MEDICALgorithmics
INNOVATIVE SOLUTIONS IN MEDICINE

Interim condensed financial report

of Medicalgorithmics S.A.

for the 3rd quarter of 2015

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I. Selected financial data

	in PLN thousand		in EUR thousand	
	Jan 01 2015-Sep 30 2015	**Jan 01 2014-Sep 30 2014**	**Jan 01 2015-Sep 30 2015**	**Jan 01 2014-Sep 30 2014**
Revenues from sales	35 527.5	20 899.4	8 543.3	4 999.5
Profit from sales	14 623.6	11 506.8	3 516.6	2 752.6
Profit from operating activity	14 648.7	11 594.6	3 522.6	2 773.6
Profit before taxation	16 189.4	14 529.6	3 893.1	3 475.7
Net profit	13 067.7	11 732.7	3 142.4	2 806.7
Net profit per ordinary share (PLN/EUR)	3.78	3.41	0.9	0.8
Net cash flows from operating activity	16 225.2	(11 795.1)	3 901.7	(2 821.6)
Net cash flows from investment activity	(14 878.0)	(2 671.0)	(3 577.7)	(638.9)
Net cash flows from financial activity	(5 528.8)	(4 661.5)	(1 329.5)	(1 115.1)
Total net cash flows	(4 181.6)	(19 127.6)	(1 005.5)	(4 575.7)
	Sep 30 2015	**31.12.2014**	**Sep 30 2015**	**31.12.2014**
Fixed assets	67 683.0	51 524.8	15 968.2	12 088.5
Current assets	37 089.2	43 367.1	8 750.4	10 174.6
Long-term liabilities	176.0	246.8	41.5	57.9
Short-term liabilities	6 265.8	3 853.6	1 478.3	904.1
Equity	98 330.4	90 791.5	23 198.8	21 301.1
Share capital	345.6	345.6	81.5	81.1

Method of conversion of selected data to EUR:

- *The presented, selected items of the balance sheet have been calculated using the average exchange rate as published by the National Bank of Poland on September 30th 2015, amounting to 4.2386 EUR/PLN and on December 31st 2014 amounting to 4.2623 EUR/PLN*

- *The presented selected items of the income statement and the cash flow statement have been calculated using the rate, which constitutes an arithmetic average of two average exchange rates as published by the National Bank of Poland on the last day of each month of the financial period from January 1st 2015 - September 30th 2015, amounting to 4.1585 EUR/PLN and from January 1st 2014 to September 30th 2014, amounting to 4.1803 EUR/PLN*

II. Condensed financial statement

II.1. Statement of financial position

ASSETS (in thousand PLN)	Note	Sep 30 2015	30.06.2015	31.12.2014	Sep 30 2014
Fixed assets					
Intangible assets	13	10 547.4	10 299.4	9 344.4	7 795.8
Property. plant and equipment		871.3	916.2	960.4	639.9
Long-term receivables	9.11	6.6	7.7	9.9	11.0
Long-term financial asset	10	56 024.1	40 368.8	41 206.4	40 928.6
Deferred tax assets		233.6	93.1	3.7	1.3
Total fixed assets		**67 683.0**	**51 685.2**	**51 524.8**	**49 376.6**
Current assets					
Stocks	12	9 166.3	8 835.9	7 941.3	11 453.4
Trade and other receivables	9.11	7 904.3	6 794.9	10 897.2	12 162.8
Short-term financial assets	10	-	-	328.4	335.6
Cash and cash equivalent	9	20 018.6	39 453.5	24 200.2	19 277.5
Total current assets		**37 089.2**	**55 084.3**	**43 367.1**	**43 229.3**
		104			
TOTAL ASSETS		**772.2**	**106 769.5**	**94 891.9**	**92 605.9**

LIABILITIES AND EQUITY (in thousand PLN)	Note	Sep 30 2015	30.06.2015	31.12.2014	Sep 30 2014
Equity	6				
Share capital		345.6	345.6	345.6	345.6
Supplementary capital		84 917.1	84 917.1	75 919.6	75 919.6
Retained earnings		13 067.7	10 306.6	14 526.3	11 732.7
Total equity		**98 330.4**	**95 569.3**	**90 791.5**	**87 997.9**
Long-term liabilities					
Provisions		-	-	15.5	-
Deferred tax liability		176.0	369.3	231.3	221.8
Total long-term liabilities		**176.0**	**369.3**	**246.8**	**221.8**
Short-term liabilities					
Loans and credits. including overdrafts	7	38.9	19.6	2.7	17.4
Trade and other liabilities	8	2 909.3	8 343.8	1 072.8	1 088.6
Income tax liabilities	8	190.6	-	-	657.0
Accruals and prepayments	8	3 127.0	2 467.5	2 778.1	2 623.2
Total short-term liabilities		**6 265.8**	**10 830.9**	**3 853.6**	**4 386.2**
Total liabilities		**6 441.8**	**11 200.2**	**4 100.4**	**4 608.0**
TOTAL LIABILITIES AND EQUITY		**104 772.2**	**106 769.5**	**94 891.9**	**92 605.9**

II.2. Statement of comprehensive income

Statement of comprehensive income (in thousand PLN)		Jul 01 2015- Sep 30 2015	Jul 01 2014- Sep 30 2014	Jan 01 2015- Sep 30 2015	Jan 01 2014- Sep 30 2014
Revenues from sales	2.3	**12 285.9**	**8 365.5**	**35 527.5**	**20 899.4**
Materials and raw materials consumption		(1 200.6)	(1 789.1)	(3 866.2)	(2 382.4)
Employee benefits	4	(2 153.1)	(1 449.8)	(6 330.0)	(3 881.0)
Amortisation		(471.5)	(157.9)	(1 128.6)	(443.9)
Third party service		(4 479.2)	(902.8)	(8 630.7)	(2 141.4)
Other		(441.0)	(236.1)	(948.4)	(543.9)
Total cost of sales		**(8 745.4)**	**(4 535.7)**	**(20 903.9)**	**(9 392.6)**
Profit from sales		**3 540.5**	**3 829.8**	**14 623.6**	**11 506.8**
Other operating revenues		236.8	35.9	2 252.9	112.6
Other operating costs		(1.3)	-	(2 227.8)	(24.8)
Profit from operating activity		**3 776.0**	**3 865.7**	**14 648.7**	**11 594.6**
Financial revenues	5	490.9	1 205.3	2 401.0	2 936.9
Financial costs	5	(843.6)	-	(860.3)	(1.9)
Net financial revenues		**(352.7)**	**1 205.3**	**1 540.7**	**2 935.0**
Profit before taxation		**3 423.3**	**5 071.0**	**16 189.4**	**14 529.6**
Income tax		(662.2)	(974.5)	(3 121.7)	(2 796.9)
Net profit from continued operations		**2 761.1**	**4 096.5**	**13 067.7**	**11 732.7**
Net profit from continued operations		**2 761.1**	**4 096.5**	**13 067.7**	**11 732.7**
Total comprehensive income for the accounting period		**2 761.1**	**4 096.5**	**13 067.7**	**11 732.7**
Other total income for the accounting period		-	-	-	-
Total comprehensive income for the accounting period		**2 761.1**	**4 096.5**	**13 067.7**	**11 732.7**
Basic and diluted earnings per share in PLN		**0.80**	**1.19**	**3.78**	**3.41**

The Company wishes to emphasise that legal and advisory services have been purchased over the current period and have been reflected in the level of Third Party Services, which increased from PLN 2 141.4 thousand to PLN 8 630.7 thousand - that is, by 303%, as compared to the corresponding period. A more detailed analysis of the Company's financial results of the 3rd quarter of 2015 including extraordinary events, can be found in item IX.

he Company's Statement for the period ended on September 30th 2015 presents the value of financial assets after the revaluation of October 12th 2015.
More detailed information can be found in note No. 10.

