663,5	2 778,1
Total short-term liabilities		**4 422,1**	**3 853,6**
Total liabilities		**4 734,3**	**4 100,4**

I. 2. Statement of comprehensive income

(in thousand PLN)	Note	Jan 1 2015- Mar 31 2015	Jan 1 2014- Mar 31 2014
Revenues from sales	2,3	**10 932,3**	**5 942,3**
		(1 135,8)	(178,6)
Employee benefits	4	(1 996,8)	(1 139,9)
Amortisation		(256,0)	(137,9)
Third party services		(666,1)	(598,3)
Other		(94,1)	(157,4)
Total cost of sales		**(4 148,8)**	**(2 212,2)**
Profit from sales		**6 783,5**	**3 730,2**
Other operating revenues		114,6	36,3
Other operating costs		(2 227,8)	(0,9)
Profit from operating activity		**4 670,3**	**3 765,6**
Financial revenues	5	1 651,5	930,3
Financial costs	5	(37,5)	(23,8)
Net financial revenues		**1 614,0**	**906,5**
Profit before taxation		**6 284,3**	**4 672,1**
Income tax		(1 217,4)	(899,3)
Net profit from continued operations		**5 066,9**	**3 772,7**
Net profit for the accounting period		**5 066,9**	**3 772,7**
Other net comprehensive income for the accounting		**-**	**-**
		5 066,9	**3 772,7**
Basic and diluted earnings per share in PLN	1	**1,47**	**1,10**

I. 3. Statement of changes in equity

(in thousand PLN)	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at Jan 1 2014	**342,2**	**69 710,4**	**10 874,2**	**80 926,8**
Comprehensive income for the accounting period				
Net profit for the previous accounting period	-	6 209,2	(6 209,2)	-
Net profit for the current accounting period	-	-	14 526,3	14 526,3
Total comprehensive income for the accounting period	**-**	**6 209,2**	**8 317,0**	**14 526,2**
Issue of E series shares 3,4 - - 3,4				
Payment of dividend - - (4 664,9) (4 664,9) **Total comprehensive surcharges to and from owners 3,4 - (4 664,9)**				
(4 661,5) Equity as at Dec 31 2014 345,6 75 919,6 14 526,3 90 791,5				
Equity as at Jan 1 2015	**345,6**	**75 919,6**	**14 526,3**	**90 791,5**
Comprehensive income for the accounting period				
Net profit for the previous accounting period	-	-	-	-
Net profit for the current accounting period	-	-	5 066,9	5 066,9
Total comprehensive income for the accounting period	**-**	**-**	**5 066,9**	**5 066,9**
Payment of dividend	-	-	-	-
Total comprehensive surcharges to and from owners	**-**	**-**	**-**	**-**
Equity as at Mar 31 2015	**345,6**	**75 919,6**	**19 593,2**	**95 858,4**

I. 4. Cash flow statement

(in PLN thousand)	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014
Cash flows from operating activity		
Net profit for the accounting period	5 066,9	3 772,7
Adjustments:		
Amortisation of property, plant and equipment	58,2	21,4
Amortisation of intangible assets	197,8	116,4
Net financial revenues	(861,7)	(807,8)
Loss on sale of property, plant and equipment	7,4	-
Income tax	1 217,4	899,3
Change in stocks	(9,7)	(1 412,2)
Change in trade and other receivables	(3 547,1)	(5 824,9)
Change in prepayments and accruals	(2 214,8)	(1 057,1)
Change in trade and other liabilities	457,7	2 268,3
Change in short-term financial assets	58,4	11,8
Other	(15,6)	(1,3)
Cash resources generated on operating activity	414,9	(2 013,3)
Tax paid	(1 291,7)	(464,9)
Net cash from operating activity	**(876,8)**	**(2 478,2)**
Cash flows from investment activity		
Interest received	861,7	807,8
Expenditure on property, plant and equipment	(48,7)	(106,3)
Revenues from sale of property, plant and equipment	1,4	-
Revenues from sale of investments	3 084,0	793,8
Purchase of other investments	(1 835,9)	(1 393,2)
Net cash from investment activity	**2 062,5**	**102,1**
Cash flows from financial activity		
Expenditure on payment of dividend	-	-
Expenditure on repayment of loans and credits	-	-
Net cash from financial activity	**-**	**-**

Total net cash flows	**1 185,7**	**(2 376,1)**
Cash and cash equivalents at the beginning of the period	**24 200,2**	**38 405,1**
Cash at the end of the period	**25 385,9**	**36 029,1**

I. 5. Declaration of conformity

This condensed interim financial statement for the period of 3 months ended on March 31st 2015 has been drawn up pursuant to IAS 34 (Interim financial reporting). This condensed interim financial statement should be read in conjunction with the annual financial statement for the year 2014 drawn up in line with the IFRS approved by the EU. While drawing up financial data for the 6 month period ended on March 31st 2015 the Company has applied accounting policy rules coherent with the rules applied at drawing up this financial statement for the year 2014.

The Condensed Interim Financial statement has been drawn up assuming that the operations are going to be continued in the foreseeable future. There are no circumstances indicating any threat to the Company's operations.

I. 6. Information on accounting policy rules applied for the statement, including their changes

Valuation basis

The condensed interim financial statement has been drawn up pursuant to the International Financial Reporting Standards approved by the European Union, hereinafter referred to as the EU IFRS.

The condensed interim financial statement has been drawn up based on the historic cost method, except for the fixed assets held for sale, which were measured at fair value.

Presentational and functional currency

The information in the financial statement has been presented in Polish zloty and rounded up to full thousands. Polish zloty is the Company's functional currency.

Estimates and judgements made

Drawing up a financial statement coherent with the IFRS-EU requires that the Management Board makes estimates, judgements and assumptions that influence use of the adopted principles of accountancy and presented values of assets, liabilities, revenues and costs, the real values of which might differ from their estimated values. The estimates and assumptions related thereto are subject to ongoing verification. Changes of accounting estimates are recognized prospectively, starting from the period, in which the estimates were changed.

Foreign currencies

Transactions in foreign currencies

Transactions expressed in foreign currencies are denominated in the Company's functional currency using the spot exchange rate of the functional currency into the given foreign currency applicable as at the date of concluding the transaction. Monetary items of assets and liabilities expressed in a foreign currency are converted at the end of the accounting period, at the closing rate for the given currency announced as at that date. Exchange rate differences resulting from balance sheet valuation of monetary assets and liabilities constitute a difference between measurement at amortised cost in the functional currency at the beginning of the accounting period adjusted by calculated interest and payments made during the accounting period and the value at amortised cost expressed in foreign currency, converted at the closing rate at the end of the accounting period.

Non-monetary balance sheet items expressed in a foreign currency measured at fair value are converted at the spot exchange rate of the functional currency applicable as at the date of estimating the fair value. Currency translation profit/loss is recognised as profit or loss of the current period. Non-monetary items measured at historical cost in a foreign currency are converted by the Company at the exchange rate of the date of concluding the transaction.

Financial instruments

Credits, receivables and deposits are recognised as of the date of arising. All other financial assets (including the assets measured at fair value through the profit and loss) are recognised as at the date of concluding the transaction, at which the Company becomes a party of a mutual obligation related to a given financial instrument. The Company ceases to recognise financial assets at the moment of expiry of the contractual rights to receive cash flows from the given asset, or at the moment, at which the rights to receive cash flows from the given financial asset are transferred as part of a transaction that transfers substantially all significant risks and benefits of their ownership. Each share in a transferred financial asset established or held by the Company is deemed as a separate asset or liability. Financial assets and liabilities are offset and recognised in the statement of financial condition in net amounts only if the Company possesses an enforceable legal right to compensation of certain financial assets and liabilities or plans to settle a given transaction in the net amount of compensated financial assets and liabilities, or if it plans to utilise the financial assets subject to compensation and settle the financial liabilities at the same time. The Company has credits, receivables and deposits classified as financial instruments other than derivative financial assets.

Credits and receivables

Credits and receivables are financial assets with fixed or determinable payments, not listed on an active market. Such assets are initially recognised at fair value increased by transaction costs that might be directly attributable to their purchase. Credits and receivables are measured at a later date at amortised cost, using the effective interest rate method, less impairment write-offs, if any. Credits and receivables include trade receivables and other receivables. Cash and cash equivalents include cash in hand and bank deposits payable on demand with original maturity up to three months. The balance of cash and cash equivalents presented in the cash flow statement includes the aforementioned cash and cash equivalents less unpaid overdrafts that constitute an integral part of the Company's cash management system.

