



Interim condensed consolidated financial
statements
of the MEDICALGORITHMICS
Capital Group
for the 3rd quarter of 2018



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Interim condensed consolidated statement of financial position

	PLN '000		EUR '000	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Non-current assets	225 649	228 573	52 828	54 802
Intangible assets	206 283	196 900	48 294	47 208
Long-term financial assets	200	10 910	47	2 616
Current assets	78 178	60 708	18 303	14 555
Short-term receivables	19 638	23 951	4 598	5 742
Long-term liabilities	12 734	67 649	2 981	16 219
Short-term liabilities	69 983	17 899	16 384	4 291
Equity attributable to Shareholders of the Parent Company	183 157	168 913	42 880	40 498
Share capital	361	361	84	86
Non-controlling interests	37 953	34 820	8 885	8 348
Number of shares	3 606 526	3 606 526	3 606 526	3 606 526
Book value per ordinary share (PLN/EUR)	50,78	46,84	11,89	11,23

Interim condensed consolidated statement of comprehensive income

	01.01.2018-	01.01.2017-	01.01.2018-	01.01.2017-
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Sales revenue	142 479	152 844	33 497	35 907
Profit on sales	16 516	31 460	3 883	7 391
Operating profit	14 327	31 857	3 368	7 484
Profit before tax	12 185	27 922	2 865	6 560
Net profit	10 878	24 301	2 557	5 709
- attributable to Shareholders of the Parent Company	8 382	18 193	1 971	4 274
- attributable to non-controlling interests	2 496	6 108	587	1 435
Net profit attributable to Shareholders of the Parent Company per share (PLN/EUR) – basic	2,32	5,04	0,55	1,18

Interim condensed consolidated statement of cash flows

	01.01.2018-	01.01.2017-	01.01.2018-	01.01.2017-
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Net cash flows from operating activities	33 110	16 948	7 784	3 982
Net cash flows from investing activities	(503)	(25 372)	(118)	(5 961)
Net cash flows from financing activities	(17 336)	(8 928)	(4 076)	(2 098)
Total net cash flows	15 271	(17 352)	3 590	(4 076)

Method of conversion of selected figures into EUR:

- The selected items of the statement of financial position presented were converted using the average exchange rate announced by the National Bank of Poland (“NBP”) as at 28 September 2018, i.e. EUR/PLN 4.2714, and as at 31 December 2017, i.e. EUR/PLN 4.1709.
- The presented selected items of the statement of comprehensive income and the statement of cash flows were converted using the exchange rate being the arithmetic mean of average exchange rates set by the National Bank of Poland on the last day of each month of the financial period from 1 January 2018 to 28 September 2018, i.e. EUR/PLN 4.2535, and from 1 January 2017 to 30 September 2017, i.e. EUR/PLN 4.2566.

		30.09.2018	30.06.2018	31.12.2017	30.09.2017
Intangible assets	12	206 283	209 502	196 900	206 541
Property, plant and equipment		15 904	15 783	17 249	18 948
Financial assets	13	200	200	10 910	10 136
Deferred income tax assets		3 262	2 673	3 514	2 866
Non-current assets		225 649	228 158	228 573	238 491
Trade and other receivables	14	19 638	26 371	23 951	23 712
Financial assets	13	10 738	10 705	4 226	9 172
Cash and cash equivalents	15	47 802	44 440	32 531	30 188
Current assets		78 178	81 516	60 708	63 072
TOTAL ASSETS		303 827	309 674	289 281	301 563
		30.09.2018	30.06.2018	31.12.2017	30.09.2017
Share capital		361	361	361	361
Supplementary capital		124 622	124 622	124 622	124 622
Reserve from the valuation of the incentive scheme		7 539	6 797	5 312	5 179
Retained earnings		61 695	59 848	58 434	51 088
Foreign exchange differences		(11 060)	(7 897)	(19 816)	(12 007)
Equity attributable to Shareholders of the Parent Company		183 157	183 731	168 913	169 243
Non-controlling interests		37 953	38 087	34 820	39 040
Provisions		1 723	1 409	1 170	402
Deferred tax provision		3 101	3 410	2 250	3 390
Credits and loans	18	232	-	-	-
Liabilities in respect of bonds and other financial liabilities	19	7 311	7 448	63 794	64 423
Other liabilities		80	120	120	160
Accruals and deferred income	20	287	239	315	393
Long-term liabilities		12 734	12 626	67 649	68 768
Credits and loans	18	103	28	873	592
Liabilities in respect of bonds and other financial liabilities	19	58 709	57 959	7 887	8 710
Trade and other liabilities	20	9 334	16 045	7 522	13 326
Income tax liabilities		37	25	311	1 127
Accruals and deferred income	20	1 800	1 173	1 306	757
Short-term liabilities		69 983	75 230	17 899	24 512
Total liabilities		82 717	87 856	85 548	93 280
TOTAL EQUITY AND LIABILITIES		303 827	309 674	289 281	301 563

		01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Sales revenue	6	48 770	50 302	142 479	152 844
Raw materials and consumables used		(2 435)	(1 482)	(6 334)	(4 353)
Employee benefits	7	(29 179)	(24 388)	(82 468)	(79 100)
Amortisation and depreciation	8	(2 908)	(2 997)	(8 397)	(9 636)
Third-party services	9	(9 365)	(6 952)	(24 222)	(24 064)
Other		(1 219)	(583)	(4 542)	(4 231)
Total costs of sales		(45 106)	(36 402)	(125 963)	(121 384)
Profit on sales		3 664	13 900	16 516	31 460
Other operating revenue	10	89	289	255	670
Other operating expenses	10	(271)	(96)	(2 444)	(273)
Operating profit		3 482	14 093	14 327	31 857
Finance income		(72)	(95)	590	589
Finance costs		(942)	(984)	(2 732)	(4 524)
Koszty finansowe netto		(1 014)	(1 079)	(2 142)	(3 935)
Profit before tax		2 468	13 014	12 185	27 922
Income tax	11	(46)	(1 749)	(1 307)	(3 621)
Net profit from continuing operations		2 422	11 265	10 878	24 301
Net profit for the reporting period attributable to Shareholders of the Parent Company		1 847	8 454	8 382	18 193
Net profit for the reporting period attributable to non-controlling interests		575	2 811	2 496	6 108
		2 422	11 265	10 878	24 301
Other comprehensive income					
Currency translation differences		(2 842)	(2 132)	7 823	(18 097)
Exchange differences on loans constituting a part of net investments in subsidiaries		(1 303)	(1 051)	3 641	(9 460)
Deferred tax on valuation of exchange differences on loans		248	199	(692)	1 797
Other comprehensive income		(3 897)	(2 984)	10 772	(25 760)
Other comprehensive income attributable to Shareholders of the Parent Company		(3 163)	(2 409)	8 756	(20 716)
Other comprehensive income attributable to non-controlling interests		(734)	(575)	2 016	(5 044)
Total comprehensive income for the reporting period					
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		(1 316)	6 045	17 138	(2 523)
Comprehensive income for the reporting period attributable to non-controlling interests		(159)	2 236	4 512	1 064
		(1 475)	8 281	21 650	(1 459)
Net profit attributable to Shareholders of the Parent Company per share (in PLN)					
- basic		0,51	2,34	2,32	5,04
- diluted		0,51	2,34	2,32	5,04

	Share capital	Supplementary capital	Incentive scheme valuation reserve	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2018	361	124 622	5 312	58 434	(19 816)	168 913	34 820
Comprehensive income for the reporting period							
Net profit of the Parent Company for the previous reporting period	-	-	-	-	-	-	-
Net profit for the current reporting period	-	-	-	8 382	-	8 382	2 496
Other comprehensive income	-	-	-	-	8 756	8 756	2 016
	-	-	-	8 382	8 756	17 138	4 512
Transactions recognised directly in equity							
Dividend payment	-	-	-	(5 121)	-	(5 121)	(1 379)
Valuation of the incentive scheme	-	-	2 227	-	-	2 227	-
Total contributions from and distributions to owners	-	-	2 227	(5 121)	-	(2 894)	(1 379)
Equity as at 30 September 2018	361	124 622	7 539	61 695	(11 060)	183 157	37 953

	Share capital	Supplementary capital	Incentive scheme valuation reserve	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2018	361	124 622	5 312	58 434	(19 816)	168 913	34 820
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	-	6 535	-	6 535	1 921
Other comprehensive income	-	-	-	-	11 919	11 919	2 750
	-	-	-	6 535	11 919	18 454	4 671
Transactions recognised directly in equity							
Dividend payment	-	-	-	(5 121)	-	(5 121)	(1 404)
Valuation of the incentive scheme	-	-	1 485	-	-	1 485	-
Total contributions from and distributions to owners	-	-	1 485	(5 121)	-	(3 636)	(1 404)
Equity as at 30 June 2018	361	124 622	6 797	59 848	(7 897)	183 731	38 087

	Share capital	Supplementary capital	Incentive scheme valuation reserve	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2017	361	124 622	3 170	40 108	8 709	176 970	37 976
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	-	25 539	-	25 539	8 114
Other comprehensive income	-	-	-	-	(28 525)	(28 525)	(6 918)
	-	-	-	25 539	(28 525)	(2 986)	1 196
Transactions recognised directly in equity							
Dividend payment	-	-	-	(7 213)	-	(7 213)	(4 352)
Valuation of the incentive scheme	-	-	2 142	-	-	2 142	-
Total contributions from and distributions to owners	-	-	2 142	(7 213)	-	(5 071)	(4 352)
Equity as at 31 December 2017	361	124 622	5 312	58 434	(19 816)	168 913	34 820

	Share capital	Supplementary capital	Incentive scheme valuation reserve	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2017	361	124 622	3 170	40 108	8 709	176 970	37 976
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	-	18 193	-	18 193	6 108
Other comprehensive income	-	-	-	-	(20 716)	(20 716)	(5 044)
	-	-	-	18 193	(20 716)	(2 523)	1 064
Transactions recognised directly in equity							
Dividend payment	-	-	-	(7 213)	-	(7 213)	-
Valuation of the incentive scheme	-	-	2 009	-	-	2 009	-
Total contributions from and distributions to owners	-	-	2 009	(7 213)	-	(5 204)	-
Equity as at 30 September 2017	361	124 622	5 179	51 088	(12 007)	169 243	39 040

	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Cash flows from operating activities		
Net profit for the reporting period	10 878	24 301
Depreciation of property, plant and equipment	3 506	4 255
Amortization of intangible assets	4 892	5 381
Income tax	1 999	1 824
Change in trade and other receivables	4 660	(4 430)
Change in accruals, prepayments and deferred income	257	13
Change in trade and other liabilities	1 622	(15 673)
Change of financial liabilities	-	150
Change in provisions	552	(12)
Valuation of the incentive scheme	2 227	2 009
Net finance (income)/costs	50	(2)
Tax paid	(1 323)	(3 262)
Foreign exchange differences	1 022	(477)
Interest	2 690	2 834
Other	78	37
	33 110	16 948
Cash flows from investing activities		
(Acquisition)/sale of intangible assets	(3 399)	(34 745)
(Acquisition)/sale of property, plant and equipment	(1 254)	(2 384)
(Acquisition)/sale of other investments	4 150	11 757
	(503)	(25 372)
Cash flows from financing activities		
Dividend payment	(5 121)	-
Distribution of Medi-Lynx profit to a minority shareholder	(1 378)	-
Proceeds from credits taken out	-	523
Repayment of credit card debt and loans	(1 625)	-
Interest paid on bonds	(1 374)	(1 371)
Repayment of financial liabilities	(7 838)	(8 080)
	(17 336)	(8 928)
Total net cash flows	15 271	(17 352)
Opening balance of cash and cash equivalents	32 531	47 540
Closing balance of cash	47 802	30 188

1. General information

Unless the context requires otherwise, such terms contained herein as the “Company”, “Medicalgorithmics”, the “Parent” or other expressions with a similar meaning and their grammatical inflections refer to Medicalgorithmics S.A., whereas terms such as the “Group”, the “Medicalgorithmics Group” and other expressions with a similar meaning and their grammatical inflections refer to the Group comprising Medicalgorithmics S.A. and its consolidated subsidiaries.