II.3. Statement of changes in equity

Statement of changes in equity (in thousand PLN)	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at Jan 01 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	-	-	11 732.7	11 732.7
Total comprehensive income for the accounting period	**-**	**6 209.2**	**5 523.5**	**11 732.7**
Transactions with the Company owners recorded directly in equity				
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 Sep 30 2014	**345.6**	**75 919.6**	**11 732.7**	**87 997.9**
Equity as at Jan 01 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 accounting period	**-**	**-**	14 526.3	14 526.3
Total comprehensive income for the accounting period	**-**	**6 209.2**	**8 317.0**	**14 526.2**
Transactions with the Company owners recorded directly in equity				
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 01 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	-	8 997.5	(8 997.5)	-
Net profit for the current accounting period	-	-	13 067.7	13 067.7
Total comprehensive income for the accounting period	**-**	**8 997.5**	**4 070.2**	**13 067.7**
Payment of dividend	-	-	(5 528.8)	(5 528.8)
Total comprehensive surcharges to and from owners	-	-	(5 528.8)	(5 528.8)
Equity as at Sep 30 2015	**345.6**	**84 917.1**	**13 067.7**	**98 330.4**

II.4. Cash flow statement

(in thousand PLN)	Note	Jan 01 2015 Sep 30 2015	Jan 01 2014 Sep 30 2014
Cash flows from operating activity			
Net profit for the accounting period		13 067.7	11 732.7
Adjustments:			
Amortisation of property. plant and equipment		179.6	83.6
Amortisation of intangible assets		949.0	360.3
Net financial revenues	15	(2 487.7)	(2 609.4)
Loss on sales of property. plant and equipment		7.4	-
Income tax		3 121.7	2 796.9
Change in stocks		(1 225.0)	(9 860.0)
Change in trade and other receivables		4 480.0	(10 204.7)
Change in prepayments and accruals		(1 276.9)	(3 389.2)
Change in trade and other liabilities		1 872.7	1 713.4
Change in short-term financial assets	15	626.5	60.1
Other		(15.5)	(0.2)
Cash resources generated on operating activity		19 299.5	(9 316.5)
Tax paid		(3 074.3)	(2 478.6)
Net cash from operating activity		**16 225.2**	**(11 795.1)**
Cash flows from investment activity			
Interest received	15	2 453.7	2 609.4
Other financial revenues		34.0	-
Expenditure on purchase of property. plant and equipment		(99.3)	(378.5)
Revenues on account of sales of property. plant and equipment		1.4	-
Receipts from sales of investments		3 084.0	6 012.5
Purchase of other investments	15	(20 351.8)	(10 914.4)
Net cash from investment activity		**(14 878.0)**	**(2 671.0)**
Cash flows from financial activity			
Income from issue of shares		-	3.4
Expenditure on payment of dividend		(5 528.8)	(4 664.9)
Net cash from financial activity		(5 528.8)	(4 661.5)
Total net cash flows		**(4 181.6)**	**(19 127.6)**
Cash and cash equivalents at the beginning of the period		24 200.2	38 405.1
Cash at the end of the period		20 018.6	19 277.5

II.5. Basis for preparation of the financial statement

II.5.1. Declaration of conformity

This condensed interim financial statement for the period of 9 months ended on September 30th 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 pursuant to the IFRS as approved by the EU. While drawing up financial data for the 9-month period ended on September 30th 2015 the Company has applied accounting policy rules coherent with the rules applied at drawing up the financial statement for the year 2014.

The Condensed Interim Financial statement has been drawn up pursuant to the historic cost method.

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.

II.5.2. Valuation basis

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

II.5.3. Presentational and functional currency

The information in the financial statement has been presented in Polish zloty, rounded up to full thousands with one decimal place. Polish zloty is the Company's functional currency.

II.5.4. Estimates and judgements made

Drawing up the financial statement pursuant to the IFRS requires the Management Board's judgements, estimates and assumptions that influence use of the adopted accounting policy rules and the presented values of assets, liabilities and equity, revenues and costs, the actual values of which might differ from the estimated values. Estimates and associated assumptions are subject to ongoing verification. Changes of accounting estimates are recognised prospectively, starting from the period, in which the estimates were changed.

II.5.5. Publication authority approving the financial statement for

The Company's Management Board is the body authorizing the financial statement for publication.

II.6. Description of the major accounting policy rules

The accounting policy rules set out below have been used with respect to all the periods presented in the financial statement by the Company.

II.6.1. 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 measurement of monetary assets and liabilities constitute the difference between measurement at amortised cost in the functional currency at the beginning of the accounting period adjusted by accrued interest and payments made during the accounting period and the value at amortised cost in foreign currency translated at the closing exchange 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 valued at historical cost in a foreign currency are converted by the Company at the exchange rate of the date of concluding the transaction.

II.6.2. Financial instruments

Financial instruments other than derivative instruments

Credits, receivables and deposits are recognised as of the date of arising. All the remaining financial assets (including assets measured at fair value through 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 this asset, or at the moment, in 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 created or held by the Company shall be treated as a separate asset or liability.

Financial assets and liabilities are offset and recognised in the statement of financial position in their net amounts only if the Company has a currently enforceable legal right to compensation of the given financial assets and liabilities or is planning to settle the given transaction in the net value of the offset financial assets and liabilities, or if it is planning to realise the offset financial assets 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 determined or determinable payments, not listed on an active market. Such assets are initially measured at fair value increased by transaction costs that might be directly attributed to their purchase.

Valuation of credits and receivables at a later date is conducted at amortised cost, using the effective interest rate method, less potential impairment write-offs.

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 current account 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, current account 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.

II.6.3. Property, plant and equipment

Recognition and valuation

Property, plant and equipment items are recognised in the books at purchase price or production cost less amortisation 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 as well as costs of bringing it to a usable condition, which includes 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. Production costs of a fixed asset or capital work in progress include 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 equipment related to it is activated as a part of this 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 a 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 under other income.

Subsequent expenditure

Costs of replaced parts of a property, plant and equipment item that might be reliably assessed, incurred at a later date are subject to activation if it is likely that the Company derives economic benefits related to the said property, plant and equipment items.

The balance sheet value of replaced components of property, plant and equipment is derecognised. Expenses 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

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 profit or loss of the current period using the straight line method with respect to the useful life of a property, plant and equipment item measured by the Company, which best reflects 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 useful life periods, amortisation methods and residual values of fixed assets is verified at each balance sheet date and adjusted in justified circumstances.

II.6.4. Intangible assets

Software and other intangible assets

Software and other intangible assets acquired by the Company, with a defined economic useful life, are recognised at their purchase price less amortisation write-offs and impairment write-offs.

Subsequent expenditure

Subsequent expenditure on components of existing intangible assets is only capitalised if it increases future economic benefits related to the given asset. Other expenses, including expenses on trademark, goodwill and brand developed independently are recognised as profit or 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,
- its capability to reliably determine the expenses incurred on development works.

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 profit or loss of the current period using the straight line method with respect to the useful life of a property, plant and equipment item measured by the Company, other than goodwill, from the moment of stating its fitness for purpose, which possibly best reflects the method of realising future economic benefits related to use of the given asset.

Correctness of the applied use periods, amortization methods and residual values of fixed 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 10 years

II.6.5. Stocks

Stocks are measured at purchase price or production cost not higher than achievable net sales price.

Achievable net sales 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.

II.6.6. 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 in financial assets that are not measured at fair value through profit and loss.

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 measured influence on the value of future cash flows related to the given asset.

Objective evidence of impairment of a financial asset includes a failure to pay or late payment of a debtor's debt, restructuring of debt, to which the Company agreed on account of economic or legal reasons resulting from the debtor's financial difficulties, to which the Company would not have agreed otherwise, circumstances proving a high level of probability of the debtor’s bankruptcy.

The Company assesses evidence of impairment of receivables or investments held to maturity both at the level of an individual asset 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 calculated as the difference between their balance sheet value (value shown in the statement of financial position) and the current value of estimated future cash flows discounted using the original effective interest rate.

Any losses are 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 subject to assessment at the end of each accounting period for the purpose of identifying whether there is any evidence of their 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: their 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 is any evidence 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 amortization write-offs that would be recognised if the impairment write-off was not calculated.

II.6.7. Employee benefits

The Company recognises employee benefits in its statement of financial position. 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.