Financial liabilities not included in derivative instruments

Financial liabilities are recognised at the date of concluding a transaction, in which the Company becomes a party to an agreement obliging it to issue a financial instrument. The Company derecognises a financial liability, when such liability is paid, written off or time-barred. The Company has the following financial liabilities not classified as derivative instruments: credits, overdrafts, trade liabilities and other liabilities. Such financial liabilities are originally recognised at fair value plus directly attributable transaction costs. Upon initial recognition such liabilities are measured at amortised cost using the effective interest rate method.

Property, plant and equipment

Recognition and valuation

Items recognised as property, plant and equipment shall be recognised at purchase price or production cost less depreciation write-offs and impairment write-offs. The purchase price includes the purchase price of an asset and costs directly attributable to purchase of an asset and bringing it to a usable condition, which includes costs of transportation, loading, unloading and storage as well as salaries of employees directly involved in the process. Rebates, discounts and other similar decreases and concessions decrease the purchase price of an asset. The production costs of a fixed asset or a fixed asset under construction includes overall costs incurred on its construction, assembly, adaptation and improvement by the date of commissioning of such asset (or by the balance sheet date if the asset has not yet been commissioned). Where necessary, production costs also include a preliminary calculation of costs of disassembly and removal of property, plant and equipment and their restoration.

Purchased software necessary for correct operation of corresponding equipment shall be capitalised as a part of such equipment.

In case an item classified as property, plant and equipment includes separate, significant components with various useful life periods, such components should be deemed as separate assets.

Gains and losses on sale of fixed assets shall be determined based on comparison of sale proceeds with the balance sheet value of the sold assets and recognised in net amount as profit or loss of the current period as other income. Subsequent costs of a replaced component of property, plant and equipment that might be reliably valued are capitalised if it is likely that the Company is going to derive economic benefits related to the replaced components of property, plant and equipment. The balance sheet value of replaced components of property, plant and equipment is derecognised. Outlays incurred with respect to current maintenance of property, plant and equipment are recognised as profit or loss of the current period at the moment of incurring them. Amortisation write-offs are made with respect to amortised value being a purchase price or production cost of an asset, less its residual value. Amortisation costs are recognised as profits or losses of current periods using the linear method with respect to the useful life of the given item of property, plant and equipment as assessed by the Company - it is the best possible reflection of the method of gaining future economic benefits related to use of the given asset.

The Company assumes the following useful lives for individual categories of fixed assets:

Buildings and structures 10 to 50 years
Technical machinery and equipment 5 to 25 years
Fittings 5 to 10 years
Computer hardware up to 3 years

Investment in third party fixed assets and fixed assets used as part of lease agreements: the period remaining to expiry of the contract.

Correctness of the applied periods of use, amortisation methods and residual value of fixed assets is verified at each balance sheet date and adjusted in justified circumstances.

Intangible assets

Software and other intangible assets

Software and other intangible assets purchased by the Company, having a defined economic useful life are recognised based on their purchase price less amortisation write-offs and impairment write-offs.

Subsequent expenditure

Subsequent expenditure on components of existing intangible assets are only capitalised if it increases the future economic benefits related to the given component. Other expenses, including expenses on trademarks, goodwill and brand manufactured by use of own means shall be recognised as profit of loss of the current period at the moment of incurring them.

Expenditure on development works

Intangible assets being a result of development works shall be recognised in the statement of financial condition only if the Company is able to prove:

- its technical capability to complete the given intangible asset so that it is suitable for use or sale,
- its intention to complete the given intangible asset and to use or sell it,
- its capability to use or sell the given intangible asset,
- the way, in which the given intangible asset is going to generate economic benefits,
- availability of appropriate technical, financial and other resources that are going to contribute to completion of development works and use or sale of the intangible asset,
- the opportunity to reliably determine the expenses incurred during the development works.

Development works completed by the Company

As at the date of drawing up the financial statement the Company had capitalised the following development costs as intangible assets:

- **Initech -** a project financed by MNiSW (the Ministry of Science and Higher Education) under the title of "A new method of multi-day, telemetric measurement of significant cardiological parameters of ST segment tilt and changes in QT/QTc interval". The project involves development of a new method of telemetric measurement of ST segment and changes in QT/QTc interval. It introduces a diagnostic system module for remote multi-day monitoring of patients from high risk groups. The project involves drawing up algorithms for analysis of ST segment tilt and changes in QT/QTc interval, drawing up algorithms for analysis and development of a new structure of data and management of their transmission, development of interactive static analysis tools as well as interactive motion detector data visualisation tools. Functional tests were conducted for the implemented algorithms and a prototype non-commercial diagnostic system for medicine tests was developed using the ST/QT module as part of PocketECG infrastructure. Gross value of the project: PLN 1 068.1 thousand
  Net value of the project: PLN 284,8 thousand
  The project is going to be amortised by July 30th 2016.
- **PocketECG** - PocketECG III is the most technologically advanced solution currently offered by the Issuer. The basic technological advantage of the new solution consists in integration of a device that previously consisted of two elements into one specifically designed smartphone-type recorder operating based on Android OS. PocketECG category also involves capitalisation of development costs of products based on PocketECG as described in other parts of the report.

Medicalgorithmics obtained financial support for implementation works as part of the project, for developing previous versions of the system, as part of a program by the Foundation for the Polish Science.
Gross value of the project: PLN 2 963.1 thousand
Net value of the project: PLN 2 166.8 thousand.
The project is going to be amortised to Dec 31 2019.

- **CardVET** - the title of the project is: "Cardiological tele-consultation system in veterinary using CardVET multi-function telemetric equipment". A one-channel ECG signal cardiological diagnostics system has been developed as a result of development works conducted in cooperation with the Warsaw Agricultural University (SGGW) and the Wrocław University of Environmental and Life Sciences (UPW). Medicalgorithmics R&D department employees designed a miniature ECG transmitter operating based on 1 or 2 discharges (2 or 3 electrodes) in consultation with specialists of UPW and SGGW. The basic self-check versioning parameters for various target groups of animals were determined using Fitz Hugh-Nagumo cardiac activity electric simulation model. The project was co-financed by the Ministry of Science and Higher Education as part of the "Technological Initiative I" program. Gross value of the project: PLN 338.8 thousand
Net value of the project: PLN 0.0 thousand
The project is fully amortised

The aforementioned development works have been conducted partly based on EU funds, the non-amortised value of which was PLN 1,685.8 thousand as at March 31st 2015 (PLN 1 800.3 thousand as at December 31st 2014).

According to the Company's rules, value of the received subsidies is recognised as accruals and amortised over time according to the amortisation period of the incurred development costs.

Development works in progress

As at the date of drawing up the financial statement the Company had capitalised the following development costs:

- **eHealth Monitor project** - the Company is a part of a consortium, in which companies and research entities of EU member states participate. The objective of the project is to develop a platform allowing both patients and doctors use personalised medical services. The role of Medicalgorithmics S.A. in the project co-financed by the European Committee is to integrate PocketECG system with a platform designed for end-users.

The aforementioned development works are conducted based on EU funds, the value of which was PLN 977.7 thousand as at March 31st 2015 (PLN 977.7 thousand as at December 31st 2014).

According to the Company's rules, value of the received subsidies is recognised as accruals and amortised over time according to the amortisation period of the incurred development costs.

The Company is also running 3 other projects that have not yet reached a patent stage - that's why details of these solutions are not disclosed. The following projects that are currently key to the company:

Project 1: Cardiac tele-rehabilitation equipment

Project 2: Software optimising repetitive tasks in hospital IT networks in the USA

Project 3: Instant remote ECG description equipment and system.

Amortisation

Amortisation write-offs are made with respect to amortised value being a purchase price or production cost of an intangible asset, less its residual value.

Amortisation costs are recognised as profits or losses of current periods using the linear method with respect to the useful life of the given intangible asset other than goodwill (from the moment of stating its suitability for use) as measured by the Company - it is the best possible reflection of the method of gaining future economic benefits related to use of the given asset.

Correctness of the applied periods of use, amortisation methods and residual value of intangible assets is verified at each balance sheet date and adjusted in justified circumstances.

The Company assumes the following periods of use for individual categories of intangible assets:

Completed development works: 5 to 10 years

Proprietary copyrights - licences: 2 to 5 years

Stocks

Stocks are measured at purchase price or production costs not higher than their achievable net price.

Achievable net price means the difference between the estimated sales price applied in regular business activity and the estimated costs of completion and the costs necessary to complete the sale.

FIFO method is used by the Company in valuation of stocks and their consumption.

Impairment write-offs for assets

Financial assets (including receivables)

At the end of each accounting period the Company determines whether there is any objective evidence of impairment of financial assets that are not measured at fair value through financial result.