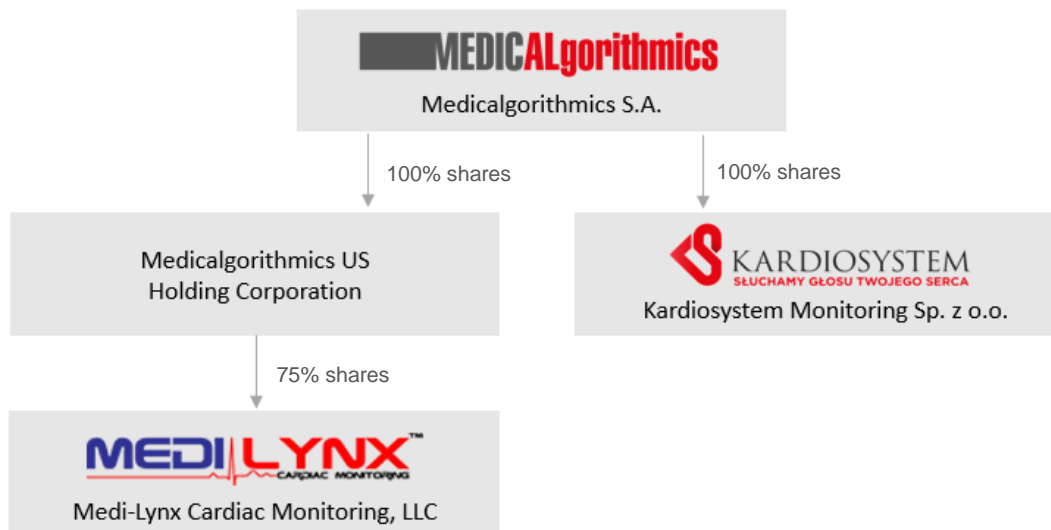
The term “report” refers to this interim condensed consolidated report for Q3 2018. The term “consolidated financial statements” means the interim condensed consolidated financial statements of the Medicalgorithmics Group as at 30 September 2018, covering the period 1 January 2018 to 30 September 2018 and including appropriate comparative data as at 30 June 2018 and 31 December 2017, as well as data for the corresponding comparative period of 2017.

2. Information on the Capital Group

The Medicalgorithmics Capital Group is composed of Medicalgorithmics S.A. and its subsidiaries. The Parent Company is the owner:

- 100% of the share capital of Medicalgorithmics US Holding Corporation (“MDG HoldCo”), representing 100% of votes at the Shareholders’ Meeting;
- 100% of the share capital of Kardiosystem Monitoring Sp. z o.o. (“Kardiosystem”);
- 75% of shares in Medi-Lynx Cardiac Monitoring, LLC (“Medi-Lynx”) with its registered office in Plano, Texas, USA, through MDG HoldCo.

The composition of the Medicalgorithmics Capital Group and its organizational and equity links as at 30 September 2018 are presented below:



Business profile

The Medicalgorithmics Capital Group operates in the field of advanced telemedicine technologies. The Group is a provider of cardiac diagnostic solutions, particularly in the field of ECG analysis.

The principal areas of operations of the Capital Group are:

- provision of ECG monitoring services;
- provision of information technology and biotechnology services;
- scientific research and development;
- manufacture of electro-medical equipment.

The Group provides services in over a dozen countries on several continents, including North and South America, Europe and Australia. Currently, the United States is the largest market. The expansion of sales on the American market was possible owing

to the openness of this market to medical innovations and the high level of reimbursement of cardiac diagnostic services by private and public insurers.

Key competitive advantages of the Group:

- advanced technology for mobile cardiac telemetry;
- flexible business model tailored to the specificity of the market;
- a team of top professionals in the areas of IT systems, programming, medical devices, digital signal processing and project management.

The key source of the Group's revenues is the sale of diagnostic services provided to patients in the United States using the proprietary PocketECG system for remote monitoring of heart disorders. PocketECG is a complete diagnostic technology for cardiac arrhythmia detection that provides physicians with current access to the ECG signal and the best diagnostic report on the market with statistical analysis of the data. One of the features that distinguish PocketECG from other competing devices is the transmission of full ECG signal. The system has been approved for trading in the United States by the U.S. Food and Drug Administration (FDA). The system also bears the CE mark indicating that the device complies with the requirements of the European Union directives.

In addition to cardiac telemetry, the Group's products and solutions are used in the cardiac safety industry, i.e. in clinical trials of drugs for cardiac safety. Moreover, the Group collaborates closely with cardiovascular diagnostic and monitoring centres.

3. Information about the Parent Company

Medicalgorithmics S.A. is a joint-stock company registered in Poland. The Parent Company was established on the basis of a notarial deed registered in Repertory A No 1327/2005 of 23 June 2005. In 2011, the Company's shares made their debut on the NewConnect market, an alternative system of trading outside a regulated market operated by the Warsaw Stock Exchange. Since 3 February 2014 the shares of Medicalgorithmics S.A. have been listed on the regulated market of the Warsaw Stock Exchange.

The Parent Company is entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, under KRS number 0000372848.

The Parent Company was assigned a Statistical ID No (REGON) 140186973 and a Tax ID No (NIP) 5213361457. The Parent Company has its registered office in Warsaw at Al. Jerozolimskie 81, 02-001 Warsaw.

Management Board

On 21 September 2018, Maksymilian Sztandera submitted his resignation from the position of the Company's Chief Financial Officer, effective as of the date of resignation. As at the balance sheet date and as at the date of preparation and publication of these consolidated financial statements, the Management Board of the Parent Company were composed of the following persons:

Marek Dziubiński – President of the Management Board

Supervisory Board

On 26 June 2018, the Annual General Meeting of Shareholders changed the composition of Medicalgorithmics S.A.'s Supervisory Board. The General Meeting dismissed all of the existing Supervisory Board Members, i.e. Mr Marek Tatar, Mr Marcin Hoffmann, Mr Jan Kunkowski, Mr Piotr Żółkiewicz and Mr Artur Małek. Subsequently, the General Meeting appointed the following Supervisory Board Members:

Michał Wnorowski, Chairperson of the Supervisory Board, Member of the Audit Committee

Grzegorz Grabowicz, Member of the Supervisory Board, Chairman of the Audit Committee

Artur Małek, Member of the Supervisory Board, Member of the Audit Committee

Marek Tatar, Member of the Supervisory Board

Krzysztof Urbanowicz - Member of the Supervisory Board

4. Basis for preparation of the consolidated financial statements

4.1. Declaration of compliance

The interim condensed consolidated financial statements of the Capital Group and the interim condensed separate financial statements of Medicalgorithmics S.A. were prepared in conformity with Interim Accounting Standard 34 "Interim financial reporting" ("IAS 34") and with the relevant accounting standards applicable to interim financial reporting as endorsed by the European Union ("EU IFRSs"), published and effective at the time of preparation of these financial statements. The interim

condensed financial statements do not include all the information and disclosures required for annual financial statements. These should be read in conjunction with the consolidated financial statements of the Capital Group and the separate financial statements of the Company for the year ended 31 December 2017, as well as the Directors' Report on activities of the Capital Group and the Directors' Report on activities of the Company in 2017.

The financial statements were prepared based on the assumption that the Group entities will continue as going concerns in the foreseeable future, i.e. in particular for a period of at least 12 months from the balance sheet date.

4.2. Presentation and functional currency

The figures contained in the consolidated financial statements are presented in Polish zlotys ("PLN"), rounded to the nearest thousand without decimal places.

The Polish zloty is the functional currency of Medicalgorithmics S.A. and its subsidiary, Kardiosystem Monitoring Sp. z o.o. The functional currency of subsidiaries, Medi-Lynx and MDG HoldCo, is the US dollar ("USD").

a. Conversion of financial statements of subsidiaries whose functional currency is different than PLN

As at the balance sheet date, assets and liabilities of subsidiaries whose functional currency is different than PLN are translated into the Group's presentation currency (PLN) using the exchange rate effective as at the balance sheet date, and their statements of comprehensive income are translated using the weighted average exchange rate for the respective financial period. Equity is translated using the average exchange rate announced by the National Bank of Poland as at the date on which control was acquired by the Parent Company. In the case of a new issue of additional shares, they are converted using the average exchange rate announced for the particular currency by the National Bank of Poland for the date on which the capital increase was entered in the register. Any exchange differences arising from such conversion are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of an entity, the deferred exchange rate differences accumulated in equity and related to a given entity are taken to profit or loss.

b. Conversion of items denominated in currencies other than the functional currency

Transactions denominated in currencies other than the functional currency of the company in question are converted into its functional currency at the foreign exchange rate prevailing on the transaction date. As at the balance sheet date, monetary assets and liabilities denominated in currencies other than the functional currency of the company in question are converted into its functional currency using the average exchange rate for the respective currency set by the Central Bank of the country in which the company has its registered office, as effective at the end of the reporting period. Foreign exchange differences resulting from the conversion are recognised under finance income (costs) or, in cases specified in the accounting principles (policy), capitalised in the value of assets. Non-monetary assets and liabilities recognised at historical cost and denominated in a currency other than the functional currency are stated at the historical exchange rate effective on the transaction date. Non-monetary assets and liabilities measured at fair value and denominated in a currency other than the functional currency are translated using the exchange rate effective on the date of the fair value measurement. Gains or losses resulting from the translation of non-monetary assets and liabilities recognised at fair value are recognised in accordance with the recognition of the gain or loss on the change in fair value (that is, in other comprehensive income or in profit or loss, respectively, depending on where the change in fair value is recognised).