II.6.8. 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 thatfulfilling this obligation is going to bring about economic benefits. Provisions are created in the amount of the most appropriate estimate of expenditure necessary to settle the present liability at the end of the accounting period, taking into account the risk and uncertainty related to events and circumstances that lead to settlement of the liability.

II.6.9. Revenues

Sales of products and services

Revenues from sales of products in the ordinary course of business are measured at fair value of received or due payment less discounts and rebates.

Revenues are recognised when there is strong evidence - usually at the moment of confirming the delivery by the buyer - of transferring substantially all the risk and benefits to the buyer, there is high probability of payment, the incurred costs and probability of return of the finished products or goods might be reliably measured, there is no permanent involvement in management of goods, and the amount of revenue might be reliably measured.

II.6.10. 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.

II.6.11. Income tax

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

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

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: initial recognition of assets or liabilities from a transaction that is not a merger of economic entities and does not influence profit or loss of the current period, or taxable income, differences related to investments in subsidiary and jointly controlled entities to the extent, in which it is not likely 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 measured using tax rates that, according to projections, are going to be applied when temporary differences are reversed.
Tax laws legally or actually binding by the reporting date are deemed as the basis here.

II.6.12. New standards and interpretations not used 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:

- Amendments to IAS **19 "Employee benefits"** – Programs of specific benefits: employee contributions (applicable to full years starting on January 1st 2014 or after that date).
- Amendments to various standards **"Amendments to IFRS (2010-2012 cycle)"** – changes introduced as part of the procedure of entering annual amendments to 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)"** – changes made as part of the procedure of entering annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) mostly geared towards solving inconsistencies and clarification of wording (applicable to full years beginning 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.

II.6.13. Standards and Interpretations adopted by IASB, but not yet approved for use in the EU

IRFS as approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations that, as at September 30th 2015, have not yet been adopted for use in the EU (the aforementioned dates of entry into force apply to the standards in their full versions):

- **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 to full years beginning on January 1st 2016 or after that date);
- **Amendments to IFRS 10 "Consolidated financial statements** and **IAS 28 "Investments in associates and joint ventures"** (applicable to full years beginning on January 1st 2016 or after that date),
- **Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investment in associates and joint ventures"**– Investment entities: applied exemptions from consolidation (applicable to full years beginning on January 1st 2016 or after that date),
- **Amendments to IFRS 11 "Joint arrangements"** – Recognition of purchase of shares In joint operations (applicable 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 to full years beginning on January 1st 2016 or after that date).
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Initiative with respect to disclosures (applicable to full years beginning on January 1st 2016 or after that date).
- **Annual amendments to IFRS - 2012-2014 cycle** (applicable to full years beginning on January 1st 2016 or after that date).
- **Amendments to IAS 27** - **Equity method in separate financial statements** (applicable 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, hedge accounting for financial assets and liabilities portfolio the principles of which have not been approved for use as at the balance sheet date remain uncovered by the EU regulations.

According to the entity's estimates, applying the accounting policies of assets portfolio hedging or financial liabilities 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.

II.7. 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 the fair value have been set out in explanatory notes related to individual assets and liabilities.

II.7.1. Trade and other receivables

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

II.7.2. Financial liabilities

Fair value, measured only for the purpose of disclosure, is calculated based on the current value of future cash flows on account of reimbursement of the principal amount and payment of interest, discounted applying the market interest rate as at the reporting date.

II.7.3. Financial assets

Fair value of financial assets traded on the active market is determined in relation to prices quoted 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.

II.8. 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 its contractual obligations. Credit risk applies in particular to receivables.

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

According to the adopted credit policy, each new customer's creditworthiness is assessed before offering normal payment and delivery terms to them as well as other standard terms of contract. If it is possible, the assessment takes account of the customer's rating drawn up

by external companies and, in some cases, bank references, if it is possible. A transaction limit is set for each customer. It means the maximum amount of transaction. Transaction limits are verified quarterly. Customers which do not meet the creditworthiness criteria set by the Company can enter into transactions based on a prepayment.

Trade and other receivables are mostly receivables from institutional customers. Customers classified in the "high risk" group are placed on the reserved customer list and transactions with them are monitored by the Company's Management Board directly. Future sales transactions for these customers are only conducted based on prepayment.

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 delivering cash or other financial assets. The Company's liquidity management consists in ensuring, to the highest possible extent, that the Company always has liquidity sufficient to settle mutual liabilities, both in normal and crisis situations, without exposing itself to risk of loss or damage to its reputation.

Usually 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 in market prices such as exchange rates and interest rates might influence the Company's results or the value of its 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 for 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 generally or other regulations, 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 so as to balance avoiding financial losses and damage to the Company's reputation with general effectiveness of incurred costs, thus avoiding control procedures, which 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. Performing the obligations in this regard is supported by development of the Company's general standards of management, which include:

- requirements as to appropriate distribution of tasks, including performing 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 as to reporting incurred operating 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 balance between a higher rate of return achievable with a higher level of debt and associated benefits, and security achievable by way of a robust capital.

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

(in thousand PLN)	Sep 30 2015	30.06.2015	31.12.2014	Sep 30 2014
Total liabilities	6 441.8	11 200.2	4 100.4	4 608.0
Less: cash and cash equivalents	(20 018.6)	(39 453.5)	(24 200.2)	(19 277.5)
Net debt	**(13 576.8)**	**(28 253.3)**	**(20 099.8)**	**(14 669.5)**

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

II.9. Explanatory notes

1. Profit per share

Calculation of profit per share	II quarter		Cumulative	
	Jul 01 2015-Sep 30 2015	Jul 01 2014-Sep 30 2014	Jan 01 2015-Sep 30 2015	Jan 01 2015 Sep 30 2014
Net profit (in thousand PLN)	2 761.1	4 096.5	13 067.7	11 732.7
Number of shares over the period	3 455 526	3 450 413	3 455 526	3 441 126
Profit per share in PLN	**0.80**	**1.19**	**3.78**	**3.41**

2. Structure of revenues from sales

Structure by category

(in PLN thousand)	II quarter		Cumulative	
	Jul 01 2015-Sep 30 2015	Jul 01 2014-Sep 30 2014	Jan 01 2015-Sep 30 2015	Jan 01 2014-Sep 30 2014
Revenues from sales of equipment	1 624.8	3 536.1	6 744.6	9 471.1
Revenues from sales of subscriptions (services)	10 661.1	4 829.4	28 782.9	11 428.3
Total revenues	**12 285.9**	**8 365.5**	**35 527.5**	**20 899.4**

Territorial structure

(in PLN thousand)	II quarter		Cumulative	
	Jul 01 2015- Sep 30 2015	Jul 01 2014- Sep 30 2014	Jan 01 2015- Sep 30 2015	Jan 01 2014- Sep 30 2014
Domestic sales	0.1	13.2	0.1	185.4
Export	12 285.8	8 352.3	35 527.4	20 714.0
Total revenues	**12 285.9**	**8 365.5**	**35 527.5**	**20 899.4**

3. Reporting operating segments

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 for use of arrhythmia diagnostics IT infrastructure and PocketECG system.
3. Sales of data analysis and processing services in the telemedical sector.
4. Sales of programming services related to use of PocketECG system. The Company operates mostly outside of Poland, in particular in the USA.

The operations are classified as part of one segment that covers both sales of research and IT services, and sales of equipment related to the offered services.