It is deemed that a financial asset is impaired if, upon its initial recognition, there is objective evidence of an event resulting in impairment, which might have a negative, reliably estimated influence on the value of future cash flows with respect to such asset.

Objective evidence of impairment of financial assets include a failure to pay or outstanding payments of debts on the part of a debtor, restructuring of its debt, to which the Company has agreed for economic or legal reasons resulting from the debtor's financial difficulties and to which the Company would have not agreed otherwise, or any evidence of a high level of probability of the debtor's bankruptcy.

The Company assesses the evidence of impairment of receivables or investments held to maturity both at the level of individual assets and with respect to groups of assets. In case of individual, significant receivables and investments held to maturity, impairment of an individual asset is tested.

Impairment of financial assets measured at amortised cost is estimated as a difference between their balance sheet value (the value stated in the statement of financial condition) and the current value of estimated future cash flows discounted using the original effective interest rate. Any losses shall be recognised as profit or loss of the current period and decrease the balance sheet value of receivables, whereas the Company continues to calculate interest on the revalued assets. If further circumstances confirm cessation of the conditions resulting in impairment, reversal of a revaluation write-off shall be recognised as a profit or loss of the current period.

Non-financial assets

Balance sheet value of non-financial assets other than stocks and deferred tax assets is measured at the end of each accounting period in order to state whether there are any indications of impairment. In case of such indications the Company assesses the recoverable value of individual assets.

Recoverable value of assets is defined as the higher of the two: the net recoverable value and their value in use.

An impairment write-off shall be recognised at the moment when the balance sheet value of an asset exceeds its recoverable value. Impairment write-offs are recognised as profit or loss of the current period.

Goodwill impairment write-offs are not reversed. With respect to other assets impairment write-offs recognised in previous periods are subject to assessment whether there are any indications of impairment or its full reversal at the end of each accounting period. An impairment write-off is reversible if estimates used to calculate the recoverable value have changed. An impairment write-off is only reversed to the amount of balance sheet value of a given asset less amortisation write-offs that would be recognise if the impairment write-off was not calculated.

Employee benefits

The Company recognises employee benefits in its statement of financial condition. As at the balance sheet date the Company has only kept an account of short-term employee benefits. The Company does not recognise the necessity to disclose potential liabilities related to benefits after the employment period, on account of the estimated low values and low risk in that respect.

Provisions

A provision is recognised when the Company is charged with a present legal or constructive obligation resulting from past events, which can be reliably estimated and it is likely that fulfilling this obligation is going to bring about economic benefits. Provisions are created in the amount of the most accurate estimation of expenditures necessary to fulfil the present obligation at the end of the accounting period, taking into account the risk and uncertainty related to the events and circumstances leading to fulfilment of the obligation.

Revenues

Sale of products and services

Revenues from sales in the ordinary course of business are estimated at fair value of received or due remuneration less the value of returns, discounts and rebates.

Revenues are recognised when there is strong evidence (which is usually the moment the delivery is confirmed by the buyer) that the entire risk and benefits are transferred to the buyer, there is a high probability of payment, the incurred costs and probability of return of the finished product might be reliably assessed, there is no continued commitment in management of the goods and the amount of revenue might be reliably measured.

Financial revenues and costs

Financial revenues include interest revenues related to the funds invested by the Company. Interest revenues are recognised as profit or loss of the current period, according to the general principle of accruals accounting, using the effective interest rate method.

Financial costs include interest costs related to external funding and impairment write-offs of financial assets.

Foreign exchange gains and losses are recognised in net amounts classified as revenue and cost items to which they are related.

Income tax

Deferred tax assets and deferred tax liabilities are compensated if the Company has an enforceable legal right to compensate current tax assets and liabilities and provided that the deferred tax assets and liabilities are related to income tax imposed by the same tax authorities on the same taxpayer or on various taxpayers planning to settle their income tax liabilities and receivables in net amounts, or settle their liabilities and realise their assets at the same time.

Deferred tax assets related to an unused tax loss, an unused tax credit and negative temporary differences are recognised up to the amount, to which it is likely that taxable income that allows for their deduction is received.

Deferred tax assets are subject to reassessment at each balance sheet date and are decreased to the extent, in which it is unlikely to realise the benefits related to them in tax income.

The income tax involves a current part and a deferred part. Current and deferred income tax is recognised as a profit or loss of the current period, except for the situations, in which it is related to a merger of entities and items recognised directly in equity or as other comprehensive income.

Current tax is the expected amount of liabilities or receivables on account of tax on income taxable for the given year, determined using legally or actually binding tax rates as at the balance sheet date as well as adjustment of tax obligation for previous years.

Deferred tax is recognised with respect to temporary differences between the balance sheet value of assets and liabilities and their value determined for tax purposes. Deferred income tax is not recognised in case of the following temporary differences: original recognition of assets and liabilities originating from transactions that are not mergers of business entities, nor do they influence the profit or loss of the current period or the taxable income, differences related to investment in subsidiary or jointly controlled companies, to the extent in which it is unlikely that they are sold in the foreseeable future. Moreover, deferred tax on temporary differences resulting from the original recognition of goodwill is not recognised. Deferred tax is calculated at tax rates which are expected to be used when temporary differences are reversed - based on tax laws legally or actually binding by the reporting day.

Determining the fair value

In many cases the principles of accounting and disclosures adopted by the Company require determining the fair value of both financial and non-financial assets and liabilities. Fair values are determined and disclosed using the methods set out below. In well grounded circumstances further information concerning the assumptions adopted for determining fair value have been set out in explanatory notes related to individual assets and liabilities.

Trade and other receivables

Fair value of trade and other receivables is estimated as the current value of future cash flows discounted at the market interest rate as at the accounting date. Fair value is estimated only for the purpose of disclosure.

Financial liabilities

Fair value, which is estimated only for the purpose of disclosure, is calculated based on the current value of future cash flows on account of return of the principal amount and payment of interest discounted using the market interest rate as at the balance sheet date.

Financial assets

Fair value of financial assets traded on the active market is determined in relation to prices recorded on the market as at the balance sheet date. In case there is no recorded market price, the fair value is calculated based on the recorded market price of a similar instrument or based on expected cash flows.

New standards and interpretations not applied in this financial statement

The general rules applied while drawing up the annual consolidated financial statement for the period ended on December 31st 2014 have been applied to this condensed interim separate financial statement, except for applying the following adjustments to the annual periods starting on January 1st 2015 or after that date:

- Interpretation of **IFRIC 21 "Public charges"** (applicable to full years beginning on January 1st 2014 or after that date).
- Amendments to **IAS 19 "Employee benefits"** – Programs of specific benefits: employee contributions (applicable with respect to annual periods starting on January 1st 2014 or after that date).
- Amendments to various standards **"Amendments to IFRS (2010-2012 cycle)"** – introduced amendments as part of the procedure of introducing annual amendments to the IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) mostly geared towards solving inconsistencies and clarification of wording (applicable to full years beginning on July 1st 2014 or after that date).
- Amendments to various standards **"Amendments to IFRS (2011-2013 cycle)** – introduced amendments as part of the procedure of introducing annual amendments to the IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) mostly geared towards solving inconsistencies and clarification of wording (applicable with respect to annual periods starting on July 1st 2014 or after that date).

Adopting the aforementioned provisions would not result in significant changes in the accounting policy or in presentation of data in financial statements.

Standards and Interpretations adopted by IASB, but not yet approved for use in the EU

IFRS in the form approved by the EU do not differ significantly from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to standards and interpretations that were not adopted for application in the EU by May 15th 2015 (the aforementioned dates of entry into force apply to full versions of the standards:

- **IFRS 9 "Financial instruments" and subsequent modifications** (the date of entry into force has not yet been determined).

- **IFRS 15 "Revenues from agreements with customers"** – The standard has been published on May 28th 2014 and applies to full years beginning on January 1st 2017 or after that date.

- **IFRS 14 "Regulatory prepayments and accruals"** – (applicable with respect to full years beginning on January 1st 2016 or after that date).

- **Amendments to IFRS 11 "Joint arrangements"** – Recognition of purchase of interest in joint venture (applicable with respect to full years beginning on January 1st 2016 or after that date).

- **Amendments to IAS 16 and IAS 38** – Explanations as regards acceptable methods of recognising depreciation and amortisation (applicable with respect to full years beginning on January 1st 2016 or after that date).

- **Amendments to IAS 16 and IAS 41** – Agriculture: Production crops (applicable with respect to full years beginning on January 1st 2016 or after that date).