4.3. Judgments and estimates made

The financial statements of the Parent Company and all its subsidiaries were included in the consolidated financial statements using the full method. The preparation of financial statements in accordance with the EU IFRSs requires the Management Board to make judgements, estimates and assumptions that affect the application of the adopted accounting principles and the presented amounts of assets, liabilities, revenue and expenses whose actual values may differ from the estimates.

The estimates and assumptions associated with them are verified on an ongoing basis.

A revision of accounting estimates is recognised in the period in which the estimate was revised or in current and future periods if the revision affects both the current and future periods.

In particular, significant areas of uncertainty with respect to the estimates made and judgements made in applying the accounting principles that had the most significant impact on the figures disclosed in the financial statements relate, in particular, to:

- intangible assets (estimates concerning forecasts used in impairment tests and estimates of amortisation rates for intangible assets);
- property, plant and equipment (estimates of depreciation rates applied);
- fair value and impairment in relation to financial assets, including shares in subsidiaries;

- trade receivables and other financial assets, including loans granted (at each balance sheet date the Capital Group assesses whether there is any objective evidence that a component of receivables or group of receivables is impaired; if the recoverable amount of an asset is less than its carrying amount, the Capital Group recognizes an impairment write-down to the present value of planned cash flows);
- sales revenue generated by Medi-Lynx (revenue estimates based on historical cash inflows for the provided services);
- provisions for liabilities and trade liabilities;
- inventories (assessment of the likelihood that inventories are impaired; the determination of impairment requires estimating the net realizable values);
- deferred tax assets (assessment of recoverability of assets and estimates of potential impairment write-downs);
- deferred tax provisions.

4.4. Adjustment of error

The prepared interim condensed consolidated financial statements do not contain any adjustment of a fundamental error from the previous periods.

4.5. Changes in accounting principles

When preparing these interim condensed consolidated financial statements, the Group did not change any significant accounting principles previously applied. The accounting principles applied are described in the published consolidated financial statements of the Medicalgorithmics Capital Group for 2017.

4.6. Authority approving the financial statements for publication

The Management Board of the Parent Company is the authority approving the financial statements for publication.

4.7. Consolidation principles

The principles of consolidation adopted for the preparation of these financial statements have not changed from those applied and described in detail in the explanatory notes to the consolidated financial statements for 2017.

5. Segment reporting

The core business of the Capital Group comprises:

- provision of ECG monitoring services;
- scientific research and development;
- manufacture of electro-medical equipment;
- provision of information technology and biotechnology services.

The Capital Group operates mainly outside of Poland, particularly in the US. The operations are classified within a single segment, which includes both sales of diagnostic and IT services, and devices that are products related to the services offered.

The Capital Group identifies its operating segments in accordance with IFRS 8 "Operating segments".

In accordance with IFRS 8, operating segments should be identified based on internal reports on those elements of the Capital Group that are regularly reviewed by the decision makers who make decisions about resources to be allocated to the segment and assess its performance. On this basis, the Capital Group identifies only one operating segment, comprising the provision of systemic and algorithmic solutions for cardiac diagnostics, particularly for ECG analysis. This segment comprises sales of services and the supply of cardiac diagnostic devices that enable these tasks to be accomplished.

As there is only one operating segment, the Capital Group does not present separate financial data for this segment. Accordingly, all its assets and liabilities as well as revenue and expenses are allocated to this segment. At the Capital Group level, the Management Board does not review the results of operations by any other types of activities and does not have separate financial data.

6. Sales revenue structure

	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
By type				
Revenue from services	48 463	50 125	141 904	152 386
Revenue from sales of devices	307	177	575	458
Total revenue	48 770	50 302	142 479	152 844
	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
By territory				
Domestic	120	139	126	203
Export	48 650	50 163	142 353	152 641
Total revenue	48 770	50 302	142 479	152 844

7. Employee benefits

	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Salaries	(27 958)	(24 079)	(78 972)	(76 113)
Incentive scheme	(742)	-	(2 227)	(2 009)
Other employee benefits	(479)	(309)	(1 269)	(978)
	(29 179)	(24 388)	(82 468)	(79 100)

Details of the incentive scheme are provided in Note 20.6 to the consolidated financial statements of the Medicalgorithmics Capital Group for 2017.

8. Amortization and depreciation

The most significant component of the amortization and depreciation expense is the amortization of client bases held by the Group (the Medi-Lynx client base recognized as a result of the final settlement of the purchase price and AMI/Spectocor client base acquired following the settlement agreement of 28 December 2016). The client bases are amortized over a period of 20 years, and the cost of amortization in the period from 1 January 2018 to 30 September 2018 amounted to PLN 4,232 thousand (PLN 4,512 thousand in the corresponding period of 2017).

Due to the fact that the Group classifies the PocketECG devices as fixed assets, the value of the equipment used by Medi-Lynx through Kardiosystem to provide diagnostic services is depreciated over a period of 3 years. In the period from 1 January 2018 to 30 September 2018, the total cost incurred by the Group and resulting from the above amounted to PLN 2,102 thousand (PLN 2,920 thousand in the corresponding period of 2017).

9. Third-party services

	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Lease and rental	(1 414)	(1 077)	(3 691)	(3 294)
Telecommunication and Internet services	(1 248)	(1 237)	(3 780)	(4 541)
IT services	(162)	(29)	(277)	(29)
Accounting and financial audit services	(441)	(679)	(1 048)	(1 246)
Advisory services	(1 461)	(493)	(3 121)	(4 370)
Transport and courier services	(1 671)	(980)	(4 125)	(3 472)
Monitoring services	(566)	(745)	(1 823)	(1 461)
Leases	(4)	(39)	(11)	(100)
Maintenance services	(569)	(529)	(1 698)	(1 514)
Marketing services	(1 074)	(342)	(2 364)	(1 664)
Other third-party services	(755)	(774)	(2 284)	(2 373)
	(9 365)	(6 952)	(24 222)	(24 064)

10. Other operating revenue and expenses

	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Settlement of subsidies	79	79	236	430
Reversal of impairment write-downs on receivables	-	189	-	213
Other	10	21	19	27
Other operating revenue	89	288	255	670
Impairment losses on receivables	-	-	(89)	-
Provisions for state tax	(14)	-	(1 385)	-
Other	(257)	(251)	(970)	(273)
Other operating expenses	(271)	(251)	(2 444)	(273)

Other operating expenses for the period from 1 January 2018 to 30 September 2018 include costs of additional tax liability in Medi-Lynx, identified following a tax audit and recognized in the second quarter of 2018. Information on the tax audit was published in current reports No 30/2018 and 31/2018 and in Notes 10 and 24 of the Group's interim condensed financial statements for the first half of 2018.

11. Effective tax rate

	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Profit before tax	12 185	27 922
Tax at the tax rate applicable in Poland	(2 315)	(5 305)
Non-tax-deductible costs	(220)	(156)
Difference between the tax rate in Poland and USA	(192)	(1 148)
Amortisation of goodwill for tax purposes	1 169	1 557
Non-taxable revenue	48	-
Other tax-deductible costs (e.g. Settlement with DOJ)	-	1 044
Other	204	387
Tax reported in the statement of comprehensive income	(1 307)	(3 621)

As of the beginning of 2018, the corporate income tax rate in the United States was changed from 34% to 21%.

12. Intangible assets

	Goodwill	Client bases	Costs of completed development works	Developmen t works in progress	Other	Total
Gross value of intangible assets						
Gross value as at 1 January 2018	77 482	110 103	5 937	13 148	1 864	208 534
Increases	678	-	-	3 308	413	4 399
Foreign exchange differences	4 285	6 139	-	-	39	10 463
Gross value as at 30 September 2018	82 445	116 242	5 937	16 456	2 316	223 396
Accumulated amortization and impairment write-downs						
Accumulated amortization and impairment write-downs	-	5 505	5 027	-	1 102	11 634
Increases	-	-	-	-	128	
Decreases	-	-	-	-	(1)	
Amortization	-	4 359	341	-	446	5 146
Foreign exchange differences	-	307	-	-	26	333
Accumulated amortization and impairment write-downs	-	10 171	5 368	-	1 574	17 113
Net value						
As at 1 January 2018	77 482	104 598	910	13 148	762	196 900
As at 30 September 2018	82 445	106 071	569	16 456	742	206 283

* the increases in the gross value, accumulated amortization and net value relate to, among others, intangible assets acquired as a result of the acquisition of shares in Kardiosystem Monitoring Sp. z o.o.

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value of intangible assets						
Gross value as at 1 January 2018	77 482	110 103	5 937	13 148	1 864	208 534
Increases	-	-	-	2 062	223	2 285
Foreign exchange differences	5 799	8 309	-	-	53	14 161
Gross value as at 30 June 2017	83 281	118 412	5 937	15 210	2 140	224 980
Accumulated amortization and impairment write-downs						
Accumulated depreciation and impairment write-downs	-	5 505	5 027	-	1 102	11 634
Depreciation	-	2 960	228	-	206	3 394
Foreign exchange differences	-	415	-	-	35	450
Accumulated amortization and impairment write-downs	-	8 880	5 255	-	1 343	15 478
Net value						
As at 1 January 2018	77 482	104 598	910	13 148	762	196 900
As at 30 June 2018	83 281	109 532	682	15 210	797	209 502

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value of intangible assets						
Gross value as at 1 January 2017	92 890	132 179	5 937	9 723	1 791	242 520
Increases	-	-	-	3 425	213	3 638
Foreign exchange differences	(15 408)	(22 076)	-	-	(140)	(37 624)
Gross value as at 31 December 2017	77 482	110 103	5 937	13 148	1 864	208 534
Accumulated amortisation and impairment write-downs						
Accumulated amortisation and impairment write-downs as at 1 January 2017	-	-	4 311	-	826	5 137
Amortisation	-	5 505	716	-	343	6 564
Foreign exchange differences	-	-	-	-	(67)	(67)
Accumulated amortisation and impairment write-downs as at 31 December 2017	-	5 505	5 027	-	1 102	11 634
Net value						
As at 1 January 2017	92 890	132 179	1 626	9 723	965	237 383
As at 31 December 2017	77 482	104 598	910	13 148	762	196 900

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value of intangible assets						
Gross value as at 1 January 2017	92 890	132 179	5 937	9 723	1 791	242 520
Increases	-	-	-	2 590	142	2 732
Foreign exchange differences	(11 640)	(16 680)	-	-	(108)	(28 428)
Gross value as at 30 September 2017	81 250	115 499	5 937	12 313	1 825	216 824
Accumulated amortisation and impairment write-downs						
Accumulated depreciation and impairment write-downs	-	-	4 311	-	826	5 137
Amortization	-	4 331	603	-	262	5 196
Foreign exchange differences	-	-	-	-	(50)	(50)
Accumulated amortization and impairment write-downs	-	4 331	4 914	-	1 038	10 283
Net value						
As at 1 January 2017	92 890	132 179	1 626	9 723	965	237 383
As at 30 September 2017	81 250	111 168	1 023	12 313	787	206 541

Goodwill

a. Medi-Lynx Cardiac Monitoring, LLC

Company	Acquisition date	Acquired share in net assets	Acquisition price (USD '000)	Fair value of acquired net assets (USD '000)	Goodwill (USD '000)
Medi-Lynx Cardiac Monitoring, LLC	30.03.2016	75%	34 210	11 984	22 226

On 30 March 2016, Medicalgorithmics S.A. acquired 75% of shares in Medi-Lynx with its registered office in Plano, Texas, USA, through its subsidiary, MGD HoldCo.