(in thousand PLN)	III quarter		Cumulative	
	Jul 01 2015- Sep 30 2015	Jul 01 2014- Sep 30 2014	01.0 .2015- Sep 30 2015	Jan 01 2014- Sep 30 2014
Domestic sales				
Sales to external customers	0.1	13.2	0.1	185.4
Total domestic sales	**0.1**	**13.2**	**0.1**	**185.4**
International sales				
Sales to external customers	12 285.8	8 352.3	35 527.4	20 714.0
Total international sales	**12 285.8**	**8 352.3**	**35 527.4**	**20 714.0**
Operating result of the segment	3 540.5	3 829.8	14 623.6	11 506.8
Result from other operations	235.5	35.9	25.1	87.8
Profit from operations before taxation and financial costs	**3 776.0**	**3 865.7**	**14 648.7**	**11 594.6**
Profit before taxation	**3 423.3**	**5 071.0**	**16 189.4**	**14 529.6**
Income tax	(662.2)	(974.5)	(3 121.7)	(2 796.9)
Net profit for the accounting period	**2 761.1**	**4 096.5**	**13 067.7**	**11 732.7**

4. Employee benefits

(in thousand PLN)	Jul 01 2015-Sep 30 2015	Jul 01 2014-Sep 30 2014	Jan 01 2015-Sep 30 2015	Jan 01 2014-Sep 30 2014
Remuneration	(1 918.7)	(1 321.1)	(5 731.8)	(3 583.7)
Social security	(234.4)	(128.7)	(598.2)	(297.3)
Total employee benefits	**(2 153.1)**	**(1 449.8)**	**(6 330.0)**	**(3 881.0)**

5. Financial revenues and costs

Financial revenues

(in thousand PLN)	III quarter		Cumulative	
	Jul 01 2015 Sep 30 2015	Jul 01 2014 Sep 30 2014	Jan 01 2015 Sep 30 2015	Jan 01 2014 Sep 30 2014
Interest revenues	280.8	817.8	1 664.8	2 418.3
Other	12.4	388.5	556.3	353.7
Revaluation of investments measured at fair value through profit and loss	197.7	(1.0)	179.9	164.9
- classified as this type of instruments at the moment of recognition	197.7	(1.0)	179.9	164.9
Total financial revenues	**490.9**	**1 205.3**	**2 401.0**	**2 936.9**

Financial costs

(in thousand PLN)	III quarter		Cumulative	
	Jul 01 2015 Sep 30 2015	Jul 01 2014 Sep 30 2014	Jan 01 2015 Sep 30 2015	Jan 01 2014 Sep 30 2014
Interest	-	-	(16.7)	(1.4)
Revaluation of financial instruments held to maturity - replacement and reclassification	(843.6)		(843.6)	
Other	-	-	-	(0.5)
Total financial costs	**(843.6)**	**-**	**(860.3)**	**(1.9)**
Net financial revenues recognised as income of the current period	**(352.7)**	**1 205.3**	**1 540.7**	**2 935.0**

6. Equity

Share capital

(in thousand shares)	Ordinary shares			
	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Number of shares as at January 1st	3 455.5	3 455.5	3 421.90	3 421.90
Issue of E series shares	-	-	33.6	33.6
Number of shares at the end of the period (fully paid-up)	**3 455.5**	**3 455.5**	**3 455.5**	**3 455.5**

Issue of ordinary shares

The Company issued no shares over the current period.

Ordinary shares

As at September 30th 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 shares provide equal access to the Company's assets in case of distribution of its property.

Pursuant to a resolution by the Company's Ordinary General Meeting of June 30th 2015 the net profit generated in 2014 in the amount of PLN 14,526.3 thousand was allocated to payment of dividend in the total amount of PLN 5,528.8 thousand and an increase in the supplementary capital in the amount of PLN 8,997.5 thousand. The dividend was paid to shareholders on September 25th 2015.

Distribution of retained earnings

(in thousand PLN)	31.12.2014	31.12.2013
Payment of dividend	5 528.8	4 664.9
Supplementary capital	8 997.5	6 209.2
Net profit	**14 526.3**	**10 874.1**
Value of dividend per 1 ordinary share (dividend/number of ordinary shares) in PLN	**1.60**	**1.35**

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)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Short-term part of secured loans	-	-	-	-
Short-term part of unsecured loans	38.9	19.6	2.7	17.4
Total short-term liabilities	**38.9**	**19.6**	**2.7**	**17.4**

Conditions and scheduling plan of loans and credits

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

8. Trade and other liabilities

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Trade liabilities from other entities	2 682.7	2 598.1	866.6	890.1
Budget liabilities	224.5	216.9	206.1	191.6
Income tax liabilities	190.6	-	-	657.0
Other liabilities	2.1	5 528.8	0.1	6.9
Accruals and prepayments	3 127.0	2 467.5	2 778.1	2 623.2
Total	**6 226.9**	**10 811.3**	**3 850.9**	**4 368.8**

Prepayments and accruals mostly include the value of UE funds received by the Company for research and development works (the amount of PLN 2 230.7 thousand).

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

As at Sep 30 2015, Jun 30 2015, Dec 31 2014 and Sep 30 2014 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)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Own receivables and credits	6 147.3	5 568.4	10 769.2	11 552.9
Cash and cash equivalents	20 018.6	39 453.5	24 200.2	19 277.5
Total exposure to credit risk	**26 165.9**	**45 021.9**	**34 969.4**	**30 830.4**

Maximum exposure to credit risk for trade receivables and credits at the and of the accounting periods by geographical regions is as follows:

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Domestic	1.0	7.5	7.8	38.1
Euro payments area	0.9	1.2	9.1	10.2
Other regions	5 640.0	4 922.5	10 090.2	10 165.5
Total	**5 641.9**	**4 931.2**	**10 107.1**	**10 213.8**

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

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Institutional customers	5 641.9	4 931.2	10 107.1	10 213.8
Individual recipients	-	-	-	-
Total	**5 641.9**	**4 931.2**	**10 107.1**	**10 213.8**

Impairment write-offs

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

(in thousand PLN)	Gross value as at Sep 30 2015	Impairment write-off as at Sep 30 2015	Net value as at Sep 30 2015
Not due	4 887.4	-	**4 887.4**
Past due for 0 to 30 days	194.3	-	**194.3**
Past due for 31 to 60 days	11.1	-	**11.1**
Past due for more than 61 days	1 002.1	453.0	**549.1**
Total	**6 094.9**	**453.0**	**5 641.9**

(in thousand PLN)	Gross value as at Jun 30 2015	Impairment write-off as at Jun 30 2015	Net value as at Jun 30 2015
Not due	**4 281.2**	**-**	**4 281.2**
Past due for 0 to 30 days	**38.8**	**-**	**38.8**
Past due for 31 to 60 days	**78.9**	**-**	**78.9**
Past due for more than 61 days	**984.0**	**451.7**	**532.3**
Total	**5 382.9**	**451.7**	**4 931.2**

(in thousand PLN)	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**

(in thousand PLN)	Gross value as at Sep 30 2014	Impairment write-off as at Sep 30 2014	Net value as at Sep 30 2014
Not due	7 317.1	-	**7 317.1**
Past due for 0 to 30 days	29.3	-	**29.3**
Past due for 31 to 60 days	1 029.0	-	**1 029.0**
Past due for more than 61 days	1 838.4	-	**1 838.4**
Total	**10 213.8**	**-**	**10 213.8**

Liquidity risk

Sep 30 2015 (in thousand PLN)	Balance sheet value	Cash flows resulting from the agreement	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities other than derivative instruments							
Secured bank loans	-	-	-	-	-	-	-
Unsecured bank loans	38.9	38.9	38.9	-	-	-	-
Trade and other liabilities	3 099.9	3 099.9	3 099.9	-	-	-	-
Total	**3 138.8**	**3 138.8**	**3 138.8**	**-**	**-**	**-**	**-**

Jun 30 2015 (in thousand PLN)							
Financial liabilities other than derivative instruments							
Secured bank loans	-	-	-	-	-	-	-
Unsecured bank loans	19.6	19.6	19.6	-	-	-	-
Trade and other liabilities	8 343.8	8 343.8	8 343.8	-	-	-	-
Total	**8 363.4**	**8 363.4**	**8 363.4**	**-**	**-**	**-**	**-**

Dec 31 2014 (in thousand PLN)	Balance sheet value	Cash flows resulting from the agreement	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities other than derivative instruments							
Secured bank loans	-	-	-	-	-	-	-
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**	**-**	**-**	**-**	**-**

Sep 30 2014 (in thousand PLN)							
Financial liabilities other than derivative instruments							
Secured bank loans	-	-	-	-	-	-	-
Unsecured bank loans	17.4	17.4	17.4	-	-	-	-
Trade and other liabilities	1 745.6	1 745.6	1 745.6	-	-	-	-
Total	**1 763.0**	**1 763.0**	**1 763.0**	**-**	**-**	**-**	**-**