According to the entity's estimates, the aforementioned standards, interpretations and amendments to standards would have no significant influence on the financial statement if they were applied by the entity as at the balance sheet date.

At the same time, the accounting policies of financial liabilities or assets portfolio hedging, the principles of which have not been adopted for application in the EU by December 31st 2015, remain uncovered by the regulations adopted by the EU as at the balance sheet date.

According to the entity's estimates, applying the accounting policies of financial liabilities or assets portfolio hedging according to **IAS 39 "Financial instruments: recognition and measurement"** would have no significant influence on the financial statement if they were adopted for application as at the balance sheet date.

I. 7. Financial risk management

Introduction

The Company is exposed to the following types of risk resulting from use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Note 9 puts forward information concerning the Company's exposure to the given type of risk, the rules and procedures of risk management and measurement adopted by the Company and information on the Company's capital management. Other parts of the financial statement present the required numerical data.

The basic principles of risk management

The Management Board is responsible for determining and supervision of the Company's risk management processes.

The Company's risk management principles aim at identifying and analysis of risks that the Company is exposed to, determining the appropriate limits and controls as well as monitoring risk and the degree of compliance with its limits. The risk management principles and systems are subject to regular reviews in order to take into account changes in market conditions and changes in the Company's operations.

The Company aims at developing a stimulating and constructive control environment, in which all employees understand their roles and duties by way of appropriate training, adopted management procedures and standards.

Credit risk

Credit risk is a risk of the Company's financial loss in a situation when a customer or other party of a financial instrument contract does not meet their contractual obligations. Credit risk applies in particular to receivables.

The Company's exposure to credit risk results mostly from individual characteristics of each customer. Credit risk concentration does not depend on the demographical structure of the customer database or on the geographical area criterion.

Pursuant to the adopted credit policy each new customer's creditworthiness is assessed before offering regular payment terms and other standard agreement conditions to such customer. The assessment takes account of the customer's rating drawn up by external companies and, in some cases, bank references, if it is possible.

The Company recognises impairment write-offs corresponding to the estimated value of losses incurred with respect to trade receivables. The main components of a write-off include a part that involves specific losses related to exposure to a significant risk and a part that involves total losses determined for groups of similar assets with respect to already incurred losses that have not yet been identified.

A write off that involves total losses shall be determined pursuant to historical payments statistics for similar financial assets.

Liquidity risk

Liquidity risk means a risk of difficulties in meeting the Company's obligations related to its financial liabilities settled by delivery of cash or other financial assets. The Company's liquidity management consists in ensuring, to the maximum possible extent, that the Company always has liquidity sufficient to meet its liabilities, both in normal and crisis situations, without exposing the Company to the risk of intolerable losses or damage to its reputation.

The Company possesses deposits payable on demand in an amount sufficient to cover the expected operating expenses for a period of 60 days, including satisfying its financial obligations. This policy, however, does not apply to extreme situations that cannot be reasonably predicted such as natural disasters.

The Company has no open credit facilities or current account overdrafts.

Market risk

Market risk means that changes of market prices such as foreign exchange rates or interest rates might influence the Company's results or value of the held financial instruments. The objective of market risk management is to maintain and control the degree of the Company's exposure to market risk within the limits of the adopted parameters, while trying to optimise the rate of return.

The Company might buy and sell derivative instruments as well as accept financial liabilities in order to manage market risk. All transactions are carried out as part of the guidelines set by the Company's Management Board.

Operational risk

Operational risk means a risk of incurring direct or indirect losses, the various reasons of which are related to the Company's processes, staff, technology and infrastructure or caused by external factors other than credit risk, market risk and liquidity risk, such as legal requirements or other regulations, or generally acceptable standards of corporate governance. Operational risks are a result of all of the Company's operations.

The Company's objective is to manage operational risk in a way that balances avoiding financial losses and harm to the Company's reputation and the general effectiveness of the incurred costs, thus avoiding control procedures that restrict initiative and creativity.

The basic responsibility for development and implementation of controls related to operational risk is attributed to senior management of each organisationally separate business activity. Completing duties in that respect is supported by development of the Company's general operational risk management standards that involve:

- requirements related to appropriate distribution of responsibilities, including independent authorisation of transactions,
- requirements as to coordinating and monitoring transactions,

- adherence to the requirements of law and other regulations,
- documentation of controls and procedures,
- requirements as to periodic assessment of past operational risks as well as appraisal of suitability of existing controls and procedures aimed at the identified risk,
- requirements concerning reporting incurred operational losses and suggested remedial measures,
- drawing up emergency plans,
- training and professional development,
- ethical and business standards,
- minimising risk, among others, by insurance, if it is effective.

Capital management

The Management Board's policy is to maintain a strong capital base so as to retain market trust and ensure future development of business operations.

The Management Board's objective is to maintain the balance between a higher rate of return achievable with a higher level of debt and the benefits and security achievable with strong capital base.

The Company's debt ratio in relation to adjusted capital at the end of the period was as follows:

(in thousand PLN)	**Mar 31 2015**	**Dec 31**
Total liabilities	4 734,3	4 100,4
Less cash and cash equivalents	(25 385,9)	(24 200,2)
Net debt	**(20 651,6)**	**(20 099,8)**

No changes in the Company's approach to capital management occurred over the current period. The Company is not subject to external capital requirements.

I. 8. Explanatory notes

1. Profit per share

Calculation of profit per share	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014
Net profit (in thousand PLN)	5 066,9	3 772,7
Number of shares over the period	3 455 526	3 421 926
Profit per share in PLN	**1,47**	**1,10**

2. Structure of revenues from sales

Structure by category

Structure of revenues (in thousand PLN)	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014
Revenues from sales of products	10 932,3	5 942,3
Revenues from sales of goods and materials	-	-
Total revenues	**10 932,3**	**5 942,3**

Territorial structure

Structure of revenues (in thousand PLN)	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014
Domestic sales	-	1,2
Export	10 932,3	5 941,1
Total revenues	**10 932,3**	**5 942,3**

3. Reporting operating segments

There is one separated segment, related to the PocketECG system, in the Company's operations.

(in PLN thousand)	Jan 1 2015- Dec 31 2015	Jan 1 2014- Mar 31 2014
Domestic sales		
Sales to external customers	-	1,2
Sales to affiliated customers	-	-
Total domestic sales	**-**	**1,2**
International sales		
Sales to external customers	10 932,3	5 941,1
Sales to affiliated customers	-	-
Total international sales	**10 932,3**	**5 941,1**
Operating result of the segment	6 783,5	3 730,2
Result from other operations	(2 113,2)	35,4
Profit from operating activity before taxation and financial costs	**4 670,3**	**3 765,6**
Profit before taxation	**6 284,3**	**4 672,1**
Income tax	(1 217,4)	(899,3)
Net profit for the accounting period	**5 066,9**	**3 772,7**

4. Employee benefits

(in PLN thousand)	Jan 1 2015- Mar 31 2015	Jan 1 2014- Mar 31 2014
Remuneration	(1 811,9)	(1 067,4)
Social security	(184,9)	(72,6)
Total employee benefits	**(1 996,8)**	**(1 139,9)**

5. Financial revenues and costs

Financial revenues

(in PLN thousand)	Jan 1 2015- Mar 31 2015	Jan 1 2014- Mar 31 2014
Interest revenues	789,3	894,2
Other	880,0	-
Revaluation of investments measured at fair value through profit and loss	(17,8)	36,1
Total financial revenues	**1 651,5**	**930,3**

Financial costs

(in PLN thousand)	Jan 1 2015- Mar 31 2015	Jan 1 2014- Mar 31 2014
Interest	(7,0)	-
Other	(30,5)	(23,8)
Total financial costs	**(37,5)**	**(23,8)**

6. Equity

Share capital

in thousand shares	Mar 31 2015	Dec 31
Number of shares at the beginning of the period	3 455,5	3 421,9
Issue of shares	-	33,6
Number of shares at the end of the period (fully paid-up)	**3 455,5**	**3 455,5**

Issue of ordinary shares

The Company issued no shares over the current period.

Ordinary shares

As at March 31st 2015 the registered share capital was divided into 3.455,5 thousand ordinary shares. All of the issued shares have been fully paid up.

All of the shares provide equal rights to the Company's assets in case of distribution of its property.