The acquisition of the subsidiary resulted in the creation of a positive goodwill on acquisition of Medi-Lynx in the consolidated financial statements of the Medicalgorithmics Capital Group. A goodwill is the excess of the consideration paid over the fair value of the acquired identifiable net assets of the subsidiary. The goodwill determined as at 31 December 2016 amounted to USD 22,226 thousand.

Goodwill is tested for impairment on an annual basis (or more frequently if there are any indications of impairment). Impairment losses are recognized as an expense in the period and are not reversed in the subsequent period. As a result of the test conducted at the end of 2017, the Parent Company's Management Board did not find any indications of impairment of goodwill. In 2018 impairment of assets indication were not found.

Goodwill is amortized for tax purposes at the level of the subsidiary, MDG HoldCo (included in the consolidated financial statements).

Goodwill recognized on acquisition results mainly from the service business model adopted by Medi-Lynx, based primarily on human capital and relations with medical units. These main components enable the provision of top quality medical services in a very prospective US market.

In particular, the following measurable benefits from the acquisition are expected:

- an increase in turnover on the US market;
- improved utilization of PocketECG devices;
- increased efficiency of product distribution channels.

b. Kardiosystem Monitoring Sp. z o.o.

On 2 July 2018, the Company acquired all shares in Kardiosystem Monitoring sp. z o.o. The price for acquiring shares in Kardiosystem was PLN 167 thousand, wherein the contract provides for additional payment up to PLN 350 thousand due in 2019–2023 depending on achieving assumed yearly sales goals.

The acquisition of the subsidiary resulted in the creation of a positive goodwill on acquisition of Kardiosystem Monitoring Sp. z o.o. in the consolidated financial statements of the Medicalgorithmics Capital Group. A goodwill is the excess of the consideration paid, value of shares in the subsidiary and fair value as at the date of acquisition of shares in the subsidiary's share capital over the fair value of the acquired identifiable net assets of the subsidiary. The financial effects of the merger with Kardiosystem Monitoring Sp. z o.o. were accounted for on the basis of fair value estimates.

Goodwill amounts to PLN 678 thousand, as provisionally determined as at 30 September 2018, and may change as a result of verification of fair values of assets, liabilities and contingent liabilities. The Management Board believes that this process

will be completed until the preparation of the annual consolidated financial statements for the financial year ended 31 December 2018.

Company	Acquisition date	Acquired share in net assets	Acquisition price (PLN '000)	Fair value of acquired net assets (PLN '000)	Goodwill (PLN '000)
Kardiosystem Monitoring Sp. z o.o.	02.07.2018	100%	167	(511)	678

Goodwill is tested for impairment on an annual basis (or more frequently if there are any indications of impairment). Impairment losses are recognized as an expense in the period and are not reversed in the subsequent period. In 2018, no indication of impairment were not identified.

Net sales revenue and net profit (loss) of Kardiosystem for the period from 1 January 2018 to the acquisition date are presented in the following table:

Company	Acquisition date	Net loss until the date of acquisition of shares (PLN '000)	Revenue until the date of acquisition of shares (PLN '000)
Kardiosystem Monitoring Sp. z o.o.	02.07.2018	(145)	556

The Management Board estimates that had the acquisition of Kardiosystem occurred on 1 January 2018, the total aggregated revenue of the Medicalgorithmics Group for the period from 1 January 2018 to 30 September 2018 would have amounted to PLN 143,035 thousand, and the aggregated net profit for that period would have amounted to PLN 11,440 thousand. At the same time, the Management Board believes that the fair value of assets and liabilities as at 1 January 2018 would be similar to the fair value of assets and liabilities as at the acquisition date, i.e. 2 July 2018.

The main purpose for purchasing Kardiosystem was to combine the sales forces of both companies and to create a common range of systems for arrhythmia diagnostics and cardio tele rehabilitation addressed to hospitals and doctor's surgeries in Poland. This will facilitate an increase in sales of the Group's products and services on the Polish market.

Kardiosystem's competitive advantage comprises a qualified and experienced team of physicians and electro-cardiology technicians who are responsible for analyzing ECG records and preparing detailed diagnostic reports from tests. Furthermore, Kardiosystem has permanent relationships with health care facility representatives in Poland. Kardiosystem provides analysis and monitoring services with respect to cardiac telemetry at the heart monitoring center, and the Company's sales department is responsible for acquiring new customers and after-sales service.

Client bases

a. Medi-Lynx's client base (net value as at the balance sheet date: USD 11,527 thousand)

Following the acquisition of shares in Medi-Lynx, a client base was identified in the process of allocating the purchase price. The client base contains data on:

- clients;
- types of services provided to them (examinations carried out);
- major payers – insurers covering the costs of the examinations performed.

The client base was valued using the comparative method (second level of the fair value hierarchy). The Medi-Lynx's client base was valued based on a transaction in which similar client bases were purchased from two unrelated entities, AMI/Spectocor. This transaction was carried out by the Capital Group in December 2016.

b. AMI client base (net value as at the balance sheet date: USD 17,333 thousand)

In December 2016, the Capital Group acquired a client base from AMI/Spectocor. This base contains a similar structure, divided into the same major payers and the same types of examinations as the identified Medi-Lynx's client base. The purchase price of the AMI/Spectocor's base amounted to USD 18,995 thousand.

The Group tests its customer bases for impairment on an annual basis and amortises their value over a period of 20 years from the date of acquisition.

Costs of completed development works

As at the balance sheet date, expenditure on development works was capitalised by the Capital Group as intangible assets. The object of the development works is the PocketECG system. It is currently the most technologically advanced solution offered by the Group. The basic technological advantage of the solution is the integration of the device, which previously consisted of two separate components, into a specially developed recorder of a smartphone type based on the Android operating system. Moreover, the functionality of the device has been extended. Medicalgorithmics was awarded financial support for the implementation work in the project, concerning the development of earlier versions of the system within the framework of the program of the Foundation for Polish Science – Innovator. The net value of the project is PLN 569 thousand. The project will be amortized until 31 December 2019.

The above development works were carried out in part with co-financing from the European Union funds, whose non-amortised value as at 30 September 2018 amounted to PLN 393 thousand (31 December 2017: PLN 629 thousand). According to the rules adopted by the Capital Group, the value of subsidies received is recorded under deferred income and recognized over time in accordance with the period of amortization of the development expenditure incurred.

Development works in progress

The Group conducts a number of development works to improve the existing products and services, and also develops new solutions. At present, the key development projects for the Group are:

- PocketECG CRS – device and system for cardiac rehabilitation;
- PocketECG 12Ch – device and system for remote, instant ECG description (12-channel ECG).
- ECG TechBot – software using a set of algorithms for automatic analysis and interpretation of the ECG signal based on deep learning methods.

The PocketECG CRS PocketECG 12Ch projects are financed from own funds. ECG TechBot is co-financed by the National Centre for Research and Development ("NCBiR") from public funds. The estimated total cost of project implementation as well as the total amount of eligible costs is PLN 11,188 thousand, with the maximum value of co-financing set at PLN 6,335 thousand.

In the opinion of the Management Board of the Parent Company, development works in progress, recognized as a component of intangible assets, will be completed and will produce the expected economic effects. Key costs capitalised as development works in progress include the costs of salaries of the R&D staff.

13. Financial assets

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Investment certificates	10 738	10 705	14 936	19 108
Shares	200	200	200	200
Financial assets	10 938	10 905	15 136	19 308
of which long-term portion	200	200	10 910	10 136
of which short-term portion	10 738	10 705	4 226	9 172

Investment certificates

As at 30 September 2018, the Capital Group held 107,699 investment certificates of the fund Bezpiecznych Obligacji Fundusz Inwestycyjny Zamknięty (the "Fund") managed by Copernicus Capital TFI S.A. (the "Investment Fund Company"). As at 30 September 2018, the value of a single investment certificate was determined at PLN 99.70. The fair value of a single certificate is measured by the Investment Fund Company. The Fund invests primarily in debt securities quoted on the Catalyst market (level 1 of the fair value hierarchy). Investment certificates are measured at fair value through profit or loss.

On 6 April 2018, 42,500 certificates of the total value of PLN 4,276 thousand were redeemed. Moreover, on 20 July 2018, the Company requested to redeem 46,000 certificates with a total value of PLN 4,586 thousand. They were redeemed on 4 October 2018. As at 30 September 2018 the Company reported all investment certificates held (with a total value of PLN 10,738 thousand) as short-term financial assets as it is planning to redeem them during the coming year.

14. Trade and other receivables

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade receivables	15 244	20 732	19 612	18 050
Budgetary receivables	2 241	1 946	1 058	1 798
Other receivables	230	490	269	282
Prepayments and deferred expenses	1 923	3 203	3 012	3 582
	19 638	26 371	23 951	23 712

The fair value of receivables approximates their book value. As at 30 September 2018, the total value of trade receivables past the due date which was not covered by a write-down amounts to PLN 2,617 thousand.

Receivables recognized by the Group in the US in relation to insurers who reimburse service fees are estimated based on the Group's actual cash inflow. Historical analyses of payments for services enabled the estimation that the average payment period for services provided is up to 9 months. After this period, all outstanding receivables are subject to a revaluation write-down. According to the accounting policy, the write-down on estimated payments from insurers amounting to PLN 902 thousand in the reporting period, is deducted directly from the amount of revenue from sales of medical services.

15. Cash and cash equivalents

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Cash in hand	12	8	11	9
Cash in banks	37 441	29 831	22 838	30 179
Short-term deposits	10 349	14 601	9 682	-
	47 802	44 440	32 531	30 188

16. Shareholding structure of the Parent Company

Shareholder	Number of shares as at 20 November 2018	% of share capital	Number of votes	% share in the overall number of votes	Change in the period from 28 August 2018 to 20 November 2018
Aegon OFE	193,863	5.38%	193,863	5.38%	unchanged
Marek Dziubiński (President of the Management Board)	400,000	11.09%	400,000	11.09%	unchanged
NN OFE	451,000	12.51%	451,000	12.51%	unchanged
TFI PZU ¹	191,935	5.32%	191,935	5.32%	unchanged
OFE PZU	182,830	5.07%	182,830	5.07%	unchanged
Free float	2,186,898	60.63%	2,186,898	60.63%	unchanged
TOTAL NUMBER OF SHARES	3,606,526				

1) information based on the number of shares registered by the entity at the Ordinary General Meeting of 26 June 2018.