Currency risk

Exposure to foreign exchange risk

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

Values expressed in PLN thousand	Sep 30 2015			Jun 30 2015		
	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	172.4	5 776.10	145.5	24.6	4 791.00	108.2
Secured bank loans	-	-	-	-	-	-
Unsecured bank loans	-	-	-	-	-	-
Trade liabilities	(1.9)	(1 252.80)	(107.1)	(76.4)	(857.4)	(190.6)
Gross on-balance exposure	**170.5**	**4 523.30**	**38.4**	**(51.8)**	**3 933.60**	**(82.4)**

Values expressed in PLN thousand	Dec 31 2014			Sep 30 2014		
	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	9.1	10 042.8	47.4	165.4	9 967.00	43.3
Secured bank loans	-	-	-	-	-	-
Unsecured bank loans	-	-	-	-	-	-
Trade liabilities	(0.4)	(118.1)	(80.6)	(3.4)	(78.5)	(93.3)
Gross on-balance exposure	**8.7**	**9 924.7**	**(33.2)**	**162**	**9 888.50**	**(50)**

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

Values expressed in PLN	Average currency exchange rates			End of accounting period - spot rate		
	Jan 01 2015-Sep 30 2015	Jan 01 2014-31.12.2014	Jan 01 2014-Sep 30 2014	Jan 01 2015-Sep 30 2015	Jan 01 2014-31.12.2014	Jan 01 2014-Sep 30 2014
EUR	4.1585	4.1893	4.1803	4.2386	4.2623	4.1755
USD	3.7453	3.1784	3.1030	3.7754	3.5072	3.2973
GBP	5.7373	5.2225	5.1749	5.7305	5.4648	5.3549

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 after conversion into PLN thousand	Equity	Profit or loss of the current period
Sep 30 2015		
EUR (strengthening by 5%)	8.5	8.5
USD (strengthening by 5%)	226.2	226.2
GBP (strengthening by 5%)	1.9	1.9
Jun 30 2015		
EUR (strengthening by 5%)	(2.6)	(2.6)
USD (strengthening by 5%)	196.7	196.7
GBP (strengthening by 5%)	(4.1)	(4.1)
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)
Sep 30 2014		
EUR (strengthening by 5%)	8.1	8.1
USD (strengthening by 5%)	494.4	494.4
GBP (strengthening by 5%)	(2.5)	(2.5)

Weakening of PLN in relation to EUR, USD and GBP as at September 30th 2015, assuming that other variables are stable, would result in an increase in the profit of the current period.

10. Financial assets

(in thousand PLN)	Long-term financial assets (measured at amortised cost)	Long-Term financial assets (measured at fair value)	Short-term financial assets (measured at fair value)	Total
Value of financial assets as at Jan 01 2014	**30 874.0**	**-**	**5 725.9**	**36 599.9**
Reclassifications	-	-	-	**-**
Increases	10 748.7	-	139.3	**10 888.0**
Decreases	(694.1)	-	(5 364.7)	**(6 058.8)**
Measurement of assets at fair value	-	-	(164.9)	**(164.9)**
Measurement of assets at amortised cost	-	-	-	**-**
Value of financial assets as at Sep 30 2014	**40 928.6**	**-**	**335.6**	**41 264.2**
Value of financial assets as at Jan 01 2014	**30 874.0**	**-**	**5 725.9**	**36 599.9**
Reclassifications	-	-	-	**-**
Increases	10 874.0	-	139.3	**11 013.3**
Decreases	(648.0)	-	(5 365.3)	**(6 013.3)**
Measurement of assets at fair value	-	-	(171.5)	**(171.5)**
Measurement of assets at amortised cost	106.4	-	**-**	**106.4**
Value of financial assets as at Dec 31 2014	**41 206.4**	**-**	**328.4**	**41 534.8**
Value of financial assets as at Jan 01 2015	**41 206.4**	**-**	**328.4**	**41 534.8**
Reclassifications	310.6	-	(310.6)	**-**
Increases	2 049.9	-	-	**2 049.9**
Decreases	(3 084.0)	-	-	**(3 084.0)**
Measurement of assets at fair value	-	-	(17.8)	**(17.8)**
Measurement of assets at amortised cost	(114.1)	-	-	**(114.1)**
Value of financial assets as at Jun 30 2015	**40 368.8**	**-**	**-**	**40 368.8**
Value of financial assets as at Jan 01 2015	**41 206.4**	**-**	**328.4**	**41 534.8**
Reclassifications	(505.4)	816.0	(310.6)	**-**
Increases	2 049.9	55 010.4	-	**57 060.3**
Decreases	(41 944.5)	-	-	**(41 944.5)**
Measurement of assets at fair value	-	197.7	(17.8)	**179.9**
Measurement of assets at amortised cost	(806.4)	-	-	**(806.4)**
Value of financial assets as at Sep 30 2015	**-**	**56 024.1**	**-**	**56 024.1**

On July 13 2015 the Company contributed a significant part of its bonds to Bezpieczne Obligacje Fundusz Inwestycyjny Zamknięty conducted by Copernicus Capital TFI SA in Warsaw (the value of contributed bonds at their purchase price is: PLN 39 676.5 thousand). This fund is of unlimited duration. Therefore the Company deems the fund's certificates as financial assets measured at fair value through profit and loss. Pursuant to IAS 39, as at July 13th 2015, the Company had to transfer all of the bonds held by it from the category "held for trading" to the category "measured at fair value through profit and loss", thereby, cease measuring the held financial assets at amortised cost.

Type of bond portfolio (in thousand PLN)	Balance sheet value as at Sep 30 2015	Balance sheet value as at Jun 30 2015	Balance sheet value as at Dec 31 2014	Balance sheet value as at Sep 30 2014
Held for trading	-	40 368.8	41 206.4	40 928.6
Financial assets measured at fair value through profit and loss	56 024.1	-	-	-
Held for sale	-	-	328.4	335.6
Total	**56 024.1**	**40 368.8**	**41 534.8**	**41 264.2**

The Company applies the following hierarchy for determining and recognising fair value of financial instruments based on the 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. Significance of measurement input data is assessed to this end by reference to the entire fair value measurement. If observable input data that require significant adjustments based on unobservable data are applied at measurement of fair value, the nature of the assessment falls within level 3.

Assessment whether the specified input data adopted for valuation are significant for the entire fair value measurement requires assessment taking into account factors specific for the given asset or liability.

There were no shifts between levels 1 and 2 of the fair value hierarchy over the periods ended on June 30th 2015, December 31st 2014 and September 30th 2014, nor was any of the instruments shifted to or from level 3. Over the current period certificates of the described closed fund were classified in level 2. Consequently, as at September 30th 2015 the recognised financial instruments are measured as follows:

- level 1: PLN 816.0 thousand

- level 2: PLN 55 208.1 thousand

Valuation of the investment certificates held by the Company drawn up for September 30th 2015 does not reflect correctly their fair value on account of restricted liquidity and high spreads between the purchase and sale offers. Consequently, Towarzystwo Funduszy Inwestycyjnych (Eng. Investment Fund Association) has revalued the certificates as at October 12th 2015, which, from TFI's perspective, significantly better reflects fair value of the financial assets held by the Company.

Difference in value for both of the valuations amounted to PLN 1 806.2 thousand. The first fair value assessment would result in a decrease in value of the Closed Fund's certificates by PLN 1 680.3 thousand. Reassessment as at October 12th 2015 results in an increase in fair value of the held certificates by PLN 197.9 thousand. In consideration of reliability of the presented information on value of the held investment certificates, the Issuer's Management Board decided to include the aforementioned suggestions of TFI in this quarterly financial report and adopt the valuation drawn up as at Oct 12 2015.