Distribution of retained earnings

(in thousand PLN)	Dec 31 2013	Dec 31 2012
Payment of dividend	4 664,9	3 764,2
Supplementary capital	6 209,2	3 674,6
Net profit	**10 874,1**	**7 438,8**
Value of dividend per 1 ordinary share (dividend/number of ordinary shares) in PLN	**1,35**	**1,10**

7. Loan and credit liabilities

Long-term liabilities

As at the balance sheet date covered by the financial statement the Company did not have any long-term loan and credit liabilities

Short-term liabilities

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Short-term part of secured loans	-	-
Short-term part of unsecured loans	18,82,7	
Total short-term liabilities	**18,82,7**	

As at March 31st 2015 the Company did not estimate fair value of short-term loan and credit liabilities on account of its small overall impact on the value of such liabilities as presented by the statement.

Conditions and scheduling plan of loans and credits

As at the balance sheet date covered by the financial statement the Company did not have loans or credits other than credit card debts.

8. Trade and other liabilities

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Trade liabilities from affiliated entities	-	-
Trade liabilities from other entities	519,0	866,6
Budget liabilities	1 110,0	206,1
Income tax liabilities	110,8	-
Other liabilities	-	0,1
Prepayments and accruals	2 663,5	2 778,1
Total	**4 403,3**	**3 850,9**

Prepayments and accruals include the value of UE funds received by the Company for development works.

Exposure to foreign exchange risk and risk related to liquidity with respect to liabilities has been put forward in note 9.

As at March 31st 2015 the Company did not estimate fair value of short-term liabilities on account of its small overall impact on the value of such liabilities as presented by the statement.

9. Financial instruments

Credit risk

Exposure to credit risk

Balance sheet values of financial assets correspond to maximum exposure to credit risk. Maximum exposure to credit risk at the end of the accounting period is as follows:

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Own receivables and credits	14 174,4	10 769,2
Cash and cash equivalents	25 385,9	24 200,2
Total exposure to credit risk	**39 560,3**	**34 969,4**

Maximum exposure to credit risk for credits and trade receivables at the end of the accounting period by geographic areas is
as follows:

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Domestic	3,5	7,8
Euro payments area	15,1	9,1
Other regions	13 802,1	10 090,2
Total	**13 820,7**	**10 107,1**

The maximum exposure to credit risk for credits and trade receivables at the end of the accounting period by types of recipients
is as follows:

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Institutional customers	13 820,7	10 107,1
Individual recipients	-	-
Total	**13 820,7**	**10 107,1**

Impairment write-offs

The age structure of trade receivables at the end of the accounting period is as follows:

(in PLN thousand)	Gross value as at Mar 31 2015	Impairment write-off as at Mar 31 2015	Net value as at Mar 31 2015
Not due	5 190,7	-	5 190,7
Past due for 0 to 30 days*	4 864,3	-	4 864,3
Past due for 31 to 60 days*	1 940,4	-	1 940,4
Past due for more than 61 days *	3 985,4	2 160,1	1 825,3
Total	**15 980,8**	**2 160,1**	**13 820,7**

**From the general amount of past due receivables not covered by the impairment write-off, which is PLN 8 630.0 thousand, contracting parties paid the amount of PLN 8 108.1 thousand.*

The Company estimated fair value of short-term receivables in a way set out in item I.6 on March 31st 2015. As a result of the estimates the Company created a write-off for doubtful receivables amounting to PLN 2 160.1 thousand. As at December 31st 2014 it was not necessary to make impairment write-offs
for short-term receivables.

(in PLN thousand)	Gross value as at Dec 31 2014	Impairment write-off as at Dec 31 2014	Net value as at Dec 31 2014
Not due	4 694,8	-	4 694,8
Past due for 0 to 30 days	2 614,9	-	2 614,9
Past due for 31 to 60 days	1 506,7	-	1 506,7
Past due for more than 61 days	1 290,7	-	1 290,7
Total	**10 107,1**	**-**	**10 107,1**

Liquidity risk

Mar 31 2015	Balance sheet value	Cash flows resulting from an agreement	Less than 6 months years	6-12 months	1-2 years	2-5 years	More than 5
Financial liabilities other than derivative instruments							
Secured bank loans	-	-	-	-	-	-	-
Unsecured bank loans	18,8	18,8	18,8	-	-	-	-
Trade and other liabilities	1 739,8	1 739,8	1 739,8	-	-	-	-
Total	**1 758,6**	**1 758,6**	**1 758,6**	**-**	**-**	**-**	**-**
Dec 31 2014							
Financial liabilities other than derivative instruments							
Unsecured bank loans	2,7	2,7	2,7	-	-	-	-
Trade and other liabilities	1 072,8	1 072,8	1 072,8	-	-	-	-
Total	**1 075,5**	**1 075,5**	**1 075,5**	**-**	**-**	**-**	**-**

Currency risk

Exposure to foreign exchange risk

The Company's exposure to foreign exchange risk according to the exchange rate at the end of the accounting period is as follows:

Values expressed after conversion into PLN thousand	Mar 31 2015			Dec 31 2014		
	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	21,3	13 772,6	23,3	9,1	10 042,8	47,4
Secured bank loans	-	-	-	-	-	-
Unsecured bank loans	-	-	-	-	-	-
Trade and other liabilities	(6,1)	(192,1)	(43,6)	(0,4)	(118,1)	(80,6)
Gross on-balance exposure	**15,2**	**13 580,5**	**(20,3)**	**8,7**	**9 924,7**	**(33,2)**

The following foreign exchange rates were applied for the most important foreign currencies over the year:

Values expressed in PLN rates	Average exchange		End of the accounting period - spot rate	
	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014	Jan 1 2015-Mar 31 2015	Jan 1 2014-Mar 31 2014
EUR	4,1489	4,1894	4,0890	4,2623
USD	3,7436	3,0629	3,8125	3,5072
GBP	5,6436	5,0880	5,6295	5,4648

Sensitivity analysis

The assumption of the analysis is that changes of foreign exchange rates remain at a reasonable level at the end of the accounting period. The analysis also assumes that other variables, in particular interest rates, remain unchanged.

The following table includes example currencies and percentage changes:

Values expressed in PLN thousand	Equity	Profit or loss of the current period
Mar 31 2015		
EUR (strengthening by 5%)	0,8	0,8
USD (strengthening by 5%)	679,0	679,0
GBP (strengthening by 5%)	(1,0)	(1,0)
Dec 31 2014		
EUR (strengthening by 5%)	0,4	0,4
USD (strengthening by 5%)	496,2	496,2
GBP (strengthening by 5%)	(1,7)	(1,7)

Weakening of zloty in relation to EUR and USD as at March 31st 2015, assuming stability of other variables, would result in an increase in profit of the current period. Weakening of PLN in relation to GBP as at December 31st 2014, on the other hand, would result in a decrease in profit of the current period.

10. Financial assets

(in thousand PLN)	Long-term financial assets (measured at amortised cost)	Short-term financial assets (measured at fair value)	Total
Value of financial assets as at Jan 1 2014	**30 874,0**	**5 725,9**	**36 599,9**
Reclassifications	-	-	**-**
Increases	11 030,0	139,3	**11 169,3**
Decreases	(697,6)	(5 365,3)	**(6 062,9)**
Measurement of assets at fair value	-	(171,5)	**(171,5)**
Value of financial assets as at Dec 31 2014	**41 206,4**	**328,4**	**41 534,8**
Value of financial assets as at Jan 1 2015	**41 206,4**	**328,4**	**41 534,8**
Reclassifications	310,6	(310,6)	**-**
Increases	988,6	-	**988,6**
Decreases	(3 114,5)	-	**(3 114,5)**
Measurement of assets at fair value	-	(17,8)	**(17,8)**
Value of financial assets as at Mar 31st 2015	**39 391,1**	**-**	**39 391,1**

As at March 31st 2015 the Company's financial assets included a portfolio of corporate bonds (mostly bank bonds), 100% of the value of which are bonds held for trading. As at December 31st 2014 bonds held for trading accounted for 99.2% of the Company's entire investment portfolio.

The table below presents more detailed information on the characteristics of the Company's bond portfolio.

Type of bond portfolio (in thousand PLN)	fair value as at Mar 31 2015	fair value as at Dec 31 2014
Held for trading	39 391,1	41 206,4
Short-term bonds	-	-
Held for sale	-	328,4
Total	**39 391,1**	**41 534,8**

The Company applies the following hierarchy for determining and recognising fair value of financial instruments by valuation method:

Level 1 - prices quoted (unadjusted) on the active market.

Level 2 - the remaining methods, for which any factors that have a significant impact on the recognised fair value are taken into account directly or indirectly.

Level 3 - methods based on factors that have a significant impact on the recognised fair value, not based on observable market information.