In the period from 1 January 2018 to 30 September 2018, the Parent Company did not acquire any treasury shares and does not hold any treasury shares.

17. Basic and diluted earnings per share

	01.01.2018-30.09.2018	01.01.2017-31.12.2017	01.01.2017-30.09.2017
Profit for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	8 382	25 539	18 193
Weighted average number of ordinary shares (in thousands of shares)	3 607	3 607	3 607
Basic profit per share in PLN (net profit/weighted average number of shares)	2,32	7,08	5,04
Diluted profit per share in PLN (net profit/weighted average number of diluted shares)	2,32	7,08	5,04

* The subscription warrants issued have no dilutive effect because the average market value of ordinary shares in a particular period does not exceed the exercise price of warrants (the warrants are not "in the money").

18. Credits and loans

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Short-term portion of credit card debt	31	28	873	592
Liabilities in respect of credits and loans	304	-	-	-
	335	28	873	592

19. Liabilities in respect of bonds and other financial liabilities

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Liabilities in respect of bonds	51 104	50 364	50 274	50 911
Liabilities arising from acquisition of shares in Medi-Lynx	14 916	15 043	21 407	22 222
Financial liabilities	66 020	65 407	71 681	73 133
of which long-term	7 311	7 448	63 794	64 423
of which short-term	58 709	57 959	7 887	8 710

Issue and redemption of bonds

In the second quarter of 2016, the Group issued 50,000 long-term bonds with a nominal value of PLN 1 thousand each. The term of the bonds is 3 years. Their redemption date is 21 April 2019. The bonds bear interest at a variable rate. The interest rate is set at the base level of WIBOR for six-month PLN deposits (WIBOR 6M) plus a variable interest margin depending on the Company's financial debt ratio. The purpose of the issue was to finance an investment in a subsidiary, Medi-Lynx Cardiac Monitoring, LLC (redemption of short-term A0 series bonds). The remaining portion of proceeds from the issue was used to finance the Company's working capital. Interest on bonds is due on a semi-annual basis.

Liabilities arising from acquisition of shares in Medi-Lynx

Other financial liabilities also include a promissory note against the seller of Medi-Lynx Cardiac Monitoring, LLC shares, i.e. Medi-Lynx Monitoring. As at 30 September 2018, the outstanding amount was USD 3,980 thousand. Payments are spread over two equal instalments amounting to USD 1,990 thousand, payable on 30 March 2019 and 30 March 2020. Liabilities bear interest at a fixed interest rate.

Financial liabilities are measured at amortized cost using the effective interest rate method. The amount presented in short-term financial liabilities corresponds to interest on bonds accrued as at the balance sheet date, and the portion of the liability arising from the acquisition of Medi-Lynx, payable on 30 March 2019.

20. Trade and other liabilities

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade liabilities	4 099	2 867	2 207	2 119
Salaries and wages payable	4 217	5 782	5 002	3 491
Budgetary liabilities	467	455	311	348
Dividends payable	-	5 121	-	7 213
Other liabilities	551	1 820	2	155
	9 334	16 045	7 522	13 326
Income tax liabilities	37	25	311	1 127
	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Subsidies	602	554	630	708
Other	1 485	858	991	442
	2 087	1 412	1 621	1 150
of which long-term	287	239	315	393
of which short-term	1 800	1 173	1 306	757

21. Information concerning seasonality or cyclicity

Both operations of the Parent Company and subsidiaries of the Medicalgorithmics Capital Group are not subject to seasonality or cyclicity. At the same time, it should be borne in mind that the number of medical examinations ordered by physicians in the United States (which affects the number of examinations performed and thus the Medi-Lynx subsidiary's revenue) may fluctuate during the year. The volume of examinations ordered is lower in holiday periods and around popular holidays (Christmas, Independence Day, Thanksgiving). The data analysed show that the number of examinations performed in June, July, November and December deviates from a few to over a dozen percent in comparison with monthly averages, while in the best months of spring and autumn the analogous deviations in plus are observed.

22. Issue of securities

No securities were issued between 1 January 2018 and 30 September 2018.

23. Number of shares in the Parent Company held by managers and supervisors of the issuer

The table below presents shares in the Parent Company held, directly or indirectly, by members of its Management and Supervisory Boards as at the issue date of this report, and changes in the holdings after the issue date of the previous annual report of the Parent Company. The information contained in the table is based on notifications received from shareholders in accordance with Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

Person	Function held in the Issuer's governing bodies	Number of directly held shares	Number of shares held indirectly ¹	Change in the period from 28 August 2018 to 20 November 2018
Marek Dziubiński	President of the Management Board	400,000	-	Unchanged
Michał Wnorowski	Chairperson of the Supervisory Board	-	-	Unchanged
Marek Tatar	Member of the Supervisory Board	-	-	Unchanged
Artur Małek	Member of the Supervisory Board	-	-	Unchanged
Grzegorz Grabowicz	Member of the Supervisory Board	-	-	Unchanged
Krzysztof Urbanowicz	Member of the Supervisory Board	-	-	Unchanged

1) An indirect holding is when a person owns shares in an entity which directly holds shares in the Company; such ownership is not equivalent to having the status of the parent of the entity which directly holds shares in the Company.

24. Information on dividends paid or declared

Pursuant to resolution No 16/06/2018 of the Ordinary Shareholders' Meeting of Medicalgorithmics S.A., on 30 July 2018 the Parent Company paid out a dividend to shareholders in the aggregate amount of PLN 5,121 thousand, i.e. PLN 1.42 per share.

The dividend was paid for all 3,607 thousand shares in the Company.

25. Transactions with executives

During the reporting period, the Management Board and the Supervisory Board of the Parent Company received the following remuneration:

	01.01.2018-	01.01.2017-
Remuneration of the Management Board Members	2 549	5 506
Remuneration of the Supervisory Board	283	101

Costs of remuneration of the Parent Company in the period from 1 January 2018 to 30 September 2018 also include the costs of the incentive scheme described in Note 20.6 to the Consolidated financial statements of the Medicalgorithmics Capital Group for 2017 and in section I.12 of the Directors' Report on activities of the Capital Group in 2017. These costs amounted to PLN 2,227 thousand. Valuation of the incentive scheme was reclassified to the incentive scheme valuation reserve.

26. Brief description of significant achievements or failures, together with a description of the most important events related to them

In the reporting period, the Capital Group continued to implement its strategy, pursuant to which its operations were based on the innovative PocketECG system. The Group's consolidated revenue comprises mainly:

- revenue from medical services in the US market generated by Medi-Lynx;
- subscription revenue generated by Medicalgorithmics S.A. from cooperation with strategic partners, excluding Medi-Lynx;
- revenue from sales of PocketECG devices, excluding Medi-Lynx.

Medi-Lynx revenue are derived from the number of diagnostic services performed over a given period and the refund rate for research (in the case of public insurers) or the amount of contractual payments for a given procedure (in the case of private insurers).

The Parent Company operates on a subscription model, which means that it earns revenue from sales of devices, and then from subscriptions for their use and use of the related software and server infrastructure.

The table below presents the key items of the Group's statement of comprehensive income for the period from 1 January to 30 September of 2018 and 2017.

Table 1. Key items from the statement of comprehensive income in the period from 1 January 2018 to 30 September 2018 and in the corresponding period of 2017 and the dynamics of changes in the audited period (in PLN '000)

	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017	Change	Change %
Sales revenue	142,479	152,844	(10,365)	(7%)
Operating expenses	125,963	121,384	4,579	4%
Profit on sales	16,516	31,460	(14,944)	(48%)
Other operating revenue/(expenses), net	(2,189)	397	(2,586)	(652%)
Operating profit	14,327	31,857	(17,530)	(55%)
Net finance income/(costs)	(2,142)	(3,935)	1,793	(46%)
Profit before tax	12,185	27,922	(15,737)	(56%)
Net profit, of which:	10,878	24,301	(13,423)	(55%)
Net profit/(loss) attributable to Shareholders of the Parent Company	8,382	18,193	(9,811)	(54%)
Net profit/(loss) attributable to non-controlling interests	2,496	6,108	(3,612)	(59%)
EBITDA	22,724	41,493	(18,769)	(45%)

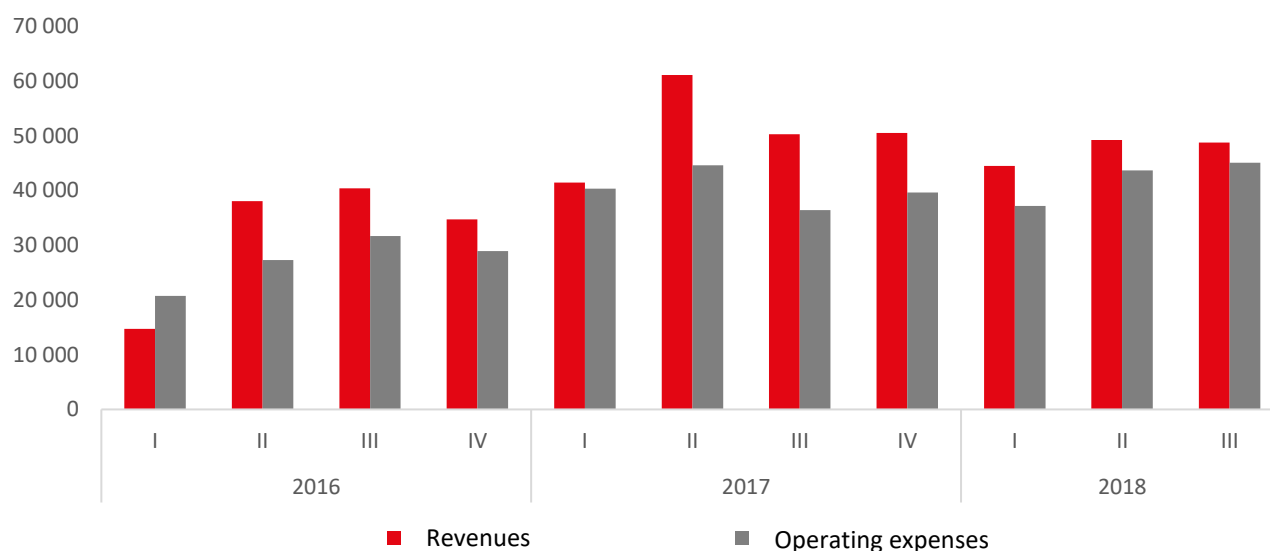
Sales revenue

In the period ended 30 September 2018, the Capital Group's revenue amounted to PLN 142,479 thousand, which is a 7% decrease year on year. During the same period, the number of claims for payment submitted by Medi-Lynx to insurers for services performed using the PocketECG technology in the United States increased by 7% to 75,626 claims. The decrease in revenue was largely attributable to a 6% decline in the average USD/PLN exchange rate, which translated into a decrease in the Group's revenue by approximately PLN 9.2 million (-6%), as well as a decrease in revenue from other partners, excluding Medi-Lynx, in the amount of PLN 4.0 million (-3%).