11. Trade and other receivables

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Trade receivables	5 641.9	4 931.2	10 107.1	10 213.8
Budget receivables	447.2	573.7	602.8	1 328.4
Other receivables	58.2	63.5	59.4	10.7
Accruals and prepayments	1 763.6	1 234.2	137.8	621.0
Total receivables	**7 910.9**	**6 802.6**	**10 907.1**	**12 173.8**
Long-term	6.6	7.7	9.9	11.0
Short-term	7 904.3	6 794.9	10 897.2	12 162.8
Total	**7 910.9**	**6 802.6**	**10 907.1**	**12 173.8**

As at Sep 30 2015 the Company estimated the fair value of short-term receivables in a way set out in note 9. As at Sep 30 2015 the Company revalued provisions for doubtful receivables on account of exchange rate differences established as at Mar 31 2015, amounting to PLN 457.5 thousand, up to the value of PLN 453.0 thousand. As at December 31 st 2014 and as at September 30th 2014 it was not necessary to make impairment write-offs for short-term receivables. Fair value of long-term receivables was not measured as they all are recognised under prepayments and accruals and no future cash flows are going to occur.

Accruals and prepayments

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Payment for Stock Exchange listing of shares	17.5	35.0	-	37.5
Insurance policies	30.0	42.4	-	-
Photo session	6.6	7.7	9.9	11.0
Premiums	555.4	1 110.8	-	559.7
Fairs	22.1	-	84.1	-

Costs of purchasing the company in the USA	1 097.8	-	-	-
Other	34.2	38.3	43.8	12.8
Total accruals and prepayments	**1 763.6**	**1 234.2**	**137.8**	**621.0**
Long-term part	6.6	7.7	9.9	11.0
Short-term part	1 757.0	1 226.5	127.9	610.0

In 2014 the Company made changes to recognition of conducted and not completed development works. These expenses were recognised in prepayments and accruals in previous years. They have been transferred to intangible assets since the annual statement for 2014. Consequently, presentation changes have been introduced for the data as at September 30th 2014. A detailed description of the introduced changes can be found in the Financial Statement for 2014.

The fair value of long-term receivables was not estimated, as they constitute deferred income and not future cash flows are going to occur.

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Trade receivables from affiliated entities	-	-	-	-
Trade receivables from other entities	5 641.9	4 931.2	10 107.1	10 213.8
Total trade receivables	**5 641.9**	**4 931.2**	**10 107.1**	**10 213.8**
Long-term	-	-	-	-
Short-term	5 641.9	4 931.2	10 107.1	10 213.8
Total	**5 641.9**	**4 931.2**	**10 107.1**	**10 213.8**

12. Stocks

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Materials	6 416.6	6 678.4	4 703.6	10 991.7
Finished products	2 749.9	2 157.5	3 237.7	461.7
Total	**9 166.3**	**8 835.9**	**7 941.3**	**11 453.4**

13. Intangible assets

13.1 Development works completed by the Company

As at the date of drawing up the financial statement the Company activated expenditure on the following development works as intangible assets:

- **Initech** - a project co-financed by the Ministry of Science and Higher Education "New method of multi-day of 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 tilt 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 involved drawing up algorithms analysing ST segment tilt and changes in QT/QTc interval, development of

algorithms for analysis and drawing up a new data and data transmission structure, developing interactive static analysis tools and interactive tools visualising data from the motion detector. 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 178,0 thousand
The project is going to be amortised by July 30th 2016.

- **PocketECG** – PocketECG III system 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. Moreover, functionality of the device was extended. 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 of the project on development of the system's previous versions as part of the Innovator program of the Foundation for Polish Science.
  Gross value of the project: PLN 2 963.1 thousand
  Net value of the project: PLN 1 937.8 thousand
  The project is going to be amortised by December 31st 2019.

- **CardVET** - the project's title is: "Cardiological tele-consultations system in veterinary using multi-function telemetric tool - CardVET". Development works conducted in cooperation with the Warsaw University of Life Sciences (SGGW) and the Wrocław University of Life Sciences (UPW) resulted in drawing up a one-channel ECG signal cardiological diagnostics system. Employees of the R&D department of Medicalgorithmics in cooperation with the UPW and SGGW specialists have drawn up an ECG transmitted operating based on 1 or 2 leads (2 or 3 electrodes). Fitz Hugh-Nagumo heart activity electric simulation model was used to determine the basic parameters versioning self-checks for various target groups of animals. 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

- **eHealth Monitor** - The company developed a platform allowing both patients and doctors use personalised medical services, as part of a consortium including companies and research entities from EU member states. The role of Medicalgorithmics S.A. in the project co-financed by the European Committee was to integrate PocketECG system with a platform designed for end-users.
  Gross value of the project: PLN 1 566.8 thousand

Net value of the project: PLN 1,240.4 thousand
The project is going to be amortised by March 31st 2017

The aforementioned development works are partly co-financed by EU funds, the non-amortised value of which as at September 30th 2015 amounted to PLN 2 230.7 thousand (PLN 1 800.3 thousand on December 31st 2014; PLN 1 645.5 thousand on September 30th 2014; PLN 2 467.5 thousand on June 30th 2015).

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.

Outlays on work in progress in the third quarter amounted to PLN 587.7 thousand. No sale or liquidation of intangible assets occurred over the accounting period.

13.2. Development works in progress

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. These projects 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 E description system and equipment.
The projects are financed by own resources.

14. Cash and cash equivalents

(in thousand PLN)	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Cash on bank accounts	3 237.9	20 451.9	1 019.2	1 234.1
Short-term deposits	16 780.7	19 001.6	23 181.0	18 043.4
Cash and cash equivalents. value recognised in the statement of financial position	**20 018.6**	**39 453.5**	**24 200.2**	**19 277.5**

15. Explanatory notes to items of the Cash flow statement

(in thousand PLN)	Sep 30 2015
Net financial (revenues)/costs	**(2 487.7)**
Interest revenues	(1 664.8)
Interest costs	16.7
Adjustment - valuation of long-term financial assets (measured at amortised cost)	(806.4)
Premium for maintaining long - term assets to maturity	(34.0)
Adjustment - calculated interest on deposits	(17.0)

(in thousand PLN)	Sep 30 2015
Change in short-term financial assets	**626.5**
Change in short-term assets	328.4
Adjustment - reclassification	(310.6)
Adjustment - valuation of long-term financial assets (measured at amortised cost)	806.4
Adjustment - valuation of long-term financial assets (measured at fair value)	

(in thousand PLN)	Sep 30 2015
Interest received	**2 453.7**
Interest revenues	1 664.8
Interest costs	(16.7)
Adjustment - valuation of long-term financial assets (measured at amortised cost)	806.4
Adjustment - measurement of short-term assets at fair value	(17.8)
Adjustment - calculated interest on deposits	17.0

(in thousand PLN)	Sep 30 2015
Purchase of other investments	(20 351.8)
Purchase of other intangible assets	(2 152.0)
Purchase of long-term assets	(57 060.3)
- including by conversion	38 860.5

16. Employment

	Sep 30 2015	Jun 30 2015	Dec 31 2014	Sep 30 2014
Number of employed individuals (calculated on a full-time basis)*	**85**	**84**	**78**	**76,5**

**As at the date of report (November 13th 2015) there were 83.4 individuals employed by the Company, calculated on a full-time basis*

17. 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.

Shareholders (as affiliated entities)

Pursuant to resolution No. 13/06/2015 of the Ordinary General Shareholders' Meeting of June 30th 2014 a decision was taken to pay dividend from the profit earned in financial year 2014. The amount of PLN 5,528.8 thousand, that is, PLN 1.60 zł (one zloty sixty grosz) per share has been allocated for payment of dividend.

Dividend was paid on September 28th 2015. All of the Company's shares – a total of 3,455,526 shares of all series - have been covered with dividend.

III. Basic information about the Company

Medicalgorithmics S.A. is a Polish cutting-edge technology company established in 2005, striving to reach the position of the leading provider of systemic and algorithmic solutions in cardiological diagnostics, in particular in analysis of ECG signal. Medicalgorithmics started its operations as a limited liability company with a purpose to commercialise the Polish engineering solutions. Currently the Company, quoted on the Stock Exchange, is one of the few largest players on the global market of cardiological telemetry.
The core business of Medicalgorithmics S.A. is:

- Sale of PocketECG equipment and software to monitoring centres, hospitals and other cardiological diagnostics facilities;
- Sales of subscriptions to use PocketECG arrhythmia diagnostics system and IT infrastructure.
- Sale of data analysis and processing services in the telemedical sector;
- Sales 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.