The fair value hierarchy level, at which the fair value measurement classification is made, shall be determined based on the lowest level input data significant for the entire fair value measurement. To this end, significance of measurement input data is assessed by reference to the entire fair value measurement. If observable input data that require significant adjustments based on unobservable information are used at fair value measurement, the valuation is of the nature classified at Level 3. Determining whether specific input data adopted for valuation are significant for the entire fair value measurement requires a judgement that takes into account factors specific for a given asset or liability.

There were no shifts between levels 1 and 2 of the fair value hierarchy over the period ended on March 31st 2015, nor was any of the instruments shifted to or from level 3.

The financial instruments set forth in the note are measured at Level 1.

11. Trade and other receivables

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Trade receivables	13 820,7	10 107,1
Budget receivables	287,6	602,8
Other receivables	66,1	59,4
Accruals and prepayments	2 352,6	137,8
Total receivables	**16 527,0**	**10 907,1**
Short-term	16 518,2	10 897,2
Total	**16 527,0**	**10 907,1**

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Trade receivables from affiliated entities	-	-
Trade receivables from other entities	13 820,7	10 107,1
Total trade receivables	**13 820,7**	**10 107,1**
Short-term	13 820,7	10 107,1
Total	**13 820,7**	**10 107,1**

12. Stocks

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Materials	5 624,9	4 703,6
Finished products	2 326,1	3 237,7
Total	**7 951,0**	**7 941,3**

13. Accruals and prepayments

(in thousand PLN)	Mar 31 2015	Dec 31 2014
Payment for Stock Exchange listing of shares	52,5	-
Lease of server	1,4	1,7
FDA payment	9,2	-
Premiums	2 082,7	-
Fairs	201,2	84,1
Other	5,6	52,0
Total accruals and prepayments	**2 352,6**	**137,8**
Long-term part	8,8	9,9
Short-term part	2 343,8	127,9

Costs related to development works are recognised in "Prepayments and accruals", then, after their completion, they are going to be reclassified to "Intangible assets" as Development costs. The amortisation period is 5 years and starts in the month following the month of including the intangible assets in the records.

Amortisation of intangible assets and impairment write-offs

Amortisation write-offs are recognised in the statement of comprehensive income. In case the Company uses its economic benefits included in a given intangible asset in the process of producing other assets, an amortisation write-off is a part of the production cost of such other assets and shall be included in its balance sheet value.

Impairment write-offs are recognised in the statement of comprehensive income.

Impairment write-offs and reversals of write-offs

The Company has not made any impairment write-offs or their subsequent reversal.

14. Employment

	Mar 31 2015	Dec 31 2014
Number of employed individuals (calculated on a full-time basis)*	84	78

**As at the date of report (May 15th 2015) there were 80 individuals employed by the Company, calculated on a full-time basis*

15. Transactions with affiliated entities

The Company does not form a Corporate Group of Companies. No transactions with affiliated entities occurred over the period covered by this financial statement.

III. Brief characteristics of achievements or failures, along with a description of the most important factors and events

Dynamics of growth in basic financial results in the 1st quarter of 2015, compared to the previous year's corresponding period was:

- in net revenues from sales – approx. +84%
- in EBITDA result – approx. +26%
- in net profit – approx. +34%

Profitability

In the first quarter of 2015 the Company maintained the high level of net profit margin on sales of its services – 46.3%. Creating an impairment write-ff on a receivable amounting to PLN 2 160.1 thousand is particularly important, as the net profit margin would amount to 66% without it. Margin on sales and EBITDA margin both remained on very high levels and were, respectively, 62.0% and 45.1%. In particular, margin on sales, which does not take into account the said non-recurring event, best reflects the results achieved in the first quarter of 2015. The level of margin on sales achieved over the analysed period is at the same level as the margins earned in the first part of 2014, which results from a very favourable USD/PLN exchange rate and a significant proportion of sale of high-margin services in the entire revenues for the first months of 2015.

Revenues

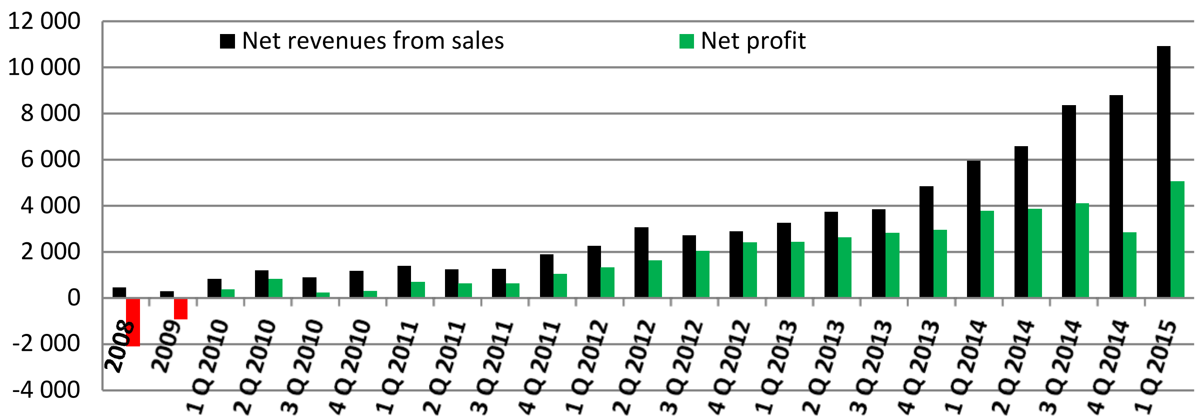
Compared to the corresponding period of the previous year, in the first quarter of 2015 Medicalgorithmics S.A. earned 84% more revenues and the Company's net profit increased by 34% over that period.

The increased revenues are a direct result of the increasing number of the Company's active devices, which in turn is related to the distribution agreements, under which the Company's partners have undertaken to increase their sales and orders over time. The increase is indirectly related to difficulties of the main competitors and a significant increase of the market in the USA, resulting mostly from the decision of several major insurers to start refunding telemetric heart tests. The vast majority of the revenues was denominated in U.S. dollars, like in the previous years, which also translated into increased revenues resulting from increased USD/PLN exchange rate. Diversification of the currency structure of revenues from sales is expected in the following years on account of the Company's geographical expansion.

The increase in net profit was less significant on account of the aforementioned revaluation write-off for receivables.

The Company's business model consists in sale of equipment and collecting monthly subscription fees for using it and its software and server infrastructure. Subscription is calculated from the date of first use of the equipment. Sale of equipment is far less profitable than sale of subscription, which is not charged with any variable costs.

Net revenues from sales and net profit in individual periods *



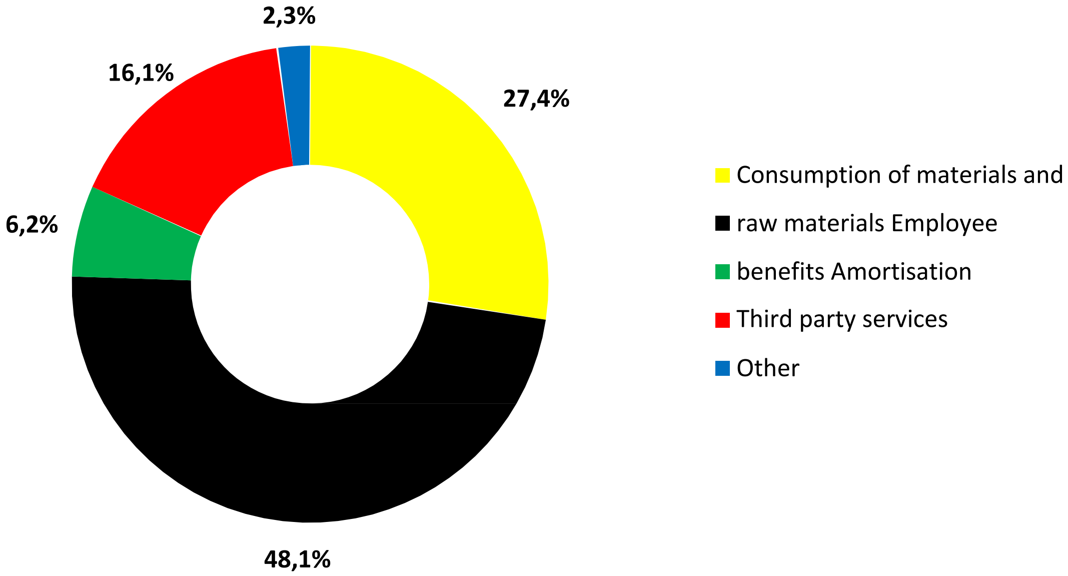
Data in PLN thousand

** Data for the year 2010 are presented according to the old accounting policy, data for the year 2011 are presented according to the new accounting policy, under the Accounting Act (the interim report for the 4th quarter of 2011 sets out more information concerning the change of accounting policy). Data for the years 2012-2015 are presented according to the International Accounting Standards.*

Costs

Costs of employee benefits (remuneration and overheads), consumption of materials and raw materials and of third party services were the most significant operating costs over the first quarter of 2015. Compared to the first quarter of 2014, the Company recorded a significant increase in employment - mostly in the production facility in Gdańsk, with respect to the intense development of production capacity. The increased consumption of materials and raw materials results from the increased production volume of PocketECG III devices, the unit production costs of which are higher. The high proportion of third party services, on the other hand, is caused by the Company's business model, which consists in outsourcing processes that are not key to the Company and do not involve increasing the level of knowledge in the organisation. It should also be emphasised that currently a part of remuneration and third party services related to the conducted works are capitalised in the Company's assets as Development works in progress.