These declines were partially offset by an organic increase in Medi-Lynx revenue by PLN 2.7 million (+2%).

The decrease in revenue from other partners, excluding Medi-Lynx, by PLN 4.0 million is related to the termination of collaboration with AMI/Spectocor in February 2017. In the previous year, sales to this partner amounted to approximately PLN 4.6 million. Revenue from collaboration with other partners, excluding the impact of AMI, increased by approximately PLN 0.6 million.

In the reporting period, the Group earned all of its revenue from the sales of PocketECG system. This revenue comprised the revenue from sales of services in the amount of PLN 141.9 million (PLN 152.4 million in the corresponding period of 2017), representing nearly 100% of total revenue, and revenue from sales of devices in the amount of PLN 0.6 million (PLN 0.5 million in the corresponding period). The vast majority of revenue, as in the previous year, was received in US dollars. In the coming years, the currency structure of revenue is expected to diversify on the back of the Group's geographical expansion.

Chart 1. The Group's sales revenue and operating expenses in particular quarters of 2016–2018 (PLN '000)


In the period from 1 July 2018 to 30 September 2018, the Group's revenues amounted to PLN 48,770 thousand and decreased slightly as compared to the second quarter of 2018 (1%, PLN 0.5 million).

The q/q change in revenue is directly related to a decrease in the number of examinations carried out by Medi-Lynx during the seasonal holiday months.

The number of claims submitted in the third quarter of 2018 decreased by approx. 9% compared to the second quarter of 2018. At the same time, the negative effect of the decrease in the number of claims was offset by a 9% increase in the average recoverability of amounts receivable for examinations.

Operating expenses

Table 2. Structure of operating expenses in the period from 1 January to 30 September 2018 and 2017

	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017	Change	Change %
Raw materials and consumables used	6,334	4,353	1,981	46%
Employee benefits	82,468	79,100	3,368	4%
Amortization and depreciation	8,397	9,636	(1,239)	(13%)
Third-party services	24,222	24,064	158	1%
Other	4,542	4,231	311	7%
TOTAL:	125,963	121,384	4,580	4%

Raw materials and consumables used

The increase in raw materials and consumables used by PLN 2.0 million, i.e. by 46%, was primarily attributable to an increase in the cost of servicing of devices sold mainly to Medi-Lynx. Revenues on this account are eliminated in the consolidation process, the cost of components used is recognized as the use of consumables.

Employee benefits

Costs of employee benefits increased by approximately PLN 3.4 million (4%) year on year. The change was driven primarily by two factors: (1) increased headcount at Medi-Lynx following the acquisition of the AMI/Spectocor client base and the related need to handle the growing volume of examinations, as a result of which the costs increased by approx. PLN 8.5 million and (2)

change in the average USD exchange rate, which translated into a decrease in costs by approximately PLN 4.1 million. In addition, the Parent Company's employee benefit costs were lower by approx. PLN 1.0 million.

The costs of employee benefits represent the most significant item in the structure of the Group's operating expenses (65%). The high share of costs of employee benefits results from the nature of the Group's operations, whose main resource is the people. Both at the level of the Parent Company, where the majority of employees are IT specialists and production engineers, and at the level of the subsidiary, where, among others, ECG technicians and sales and customer service specialists are employed, the operations are based on human capital.

Amortization and depreciation

In the period from 1 January 2018 to 30 September 2018, the amortization and depreciation expense decreased by PLN 1.2 million (-13%) year on year.

Amortization currently accounts for nearly 7% of total operating expenses. The most significant component of the amortization and depreciation expense is the amortization of client bases held by the Group (the Medi-Lynx client base recognized as a result of the final settlement of the purchase price and AMI/Spectocor client base acquired following the settlement agreement of 28 December 2016). According to the Management Board's estimates, the client bases will bring economic benefits and will be amortized over a period of 20 years. The total amortization expense for both client bases amounted to PLN 4.2 million in the reporting period and decreased by PLN 0.3 million year on year.

The change is attributable exclusively to a decrease in the average USD exchange rate.

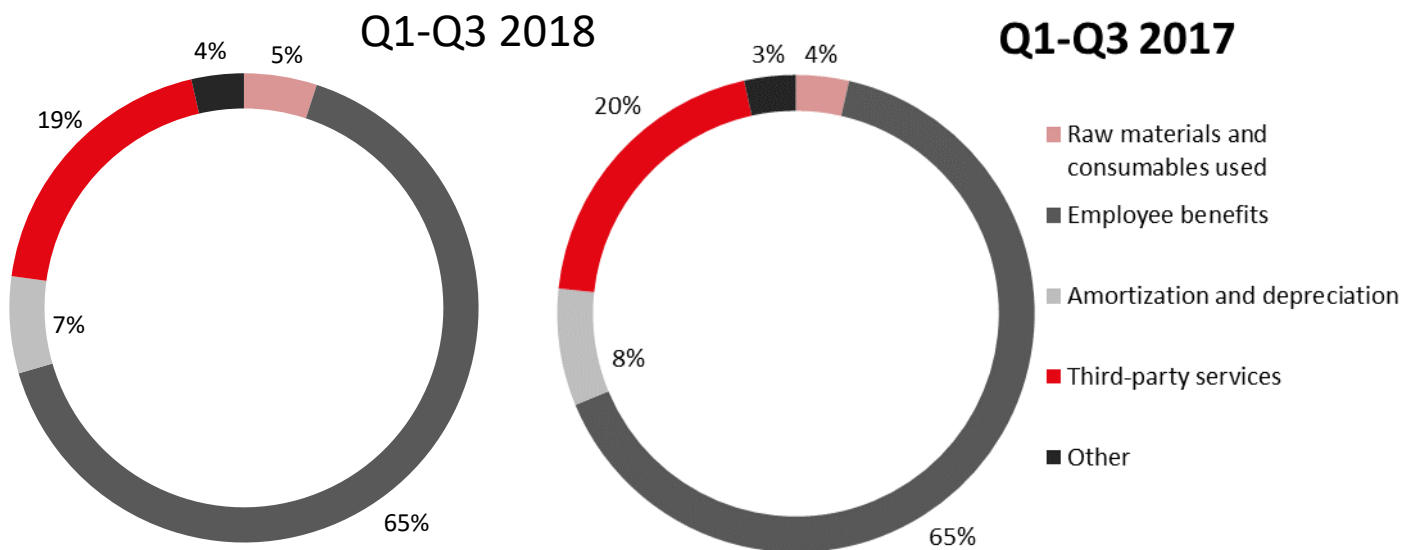
In addition, due to the fact that the Group classifies the PocketECG devices as fixed assets, the manufacturing cost of PocketECG sold to Medi-Lynx is not charged on a one-off basis to costs of raw materials and consumables used, but it is amortized over a period of 3 years, corresponding to the expected life cycle of the devices. The total cost on this account amounted to PLN 2.1 million and decreased by approximately PLN 0.8 million year on year, mainly as a result of complete depreciation of equipment purchased in 2014 and a decrease in the average USD exchange rate.

Third-party services

At present, third-party services account for 19% of the Group's operating expenses, and amounted to PLN 24.2 million, i.e. remained at a level similar to the one recorded in the corresponding period. The key items of costs of third-party services include: telecommunications and Internet services, lease and rental services as well as courier and transport services.

The table in note 9 hereof presents in detail the structure of costs of third-party services in the reporting period and in the corresponding period. When comparing the period of 9 months of 2018 to the corresponding period of 2017, a decrease in advisory costs related to the completion of negotiations with the US Department of Justice, held in the first quarter of 2017 (in the amount of PLN 2.4 million) can be observed. On the other hand, due to the higher volume of examinations, the Group incurs higher transport costs. In 2018, the Group also incurs higher costs of marketing services related to the intensive marketing and sales campaign launched in the second quarter of 2017, as well as costs of monitoring services resulting from the model of collaboration with one of the key customers taken over from AMI/Spectocor.

Chart 2. Structure of operating expenses in the period from 1 January to 30 September 2018 and 2017 (w %)



by other operating expenses related to the recognition of a provision for potential state tax costs at Medi-Lynx – PLN 1.4 million (additional information on the provision was presented in Note 10 to the semi-annual condensed consolidated financial statements of Medicalgorithmics Capital Group for the first half of 2018).

The sales margin was 11% and EBITDA margin stood at 16% (vs 21% and 27%, respectively, in the corresponding period). Decreased profitability is attributable to the fact that revenue increased at a lower rate (without the impact of changes in the USD exchange rate) than operating expenses. It should also be noted that the vast majority of revenue is denominated in USD and the level of revenue is more sensitive to exchange rate fluctuations than the level of operating expenses. When the USD exchange rate weakens, the Group's profitability declines.

Asset and financial position

As at 30 September 2018, total assets amounted to PLN 303.8 million which represents an increase by PLN 14.5 million (or 5%) from 31 December 2017. As at the balance sheet date, total non-current assets amounted to PLN 225.6 million and accounted for 74% of total assets. The most significant item of non-current assets were intangible assets, including client bases (PLN 106.1 million) and goodwill recognized on the acquisition of shares in Medi-Lynx and Kardiosystem (PLN 82.4 million). Current assets of PLN 78.2 million accounted for nearly 26% of total assets. The most significant items in this group of assets were cash (PLN 47.8 million) and trade receivables (PLN 19.6 million).

The increase in total assets was largely attributable to the appreciation of the USD exchange rate by approximately 6% compared to 31 December 2017. The aggregate impact of exchange rate differences resulted in an increase in total assets by PLN 11.5 million. Changes in particular balance sheet items described below also had a significant impact on the change in total assets.

Excluding the effect of changes in exchange rates, the Group's cash increased by PLN 13.1m (+40%) as at the balance sheet date, mainly due to operating cash flows. A significant increase as compared to the end of 2017 was also recorded for the value of development work in progress (+3.3 million PLN, +25%), in connection with development projects implemented by the Group.

The value of financial assets held by the Company as at 30 September 2018 declined by PLN 4.2 million (-28%) as compared to 31 December 2017 as a result of redeeming investment certificates in the second quarter of 2018. Trade receivables decreased by PLN 4.3 million (-22%) as compared to the end of 2017, owing to more effective collection of trade receivables at Medi-Lynx.

As at 30 September 2018, equity attributable to Shareholders of the Parent Company amounted to PLN 183.2 million (60% of total assets). The most significant components of liabilities were financial liabilities which include liabilities in respect of bonds together with interest accrued (PLN 51.1 million) and promissory note liabilities in respect of acquisition of shares in Medi-Lynx

(PLN 14.9 million). As compared to the balance as at 31 December 2017, this item declined by PLN 6.5 million, mainly as a result of repayment of another instalment of the liability arising from acquisition of shares in Medi-Lynx. Net debt declined by PLN 21.0 million from 31 December 2017, and amounts to PLN 18.2 million. As at the balance sheet date, the balance of liabilities on account of bonds was recognized in full under short-term liabilities, due to the approaching redemption date of bonds, falling on 21 April 2019.