The history of success of Medicalgorithmics is based on three factors:

- Cutting-edge technology (PocketECG),
- An extremely favourable business model,
- A set of world-class experts in the field of IT systems, programming, medical equipment, processing digital signals and project management.

Registered seat:	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 e-mail for the Investors:	finanse@medicalgorithmics.com

IV. 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 No. 0000372848; NIP (tax idenfitication No.) 5213361457; REGON statistical No. 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

V. Shareholders holding at least 5% of the general number of votes at the Company's General Shareholders' Meeting.

The table below sets out the Company's shareholders holding at least 5% of votes at the Company's General Shareholders' Meeting at the moment of submitting this report and, to the best of our knowledge, indicating changes in ownership structure of large blocks of shares over the period from submitting the previous quarterly report. The information included in the table is based on current reports submitted to the Warsaw Stock Exchange that reflect the information received from shareholders pursuant to article 69 of the *Act on public offering, conditions governing introduction of financial instruments to the organised trading system and public companies.*

Shareholder	Number of shares	% of share general capital	Number of shares	% in the number of shares	Change over the period
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%	No changes
Pozostali Akcjonariusze	1 663 966	48.15%	1 853 011	48.15%	No changes
NUMBER OF SHARES TOTAL	**3 455 526**				

VI. Listing of the structure of shareholding by the Company's managers and supervisors

The table below puts forward the Company's shares directly or indirectly held by the Members of the Management Board or the Supervisory Board as at the date of publishing this report and emphasises changes made since the date of publication of the previous quarterly report. The information included in the table is based on information received from the Management Board and Supervisory Board members, pursuant to Art. 160 § 1 of the Act on Trading in Financial Instruments.

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

Person	Function exercised in the bodies of the Issuer	Number of directly held shares	Number of shares held indirectly1	Change over the period
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
Marek Tatar	Chairman of the Supervisory Board	0	0	No changes
Artur Małek	Member of the Supervisory Board	0	0	No changes
Jan Kunkowski	Member of the Supervisory Board	100	0	No changes
Marcin Hoffmann	Member of the Supervisory Board	0	218 122[2]	No changes
Piotr Żółkiewicz	Member of the Supervisory Board	7 469	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 the individuals and entities holding shares have been put forward in further notes to the table.

2) 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).

VII. 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 author of many scientific publications, articles in scientific journals and conference lectures. Over the last 15 years of his professional career he engaged in developing algorithms digitally processing signals. In particular, he concentrated 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.

On June 30th 2015 Mr Piotr Michał Żółkiewicz submitted his resignation from the position of the Vice President of the Company's Management Board in charge of financial and operating matters.

VIII. Supervisory Board of Medicalgorithmics S.A

Over the period covered by this statement the following changes in the composition of the Supervisory Board occurred:

- Pursuant to resolution No. 14/06/2015 of the Company's Ordinary General Shareholders' Meeting of June 30th 2015 a decision was made to dismiss a Member of the Company's Supervisory Board, Mr Martin Jasiński.
- Pursuant to resolution No. 15/06/2015 of the Company's Ordinary General Shareholders' Meeting of June 30th 2015 a decision was made to appoint a new member of the Company's Supervisory Board, Mr Artur Małek.
- Pursuant to resolution No. 3/08/2015 of the Company's Ordinary General Shareholders' Meeting of August 18th 2015 a decision was made to dismiss a member of the Company's Supervisory Board, Mr Ronald Gale Landes.
- Pursuant to resolution No. 4/08/2015 of the Company's Ordinary General Shareholders' Meeting of August 18th 2015 a decision was made to appoint a new Member of the Company's Supervisory Board, Mr Piotr Michał Żółkiewicz.

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 is 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 Hoffman has won many competitions - for instance, 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.

Artur Małek – Member of the Supervisory Board

Artur Małek has graduated from the Faculty of Finance and Banking of the Krakow University of Economics. He has held the position of CFO at Calypso Fitness S.A. since 2014. He had previously functioned as CFO at Benefit Systems S.A. and at Noblestar Polska Sp. z o.o. Currently Mr Artur Małek is also a Member of the Supervisory Board at Elektrobudowa S.A., President of the Supervisory Board at EFC Fitness S.A. and a Management Board Member at Fitness MCG Sp. z o.o.

Jan Kunkowski – Member of the Supervisory Board

Jan Kunkowski has graduated from Interdepartmental Individual Studies in mathematics and natural sciences at the University of Warsaw, where he obtained the 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.

Piotr Żółkiewicz – Member of the Supervisory Board

Piotr Żółkiewicz has graduated from MA studies in management. His professional experience includes the issues of the capital market, consultancy in raising of capital by companies and corporate finance management. 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. Piotr Żółkiewicz was holding the position of Vice President of the Management Board in charge of financial and operational matters of Medicalgorithmics S.A. by June 30th 2015.

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

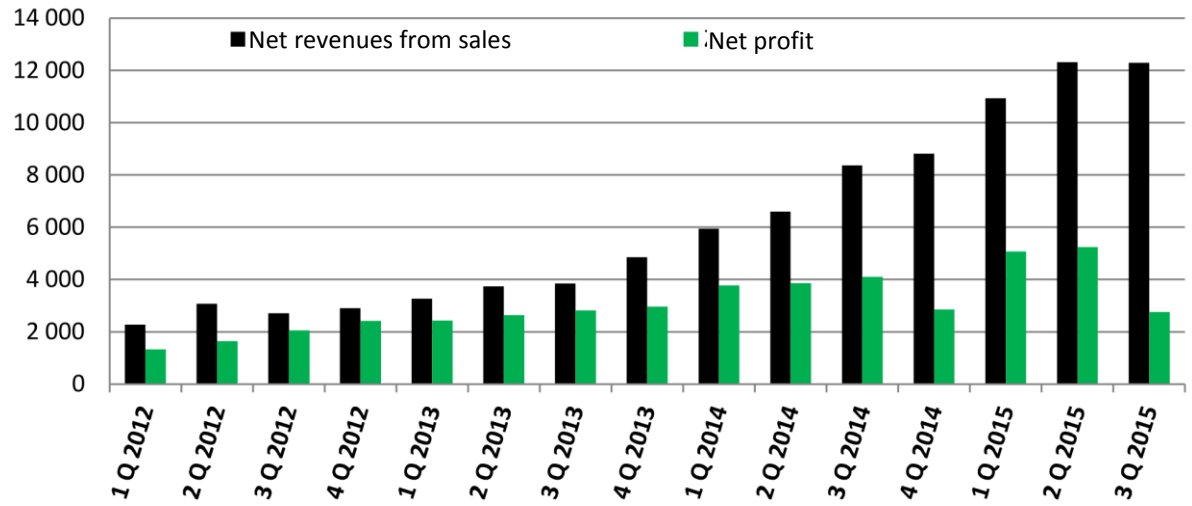
Revenues

In the third quarter of 2015, compared to the previous year's corresponding period, Medicalgorithmics S.A. earned 47% more revenues, however, the Company's net profit decreased by 33% 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 were 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 Company's business model consists in sale of equipment, then 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 subscriptions, which is not charged with any variable costs.