Operating costs structure over the period Jan 1 2015-Mar 31 2015



IV. Significant events related to development of the conducted activity

In January 2015 Medicalgorithmics S.A. received information that the Brazilian Health Surveillance Agency (port. Agência Nacional de Vigilância Sanitária), has allowed for marketing of the latest, third version of PocketECG system in Brazil (the Federative Republic of Brazil).

As a consequence of the said approval for the third generation PocketECG in Brazil, another strategic alliance was signed with the Brazilian partner – ITMS do Brasil Ltda - about which the Company informed in ESPI announcement of March 31st 2015. Cooperation with the Brazilian partner is carried out under the terms similar to the terms of other distribution agreements on a specific area (Brazil). The estimated value of the agreement is PLN 21.3 million.

V. The Management Board's position on the probability of forecasts

The Company has not published financial projections for the period that this report applies to, or for future periods.

VI. List of entities of the Company's Corporate Group of Companies

The Company is not a parent or subsidiary company in any corporate group of companies, thereby, the presented quarterly report is a separate report.

VII. Comment on seasonal character in the interim period

The Company's operations are not of a seasonal or cyclical nature.

VIII. Description of extraordinary factors that influence the statement items

There were no extraordinary events that would influence items of this financial statement over the period that this report applies to.

IX. Changes in accounting estimates

There were no changes in accounting estimates over the period, to which this report applies. It should be noted, however, that the Company created an impairment write-off for doubtful receivables amounting to PLN 2 160.1 thousand, as referred to in note 9 of this report, as a result of the estimates made. As at December 31st 2014 it was not necessary to make impairment write-offs for short-term receivables.

X. Issue, redemption and repayment of debt and capital securities

The Company issued no shares over the current period.

XI. Information about the segments

There is one separated segment, related to the PocketECG system, in the Company's operations.

XII. Information on court proceedings

Over the period, to which this report applies, there were no proceedings pending before a court, an arbitration authority or a public administration body with respect to the Company's liabilities or debts, the value of which would account for at least 10% of the Company's equity.

XIII. Significant events occurring after the period, that have not been recognised

There were no significant, unrecognised events that would influence items of this financial statement after the period that this report applies to.

XIV. Result of changes in the structure, mergers, acquisitions, long-term investments, restructuring

No significant changes to the structure, mergers, acquisitions, takeovers, long-term investments (aside from investments in long-term financial assets) or restructuring occurred over the period that this report applies to.

XV. Basic information about the Company

Medicalgorithmics S.A. is:

- An innovative cutting edge technology Company operating in the sector of non-invasive medical equipment since 2005.
- Owner and manufacturer of the most advanced heart rate analysis system in the world - PocketECG. A leader working on several new methods and products in the segment of cardiological diagnostics.
- Owner of patents and patent applications in the USA and the EU.

The core business of Medicalgorithmics S.A. is:

1. Sale of PocketECG equipment and software to monitoring centres, hospitals and other cardiological diagnostics facilities.
2. Sale of subscriptions to use PocketECG system and IT infrastructure for arrhythmia diagnostics.
3. Sale of data analysis and processing services in the telemedical sector.
4. Sale of programming services related to use of PocketECG system

The Company operates on the largest and most promising markets - the USA, Asia, the UK, Canada, Spain, Brazil and Australia.

Headquarters:	Aleje Jerozolimskie 81, 02-001 Warszawa
E-mail address:	finanse@medicalgorithmics.com
Company website: Investor Relations Website:	www.medicalgorithmics.com www.medicalgorithmics.pl
Contact person for the media:	Anna Dziuban telephone number: +48 22 292 83 69 e-mail: a.dziuban@medicalgorithmics.com
Contact for Investors:	finanse@medicalgorithmics.com

XVI. Information on the Issuer's operations

Registry data

District Court for the Capital City of Warsaw, 12th Commercial Division
of the National Court Register

KRS 0000372848

NIP 5213361457

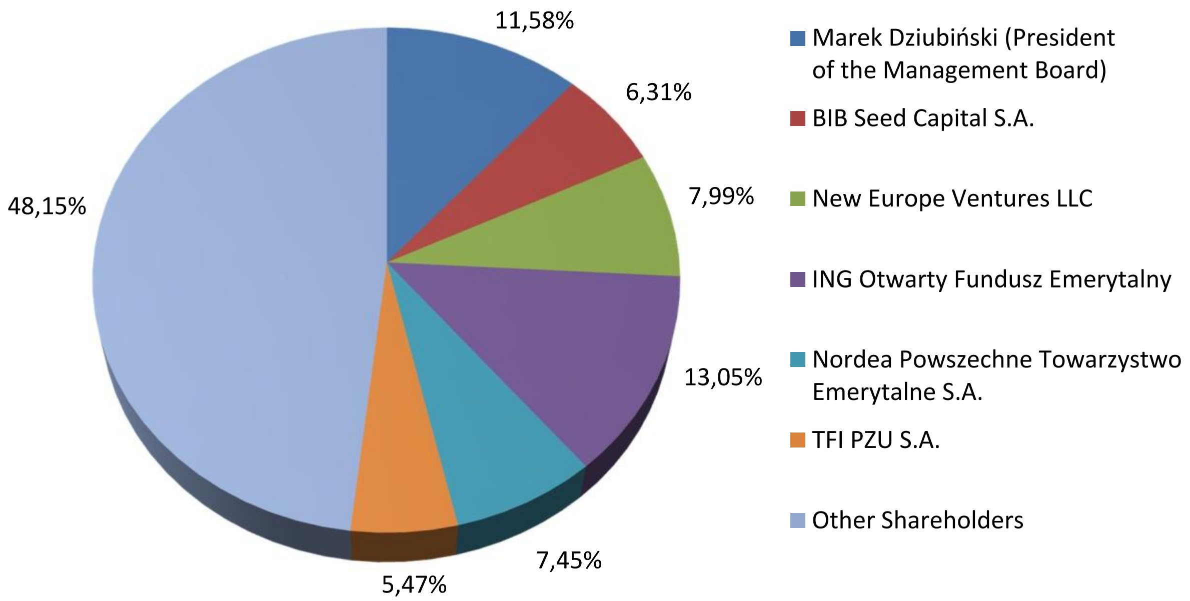
REGON 140186973

Share capital

The amount of share capital (registered in KRS) as at the date of drawing up this quarterly report is PLN 345,552.60 and is divided into 3,455,526 ordinary bearer shares with nominal value of PLN 0.10 each, including:

- 1.747.200 A series ordinary bearer shares
- 508.200 B series ordinary bearer shares
- 236.926 C series ordinary bearer shares
- 929.600 D series ordinary bearer shares
- 33.600 E series ordinary bearer shares

Shareholding Structure as at May 15 2015 (pursuant to the notifications received by the Company)



The Company's shares held by members of the Management Board and the Supervisory Board

Shareholder	Number of shares as at May 15 2015	% of share capital	Number of votes	% in the general number of votes	Change over the period Mar 20 2015*- May 15 2015
Marek Dziubiński (President of the Management Board)	400 000	11,58%	400 000	11,58%	No changes
BIB Seed Capital S.A.	218 122	6,31%	218 122	6,31%	No changes
New Europe Ventures LLC	276 061	7,99%	276 061	7,99%	No changes
ING Otwarty Fundusz Emerytalny	451 000	13,05%	451 000	13,05%	No changes
Nordea Powszechne Towarzystwo Emerytalne S.A.	257 332	7,45%	257 332	7,45%	No changes
TFI PZU S.A.	189 045	5,47%	189 045	5,47%	189 045
Other Shareholders	1 663 966	48,15%	1 853 011	48,15%	(189 045)
NUMBER OF SHARES TOTAL	**3 455 526**				

**date of publishing the previous annual report*

The Company's shares held by members of the Management Board and the Supervisory Board

Individual	Function performed at the Issuer's bodies	Number of shares held	Number of shares held directly indirectly[1]	Change over the period Mar 20 2015- May 15 2015
Marek Dziubiński	President of the Management Board	400 000	0	No changes
Tomasz Mularczyk	Vice President of the Management Board in charge of IT	103 954	0	No changes
Piotr Żółkiewicz	Vice President of the Management Board in charge of financial and operating matters	7 469	0	No changes
Marek Tatar	Chairman of the Supervisory Board	0	0	No changes
Martin Jasinski	Member of the Supervisory Board	0	276 061[2]	No changes
Jan Kunkowski	Member of the Supervisory Board	1000		No changes
Marcin Hoffmann	Member of the Supervisory Board	0	218 122[3]	No changes
Ronald Gale Landes	Member of the Supervisory Board	10 200	0	No changes

1) Direct ownership of Shares by a given person shall be deemed as the person's involvement in the entity directly holding the Shares - such involvement is not equal to the parent entity's status with respect to the entity directly holding the Shares. Detailed information concerning the relations between individuals and entities holding shares has been put forward in further notes to the table.