The reserve from the valuation of the incentive scheme increased by PLN 2.2 million (+42%) compared with the end of 2017.

27. Factors and events, especially atypical ones, having a material effect on the interim condensed financial statements

In the reporting period, there were no factors or events that had a significant effect on the condensed financial statements other than those described above.

28. The Management Board's position regarding the possibility of achieving forecasts

The Capital Group did not publish any financial forecasts for the period covered by this report or for any future periods.

29. Information on sureties for credits or loans and on guarantees granted by the Issuer or Issuer's subsidiary

The Company is a party to agreements for the EU co-financing of investment projects aimed at the development of the products and services offered.

If the conditions for the implementation of development works are not met, there may be a risk of necessity to return the subsidies received. The grants are secured by promissory notes.

As at the balance sheet date, the risk described above was assessed as doubtful. The Company carries out its works in accordance with the schedule.

The Parent Company endorses an interest-bearing promissory note issued by a subsidiary, MDG HoldCo with its registered office in the US to Medi-Lynx Monitoring, Inc. as a payment for the purchase of shares in Medi-Lynx. As at 30 September 2018, the outstanding amount was USD 3,980 thousand. Payments are spread over two equal instalments amounting to USD 1,990 thousand, payable on 30 March 2019 and 30 March 2020. Liabilities bear interest at a fixed interest rate.

30. Other information relevant for the assessment of the Group's standing and ability to meet its obligations

In the reporting period, there were no significant changes in the Group, other than those disclosed in this report, which would affect the its personnel, asset and financial position. The Group reports high financial liquidity and settles its liabilities in a timely manner.

31. Factors which, in the Issuer's opinion, will affect its performance during at least the next quarter

According to the Management Board, the Capital Group's current financial condition and growth prospects do not involve any significant threats to its ability to continue as a going concern in the foreseeable future. However, there are factors, both internal and external, that will directly or indirectly affect the financial performance in the next quarter. The most important of them include:

- possible revision of medical examinations refund fees and payments for the procedure received from private insurers by the subsidiary, Medi-Lynx;
- developments on the US medical services market, where the Group generates the vast majority of its revenue;
- growing sales to partners with whom the Parent Company has signed contracts, which will help diversify and boost revenue;
- possible decision on signing long-term contracts with private insurers in the US (go "in-network") may affect the decline of payments received for individual procedures;
- growth of cardiac diagnostics sector in countries where the Group's products are sold and level of reimbursement for services provided with PocketECG devices;
- fluctuations in exchange rates of currencies of the countries where the Group operates.

In addition, the Capital Group is exposed to various risks associated with its operations and environment, which may affect the implementation of its strategic tasks and objectives. These risks were described in detail in the financial report for the first half of 2018 of the Medicalgorithmics Group, in chapter: III.7. Description of basic threats and risks related to the remaining months of the financial year.

32. Information about significant legal proceedings

In the reporting period, there were no proceedings pending before a court, arbitration body or public administration authority concerning the Parent Company's liabilities or receivables, the value of which would constitute at least, individually or jointly, 10% of the Parent Company's equity.

33. Events after the balance sheet date

As announced in Current Report No 36/2018, on 16 October 2018, the Board of Directors of Medi-Lynx adopted a resolution on the appointment of Peter G. Pellerito as Chief Executive Officer of Medi-Lynx. Peter G. Pellerito replaced the former Chief Executive Officer of Medi-Lynx on 16 October 2018.

There were no events after the balance sheet date other than those disclosed in these financial statements that should be disclosed or included in these financial statements.

	PLN '000		EUR '000	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Statement of financial position				
Non-current assets	188 486	188 858	44 127	45 280
Current assets	34 105	26 564	7 984	6 369
Intangible assets	17 602	14 581	4 121	3 496
Short-term receivables	6 390	4 278	1 496	1 026
Equity	166 380	161 885	38 952	38 813
Share capital	361	361	84	87
Short-term liabilities	53 900	2 055	12 619	493
Long-term liabilities	2 311	51 482	541	12 343
Number of shares	3 606 526	3 606 526	3 606 526	3 606 526
Book value per ordinary share (PLN/EUR)	46,13	44,89	10,80	10,76
	01.01.2018-	01.01.2017-	01.01.2018-	01.01.2017-
Statement of comprehensive income	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Sales revenue	30 591	32 317	7 192	7 592
Profit on sales	5 005	7 193	1 177	1 690
Operating profit	4 870	7 596	1 145	1 784
Profit/(loss) before tax	9 225	(2 690)	2 169	(632)
Net profit/(loss)	7 389	(2 291)	1 737	(538)
Earnings/(loss) per ordinary share (PLN/EUR)	2,05	(0,64)	0,48	(0,15)
	01.01.2018-	01.01.2017-	01.01.2018-	01.01.2017-
Statement of cash flows	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Net cash flows from operating activities	8 629	1 067	2 029	251
Net cash flows from investing activities	(1 535)	(27 080)	(361)	(6 362)
Net cash flows from financing activities	(6 265)	(1 367)	(1 473)	(321)
Total net cash flows	829	(27 380)	195	(6 432)

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Intangible assets	17 602	16 518	14 581	13 842
Property, plant and equipment	1 800	1 603	1 301	901
Financial assets	35 69 873	70 381	74 691	75 046
Shares in subsidiaries	36 96 038	94 771	94 771	94 771
Deferred income tax assets	3 173	2 673	3 514	2 865
Non-current assets	188 486	185 946	188 858	187 425
Inventories	5 944	5 974	7 856	8 668
Trade and other receivables	37 6 390	7 183	4 278	7 750
Financial assets	35 10 738	10 705	4 226	15 545
Cash and cash equivalents	11 033	16 172	10 204	4 399
Current assets	34 105	40 034	26 564	36 362
TOTAL ASSETS	222 591	225 980	215 422	223 787
	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Share capital	361	361	361	361
Supplementary capital	151 091	151 091	159 042	159 042
Reserve from the valuation of the incentive scheme	7 539	6 797	5 312	5 179
Retained earnings	7 389	7 097	(2 830)	(2 291)
Equity	166 380	165 346	161 885	162 291
Provisions	654	700	573	402
Deferred tax provision	1 290	1 212	536	1 228
Liabilities in respect of bonds	39 -	-	49 938	49 888
Other liabilities	80	120	120	160
Accruals and deferred income	40 287	239	315	393
Long-term liabilities	2 311	2 271	51 482	52 071
Credits and loans	31	28	11	13
Liabilities in respect of bonds	39 51 104	50 364	336	1 023
Trade and other liabilities	40 2 450	7 656	1 326	8 022
Income tax liabilities	-	-	67	-
Accruals and deferred income	40 315	315	315	367
Short-term liabilities	53 900	58 363	2 055	9 425
Total liabilities	56 211	60 634	53 537	61 496
TOTAL EQUITY AND LIABILITIES	222 591	225 980	215 422	223 787

		01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Sales revenue	34	10 537	9 108	30 591	32 317
Raw materials and consumables used		(1 351)	(770)	(4 335)	(4 319)
Employee benefits		(4 346)	(3 636)	(12 049)	(13 052)
Amortisation and depreciation		(307)	(250)	(846)	(1 011)
Third-party services		(2 720)	(1 483)	(6 760)	(5 167)
Other		(241)	(279)	(1 596)	(1 575)
Total costs of sales		(8 965)	(6 418)	(25 586)	(25 124)
Profit/(loss) on sales		1 572	2 690	5 005	7 193
Other operating revenue		89	289	255	670
Other operating expenses		(12)	(94)	(390)	(267)
Operating profit/(loss)		1 649	2 885	4 870	7 596
Finance income		(558)	686	6 467	2 889
Finance costs		(693)	(1 821)	(2 112)	(13 175)
Net finance income/(costs)		(1 251)	(1 135)	4 355	(10 286)
Profit/(loss) before tax		398	1 750	9 225	(2 690)
Income tax		(106)	(373)	(1 836)	399
Net profit/(loss) from continuing operations		292	1 377	7 389	(2 291)
Other net comprehensive income for the reporting		-	-	-	-
Total comprehensive income for the reporting period		292	1 377	7 389	(2 291)
Basic profit/(loss) per share in PLN		0,08	0,38	2,05	(0,64)
Diluted profit/(loss) per share in PLN		0,08	0,38	2,05	(0,64)

	Share capital	Supplementary capital	Capital reserve from incentive scheme measurement	Retained earnings	Total equity
Equity as at 1 January 2018	361	159 042	5 312	(2 830)	161 885
Comprehensive income for the reporting period					
Net loss for the previous reporting period	-	(2 830)	-	2 830	-
Net profit for the current reporting period	-	-	-	7 389	7 389
	-	(2 830)	-	10 219	7 389
Transactions recognised directly in equity					
Dividend payment	-	(5 121)	-	-	(5 121)
Valuation of the incentive scheme	-	-	2 227	-	2 227
Total contributions from and distributions to owners	-	(5 121)	2 227	-	(2 894)
Equity as at 30 September 2018	361	151 091	7 539	7 389	166 380

	Share capital	Supplementary capital	Capital reserve from incentive scheme measurement	Retained earnings	Total equity
Equity as at 1 January 2018	361	159 042	5 312	(2 830)	161 885
Comprehensive income for the reporting period					
Net loss for the previous reporting period	-	(2 830)	-	2 830	-
Net profit for the current reporting period	-	-	-	7 097	7 097
	-	(2 830)	-	9 927	7 097
Transactions recognised directly in equity					
Dividend payment	-	(5 121)	-	-	(5 121)
Valuation of the incentive scheme	-	-	1 485	-	1 485
Total contributions from and distributions to owners	-	(5 121)	1 485	-	(3 636)
Equity as at 30 June 2018	361	151 091	6 797	7 097	165 346

	Share capital	Supplementary capital	Reserve from incentive scheme measurement	Retained earnings	Total equity
Equity as at 1 January 2017	361	124 621	3 170	41 634	169 786
Comprehensive income for the reporting period					
Net profit for the previous reporting period	-	34 421	-	(34 421)	-
Net loss for the current reporting period	-	-	-	(2 830)	(2 830)
	-	34 421	-	(37 251)	(2 830)
Transactions recognised directly in equity					
Dividend payment	-	-	-	(7 213)	(7 213)
Valuation of the incentive scheme	-	-	2 142	-	2 142
Total contributions from and distributions to owners	-	-	2 142	(7 213)	(5 071)
Equity as at 31 December 2017	361	159 042	5 312	(2 830)	161 885