Net revenues from sales and net profit in individual periods *

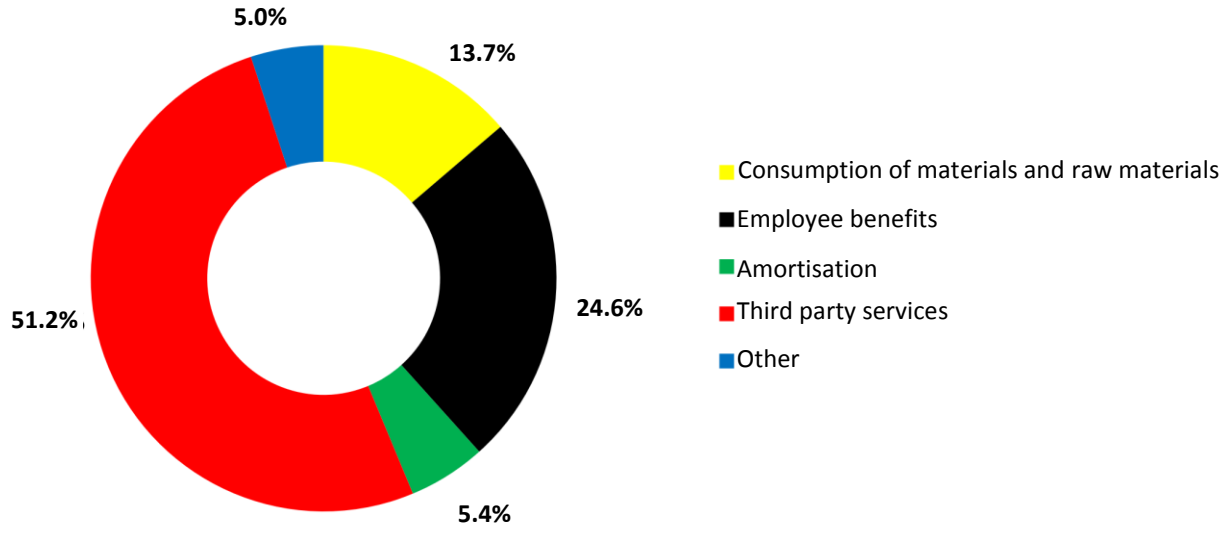


Data in PLN thousand

Costs

Costs of third party services and employee benefits were the most significant operating costs in the third quarter of 2015. Compared to the third quarter of 2014, the Company recorded a significant increase in employment - mostly at the production facility in Gdańsk, with respect to the intense development of production capacity. The high proportion of third party services, on the other hand, is caused, among others, 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 capitalized in the Company's assets as Development works in progress. Moreover, in the third quarter of 2015 the Company incurred considerable costs of legal and advisory services approximating PLN 3.6 million, which are the major factor of the increase in third party services as compared to 2014. The aggregate incurred costs are related to two related events: a dispute with AMI Monitoring Inc. and negotiations concerning a takeover of Medi-Lynx Monitoring Inc. It has been put forward in more detail in items X and XXI below.

Operating costs structure over the period Jul 01 2015-Sep 30 2015



Profitability

Dynamics of growth in the basic financial results in the 3rd quarter of 2015, compared to the previous year's corresponding period was as follows:

- in net revenues from sales – approx. +47%
- in EBITDA result – approx. +6%
- in net profit – approx. -33%

The Company recorded an exceptionally low level of net profit margin from sales in the third quarter of 2015, amounting to 22.5%. It was caused by high costs of legal charges resulting from termination of agreement with AMI Monitoring, which approximated PLN 3,593.4

thousand in the third quarter of 2015. The achieved net profit margin on sales would amount to 46.2% otherwise. These costs also influenced the margin on sales and EBITDA margin, which were, respectively, 28.8% and 34.6%.

X. Other information important for assessment of the Company's situation and capability of meeting its commitments

3rd quarter of 2015

Pursuant to the information submitted in the current report, the Company is a party to legal proceedings (declaratory judgement) with respect to determining effectiveness of termination of PocketECG system distribution agreement concluded with AMI Monitoring Inc. on the American market, by Medicalgorithmics S.A.

Moreover, the Company has informed that it was conducting advanced negotiations leading to a potential takeover of the other distributor of PocketECG system on the American market, that is, Medi-Lynx Monitoring Inc. The transaction price as well as other financial matters been have agreed between the parties.

In the opinion of the Company's Management Board, the selected development direction, that is, an acquisition of controlling interest in the dynamically growing entity, which constitutes a significant channel of distribution for PocketECG system and concentration of developing its customer database is going to contribute to the Company's faster development.

Moreover, on September 23rd 2015 the Management Board of Medicalgorithmics S.A. was informed that the Federal Committee on Protection against Sanitary Risk (Spanish: Comisión Federal para la Protección contra Riesgos Sanitarios), had approved the latest, third version of PocketECG system for trading in Mexico (the United Mexican States).

This report includes basic information significant for assessment of the Company's staffing, property, financial condition and financial result - and their changes. In the Management Board's opinion there are no threats to settlement of the Company's liabilities.

XI. 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.

XII. 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, therefore the presented quarterly report is a separate report.

XIII. Comment on seasonal character in the interim period

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

XIV. Description of extraordinary factors that influence items of the statements

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

XV. Changes in accounting estimates

There were no changes in accounting estimates over the period, to which this report applies.

XVI. Issues, redemptions and repayments of debt and capital securities

No issues, redemptions or repayments of debt or capital securities occurred over the period, to which this report applies.

XVII. Information about the segments

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

XVIII. Indicating the factors that, in the issuer's opinion, have an influence on the results achieved by it in the perspective of at least the following quarter of a year.

In the Management Board's opinion, the Company's present financial condition and its development prospects pose no material threats to its operations in the future. There are, however, factors, both internal and external, that might have a direct or indirect impact on its financial results in subsequent quarters of years. The most important ones include:

- the takeover process of Medi-Lynx Monitoring Inc. and the associated legal costs as well as termination of the agreement with AMI Monitoring Inc.;
- an increase in sales to partners, with which the Company has concluded agreements might contribute to diversification and increase in its revenues;
- development of the cardiological diagnostics sector in the countries, in which the Company's products are available and of the level of refunding the services provided using PocketECG equipment;
- fluctuations in currencies of the countries, in which the Company operates.

XIX. 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.

The only dispute that the Company is engaged in has been put forward in item X above.

XX. Information on warranties and sureties granted by the Company

Over the period that this report applies to there were no sureties of loans, credits or warranties in the Company, the aggregate amount of which would account for at least 10% of the Company's equity.

XXI. Events after the end of the accounting period

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

On October 14th 2015 the Issuer set up its subsidiary company seated in Wilmington, Delaware, USA. The Company's name is MEDICALGORITMICS US HOLDING CORPORATION. The new Company's initial capital is USD 1 and is divided into 100 shares, each worth USD 0.01.

On October 14th 2015 the Issuer entered into a conditional agreement of purchase of 75% shares in Medi-Lynx Cardiac Monitoring LLC seated in Plano, Texas, USA. The agreement was signed for the purpose of taking over the former trading partner on the American market.

The agreement was signed under the condition precedent that AMI Monitoring, Inc. seated McKinney, Texas, USA ("AMI") does not use or exercise its pre-emptive right to Shares in Medi-Lynx resulting from the Strategic Alliance Agreement concluded between the Issuer and the Seller or the Seller's liabilities to AMI. The deadlines for using and exercising AMI's pre-emption right are, respectively, thirty (30) days from the date of submitting a notification on concluding the said agreement to AMI, which is October 15th 2015 and one hundred twenty days from submitting a declaration of wish to exercise the pre-emption right. The parties have agreed that the price of the Shares is USD 34.1 million. The value of the Shares was measured based on the financial results of Medi-Lynx for the last twelve (12) months retroactively from June 30th 2015, which are as follows: USD 32.7 million revenues, EBITDA USD 12.5 million, amortisation USD 214 thousand, no financial costs (respectively: USD 20.1 million, USD 5.0 million, USD 167 thousand, no financial costs in 2014). The results have been verified by an auditing and advisory company, CBIZ Inc, which conducted a due dilligence analysis of Medi-Lynx ordered by the Issuer.

XXII. Consequences 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.

XXIII. Management Board's representation

The Management Board of Medicalgorithmics S.A. (hereinafter referred to as the Company) declares that, to the best of its knowledge, the condensed mid-year financial statement and the comparative data have been drawn up in line with the applicable accounting policy rules and reflect accurately, reliably and clearly the Company's property and financial condition as well as its financial result. Moreover, the Management Board declares that the semi-annual statement of the Company's operations presents a true image of the Company's development, achievements and condition, including a description of the basic threats and risk.

Warsaw, November 13th 2015

Marek Dziubiński
President of the Management Board

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

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