2) Mr Martin Jasiński is a partner at New Europe Ventures LLC seated in New York, USA, holding 276,061 shares, which accounts for 7.99% in the Issuer's share capital and in the general number of votes at the Issuer's General Shareholders' Meeting. New Europe Ventures LLC is not an entity subsidiary (within the meaning of the Act on Public Offering) to Mr Martin Jasiński.

3) Mr Marcin Hoffmann is the president of the management board of BIB Seed Capital S.A. seated in Poznań and owns 40% of the entity's shares, the total number of which is 218,122 - which accounts for 6.31% share in the Issuer's share capital and in the general number of votes at the Issuer's General Shareholder's Meeting, BIB Seed Capital S.A. is not a company subsidiary to Mr Marcin Hoffmann (within the meaning of the Public Offering Act).

Source: Medicalgorithmics S.A.

XVII. Management Board of Medicalgorithmics S.A.

The composition of the Management Board of Medicalgorithmics S.A. as at the date of drawing up this report is as follows:

Marek Dziubiński, PhD – President of the Management Board

Dr Marek Dziubiński has graduated from inter-department studies at the Warsaw University, at the faculty of Mathematics, Physics and Information Technology. He has also completed PhD studies at the Gdańsk University of Technology, at the faculty of Electronics, Telecommunications and Information Technology. His doctoral thesis was awarded by Gdańsk University of Technology and has been granted a distinction at the national level. Marek Dziubiński is an author of numerous scientific publications, articles in scientific journals and many conference lectures. Over the last 14 years of professional career he was engaging in developing digital signal processing algorithms, particularly concentrating on analysis of periodic and quasi-periodic signals. PocketECG technology is based on a self-learning algorithm developed by dr Dziubiński, operating based on a limited number of signals, generating results in real time. Marek Dziubiński is also the author of the Company's business model.

Carreer:

- June 2005 – present: MEDICALGORITHMICS: President of the Management Board, CTO
- March 2005 – January 2006: Aud-X Team : Manager of a team of IT specialists
- June 2003 – August 2005: WAVEFORMATIC: Project manager
- June 2004 – September 2005: PRESTO-SPACE: Project member
- July 2000 – May 2003: Houpert Digital Audio: Software developer

Tomasz Mularczyk – Vice President of the Management Board in charge of IT

Has graduated from MA studies in Information Technology at the faculty of Mathematics, Information Technology and Mechanics of the University of Warsaw. He started his professional career as a 3D application programmer. Subsequently, functioning as a technical project manager at Big Brat, he coordinated work of a nine programmers team and supervised design of the system and technological solutions in the company.

At Medicalgorithmics S.A. he functions as the Company's vice president and engages in initiating and supervising IT projects. v responsible for selection of technologies and coordinating the work of C# and C++ programmers as well as testers.

Piotr Żółkiewicz – Vice President of the Management Board in charge of financial and operating matters

Piotr Żółkiewicz has graduated from MA studies in management. His professional experience is related to capital market, consulting in opportunities of raising of capital by companies and financial management of enterprises. He started his career as a private investor at the Warsaw Stock Exchange. He has been a member of the board of directors of Stalica Trading Limited since 2007 and a finance and strategy consultant to the management board of Eko Park Group and affiliated companies operating in the energy sector between 2011 and 2013. He also worked for Kardiosystem Sp. z o.o. performing invasive heart surgery between 2010 and 2013.

His main duties at Medicalgorithmics S.A. include management of the Company's finance, contributing to development of its strategy and responsibility for all operational, recruitment, legal, manufacturing and financial processes. Piotr Żółkiewicz was a director in charge of financial and operational matters at Medicalgorithmics S.A from 2009 to November 2012.

XVIII. Supervisory Board of Medicalgorithmics S.A

A decision was made, pursuant to resolutions No. 15/06/2014, 16/06/2014, 17/06/2014, 18/06/2014 and 19/06/2014 of the Company's Ordinary General Shareholders' Meeting of June 27th 2014, to appoint the following members of the Company's Supervisory Board for the subsequent term: Mr Marek Tatar as the Chairman of the Supervisory Board and Mr Jan Henryk Kunkowski, Mr Martin Jasinski, Mr Marcin Maciej Hoffmann and Mr Ronald Gale Landes as Supervisory Board Members.

The composition of the Supervisory board Board of Medicalgorithmics S.A. as at the date of drawing up this report is as follows:

Marek Tatar – Chairman of the Supervisory Board

Marek Tatar has graduated from MA and PhD studies at the Jagiellonian University's Faculty of Law and Administration. He is a Legal Counsel. He is also a Managing Partner of Tatar i Wspólnicy Sp.k. law firm. He had worked for Elektromontaż nr 2 Kraków S.A., Dom Maklerski PENETRATOR S.A. brokerage house (1998-2009) and at Trigon Dom Maklerski S.A. brokerage house (2009).

Marcin Hoffmann, PhD – Member of the Supervisory Board

Dr Marcin Hoffmann has graduated from the Faculty of Chemistry and the Faculty of Biotechnology of Adam Mickiewicz University in Poznań. He obtained his post-doctoral degree in 2009. Mr Hoffman has also graduated from MBA studies organised by Poznań Academy of Economics and Georgia State University in Atlanta. Mr Marcin Hoffmann has won numerous competition such as the Promising Scientist Award granted in 2002. He has received grants from the Foundation for Polish Science, the Ministry of National Education, Stefan Batory Foundation and Adam Mickiewicz University in Poznań. Since 2007 he has been the president of the management board at BIB Seed Capital S.A. He has also worked as a consultant for McKinsey & Co. and a team manager at BioInfoBank Institute.

Martin Jasinski – Member of the Supervisory Board

Martin Jasinski has graduated from Columbia University (MBA) in New York and SUNY Buffalo University (USA). Mr Martin Jasinski has more than twenty years' international experience in marketing, sales and implementation of new technological products and services. He has been a managing partner at New Europe Ventures since 2006 and a vice president of the management board of Aricent corporation for two years.

Roland Gale Landes – Member of the Supervisory Board

Roland Gale Landes has graduated from the University of Chicago, in which he completed the curriculum of Biotechnology. He has also graduated from the Medical College of Wisconsin. He is author of numerous scientific articles in medicine. He has been the president of the management board at Landes Bioscience, a medical publishing house, since 1990.

Jan Kunkowski – Member of the Supervisory Board

Mr Jan Kunkowski has graduated from Inter-Faculty Individual Studies in Mathematics and Natural Sciences at the University of Warsaw, where he earned a MA degree in Psychology. He has also completed one-year Postgraduate Managerial Studies at the Warsaw School of Economics. He has more then 15 years' experience in quantitative research. At present he is working as a Chief Operating Officer at IIBR (Gemius Group). He has worked for Gemius S.A., Ipsos Polska, IQd and QUANT Group and for Millward Brown SMG/KRC.

XIX. Management Board's representation

The Management Board of Medicalgorithmics S.A. declares that, to its best knowledge, the Company's presented financial information submitted for the 1st quarter of 2015 and the comparative data for the corresponding period of 2014, have been drawn up in line with the provisions binding to the Company and that the information on the Company's operations over the period covered by the report fully reflect the development, achievements and condition of Medicalgorithmics S.A.

Warsaw, May 15th 2015

Marek Dziubiński	**Piotr Żółkiewicz**	**Tomasz Mularczyk**
President of the Management Board	Vice President of the Management Board in charge of financial and operational matters	Vice President of the Management Board in charge of IT

Medicalgorithmics S.A.

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