	Share capital	Supplement ary capital	Incentive scheme valuation reserve	Retained earnings	Total equity
Equity as at 1 January 2017	361	124 621	3 170	41 634	169 786
Comprehensive income for the reporting period					
Net profit for the previous reporting period	-	34 421	-	(34 421)	-
Net loss for the current reporting period	-	-	-	(2 291)	(2 291)
	-	34 421	-	(36 712)	(2 291)
Transactions recognised directly in equity					
Dividend payment	-	-	-	(7 213)	(7 213)
Valuation of the incentive scheme	-	-	2 009	-	2 009
Total contributions from and distributions to owners	-	-	2 009	(7 213)	(5 204)
Equity as at 30 September 2017	361	159 042	5 179	(2 291)	162 291

	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
Cash flows from operating activities		
Net profit (loss) for the reporting period	7 389	(2 291)
Depreciation of property, plant and equipment	344	247
Amortization of intangible assets	502	764
Income tax	1 836	(399)
Change in inventories	1 912	1 042
Change in trade and other receivables	(2 058)	885
Change in accruals, prepayments and deferred income	(237)	(2 059)
Change in financial assets	-	313
Change in trade and other liabilities	1 124	(5 223)
Change in provisions	81	(12)
Net finance (income)/costs	50	(2)
Valuation of the incentive scheme	2 227	2 009
Tax paid	(862)	(3 262)
Foreign exchange differences	(3 546)	9 460
Interest	(142)	(404)
Other	9	(1)
	8 629	1 067
Cash flows from investing activities		
Proceeds from sale of investments	4 148	11 797
Loans granted	-	(27 799)
Purchase of property, plant and equipment and intangible assets	(4 376)	(2 987)
Acquisition of subsidiaries	(167)	
Acquisition of other investments	(40)	(40)
Additional contributions to equity of subsidiaries	(1 100)	(8 051)
	(1 535)	(27 080)
Cash flows from financing activities		
Dividend payment	(5 121)	-
Proceeds from credits taken out	-	4
Repayment of credits taken out	21	-
Interest paid on bonds	(1 374)	(1 371)
Other financial inflows	209	-
	(6 265)	(1 367)
Total net cash flows	829	(27 380)
Opening balance of cash and cash equivalents	10 204	31 779
Closing balance of cash	11 033	4 399

34. Sales revenue structure

	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
By type				
Revenue from sales of services	9 948	8 721	27 645	28 122
Revenue from sales of devices	589	387	2 946	4 195
	10 537	9 108	30 591	32 317
	01.07.2018- 30.09.2018	01.07.2017- 30.09.2017	01.01.2018- 30.09.2018	01.01.2017- 30.09.2017
By territory				
Domestic sales	26	139	33	203
Export sales	10 511	8 969	30 558	32 114
	10 537	9 108	30 591	32 317

35. Financial assets

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Investment certificates	10 738	10 705	14 936	19 108
Loans granted	69 673	70 181	63 781	71 283
Shares	200	200	200	200
	80 611	81 086	78 917	90 591
of which long-term portion	69 873	70 381	74 691	75 046
of which short-term portion	10 738	10 705	4 226	15 545

The loans are classified under loans and receivables. They are measured at amortised cost using the effective interest rate. Investment certificates are measured at fair value through profit or loss.

Loans granted

	Loan amount (USD '000)	Repayment date	Interest rate
Loan of 30 March 2016	11 300	29.03.2026	Fixed (6%)
Loan of 1 June 2016	200	01.06.2026	Fixed (6%)
Loan of 14 September 2016	200	14.09.2026	Fixed (6%)
Loan of 16 January 2017	1 000	30.12.2026	Fixed (4%)
Loan of 2 March 2017	5 813	30.12.2026	Fixed (4%)

All the above loans were granted to a subsidiary, MDG Holdco. The loans were intended to finance the subsidiary's acquisition of a 75% equity interest in Medi-Lynx, provide working capital to the subsidiary and settle the liability towards AMI/Spectacor for the client base acquired from this entity. The fair value of financial assets approximates their book value.

36. Shares in subsidiaries

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771	94 771
Kardiosystem Monitoring Sp. z o.o.	1 267	-	-	-
	96 038	94 771	94 771	94 771

On 2 July 2018, the Medicalgorithmics acquired all shares in Kardiosystem Monitoring sp. z o.o., with the total value of PLN 167 thousand. Additionally, on 9 July 2018, the Company increased the share capital of the acquired entity from PLN 100 thousand to PLN 300 thousand, taking up all newly created shares with a total nominal value of PLN 200 thousand. All the new shares were subscribed for the Company against a cash contribution of PLN 1.1 million. The share premium on new shares, amounting to PLN 900 thousand, was allocated to the subsidiary's supplementary capital.

37. Trade and other receivables

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade receivables	4 071	4 120	3 481	3 746
Budgetary receivables	1 269	1 184	290	1 798
Other receivables	133	296	269	282
Prepayments and deferred expenses	917	1 583	238	1 924
	6 390	7 183	4 278	7 750
Long-term	-	-	-	-
Short-term	6 390	7 183	4 278	7 750
	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade receivables from related entities	3 272	3 154	2 833	3 025
Trade receivables from other entities	889	1 057	648	721
Revaluation write-down on receivables from other entities	(90)	(91)	-	-
Total net trade receivables	4 071	4 120	3 481	3 746
	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Insurance policies and deposits	40	48	67	42
Remuneration settled over time	629	1 258	-	1 622
Trade fairs	59	59	114	59
Subscriptions	9	11	23	-
Fee for the listing of shares on the WSE	18	36	-	19
Advisory services	38	38	19	-
Other	124	133	15	182
Total prepayments and deferred expenses	917	1 583	238	1 924
Long-term portion	-	-	-	-
Short-term portion	917	1 583	238	1 924

38. Basic and diluted earnings per share

	01.01.2018- 30.09.2018	01.01.2017- 31.12.2017	01.01.2017- 30.09.2017
Profit/(loss) for the period (PLN '000)	7 389	(2 830)	(2 291)
Weighted average number of ordinary shares (in thousands of shares)	3 607	3 607	3 607
Effect of dilution of the potential number of ordinary shares (in thousands of shares)	-	-	-
Basic profit/(loss) per share in PLN (net profit/(loss) / weighted average number of shares)	2,05	(0,78)	(0,64)
Diluted profit/(loss) per share in PLN (net profit/(loss) / weighted average number of diluted shares)	2,05	(0,78)	(0,64)

The subscription warrants issued have no dilutive effect because the average market value of ordinary shares in a particular period does not exceed the exercise price of warrants (the warrants are not "in the money").

39. Liabilities in respect of bonds

For information on the liabilities arising from bonds issued by the Parent Company, see Note 18 to these financial statements.

40. Trade and other liabilities, accruals and deferred income

	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade liabilities				
from other entities	1 574	1 662	529	461
Budgetary liabilities	457	455	311	348
Salaries and wages payable	342	387	484	-
Income tax liabilities	-	-	67	-
Dividends payable	-	5 121	-	7 213
Other liabilities	77	31	2	160
Short-term accruals and deferred income	315	315	315	367
Long-term accruals and deferred income	287	239	315	393
	3 052	8 210	2 023	8 942

41. Contingent liabilities

The Company is a party to agreements for the EU co-financing of investment projects aimed at the development of the products and services offered. If the conditions for the implementation of development works are not met, there may be a risk of necessity to return the subsidies received. The subsidies received are secured with promissory notes. As at the balance sheet date, the risk described above was assessed as doubtful. The Parent Company carries out its works in accordance with the schedule.

The Company endorses an interest-bearing promissory note issued by a subsidiary, MDG HoldCo with its registered office in the US to Medi-Lynx Monitoring, Inc. as a payment for the purchase of shares in Medi-Lynx. Detailed information about the security is provided in Note 18 to this report.

On 16 July 2018 Medicalgorithmics established security for the Company's liabilities resulting from the lease of usable area in the building at Al. Jerozolimskie 81 in Warsaw in the form of an irrevocable and unconditional bank guarantee in the total amount of PLN 404 thousand. The beneficiary of the guarantee is Central Tower 81 Sp. z o.o. (the lessor). The warranty is valid from the date of issue to 30 August 2024.

Regulations concerning corporate income tax, personal income tax, value added tax and contributions to social security undergo relatively frequent changes, often resulting in the absence of any established regulations or legal precedents for reference. Moreover, the existing regulations sometimes lack clarity, leading to differing opinions as regards the legal interpretation of tax provisions, both between state authorities and between authorities and the private sector. Tax settlements as well as other settlements (including those related to customs duties or foreign currencies) may be inspected by authorities which are competent to impose significant penalties. Any additional liabilities resulting from such inspections need to be paid with interest. In the light of the above, the tax risk in Poland is higher than usual tax risk in countries with better-developed tax systems. Tax declarations can be audited over a period of five years. In consequence, the amounts presented in the financial statements may change at a later date, after the final amount is determined by tax authorities. The Capital Group was subject to control by the tax authorities. Tax authorities have got the right to inspect books and accounting records. Within five years of the end of the year which relevant tax return was filed, they may impose additional tax charges, including interest and other penalties. In the opinion of the Management Board, there were no circumstances that could lead to significant liabilities in this respect.

42. Transactions with related parties

In the audited period, there were no transactions with related parties concluded on terms other than arm's length terms.

Medicalgorithmics US Holding Corporation

Statement of financial position (in PLN '000) — as at	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Loans granted	69 673	70 181	63 781	71 283
Contribution to the supplementary capital	94 771	94 771	94 771	94 771
		01.01.2018-	01.01.2017-	01.01.2017-
Statement of comprehensive income (in PLN '000)		30.09.2018	31.12.2017	30.09.2017
Interest on loans		2 639	3 475	2 300

Medi-Lynx Cardiac Monitoring LLC

Statement of financial position (in PLN '000) — as at	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade receivables	3 185	3 154	2 833	3 025
Other receivables	-	-	-	-
		01.01.2018-	01.01.2017-	01.01.2017-
Statement of comprehensive income (in PLN '000)		30.09.2018	31.12.2017	30.09.2017
Revenue from sales of goods and services		28 391	35 250	26 073

Kardiosystem Monitoring Sp. z o.o.

Statement of financial position (in PLN '000) — as at	30.09.2018	30.06.2018	31.12.2017	30.09.2017
Trade receivables	87	-	-	-
Contribution to equity	1 267	-	-	-
		01.01.2018-	01.01.2017-	01.01.2017-
Statement of comprehensive income (in PLN '000)		30.09.2018	31.12.2017	30.09.2017
Revenue from sales of goods and services		24	-	-

43. Information about significant legal proceedings

In the period covered by this report, there were no proceedings pending before a court, arbitration body or public administration authority concerning the Company's liabilities or receivables, the value of which would constitute at least, individually or jointly, 10% of the Company's equity.

44. Events after the balance sheet date

There were no events after the balance sheet date other than those disclosed in these financial statements that should be disclosed or included in these financial statements.

Marek Dziubiński
 President of the Management Board

Warsaw, 20 November 2018



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