MEDICALgorithmics
INNOVATIVE SOLUTIONS IN MEDICINE

Interim condensed consolidated financial statements

of the MEDICALgorithmics Capital Group

for the 1st quarter of 2020

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Interim condensed consolidated statement of financial position	PLN '000 31.03.2020 *(unaudited)*	PLN '000 31.12.2019 *(audited)*	EUR '000 31.03.2020 *(unaudited)*	EUR '000 31.12.2019 *(audited)*
Non-current assets	265 321	246 862	58 283	57 969
Intangible assets	225 903	209 717	49 624	49 247
Long-term financial assets	200	200	44	47
Current assets	33 884	36 400	7 443	8 548
Short-term receivables	27 613	25 250	6 066	5 929
Cash and cash equivalents	6 271	11 150	1 378	2 618
Long-term liabilities	32 026	30 631	7 035	7 193
Short-term liabilities	32 720	27 909	7 188	6 554
Equity attributable to Shareholders of the Parent Company	206 738	195 840	45 414	45 988
Share capital	361	361	79	85
Non-controlling interests	27 721	28 882	6 089	6 782
Number of shares	3 606 526	3 606 526	3 606 526	3 606 526
Book value per ordinary share (PLN/EUR)	57,32	54,30	12,59	12,75

Interim condensed consolidated statement of comprehensive income	01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*
Sales revenue	36 072	48 696	8 205	11 330
Profit/(loss) on sales	(8 558)	5 666	(1 947)	1 318
Operating profit/(loss)	(8 618)	6 259	(1 960)	1 456
Profit/(loss) before tax	(8 082)	5 399	(1 838)	1 256
Net profit/(loss)	(6 935)	4 907	(1 577)	1 142
- attributable to Shareholders of the Parent Company	(3 265)	4 467	(743)	1 039
- attributable to non-controlling interests	(3 670)	440	(835)	102
Net profit/(loss) attributable to Shareholders of the Parent Company per share (in PLN) – basic	(0,91)	1,24	(0,21)	0,29

Interim condensed consolidated statement of cash flows	01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*
Net cash flows from operating activities	(2 109)	9 071	(480)	2 110
Net cash flows from investing activities	(161)	(4 800)	(37)	(1 117)
Net cash flows from financing activities	(2 609)	(1 107)	(593)	(258)
Total net cash flows	(4 879)	3 164	(1 110)	736

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 31 March 2020, i.e. EUR/PLN 4.5523, and for 31 December 2019, i.e. EUR/PLN 4.2585;
- The presented selected items of the statement of comprehensive income and the statement of cash flows were converted based on the arithmetic mean of the mid-rates quoted by the NBP for the last day of each month of the financial period from 1 January 2020 to 31 March 2020, i.e. EUR/PLN 4.3963, and from 1 January 2019 to 31 March 2019, i.e. EUR/PLN 4.2978.

		31.03.2020 *(unaudited)*	31.12.2019 *(audited)*	31.03.2019 *(unaudited)*
Intangible assets	11	225 903	209 717	214 009
Property plant and equipment	12	30 235	31 705	41 182
Financial assets	13	200	200	200
Deferred income tax assets		8 983	5 240	1 749
Non-current assets		**265 321**	**246 862**	**257 140**
Trade and other receivables	14	27 613	25 250	25 266
Financial assets	13	-	-	5 920
Cash and cash equivalents	15	6 271	11 150	63 353
Current assets		**33 884**	**36 400**	**94 539**
TOTAL ASSETS		**299 205**	**283 262**	**351 679**

		31.03.2020 *(unaudited)*	31.12.2019 *(audited)*	31.03.2019 *(unaudited)*
Share capital		361	361	361
Supplementary capital		124 622	124 622	124 622
Retained earnings		73 046	76 311	76 499
Foreign exchange differences		8 709	(5 454)	(3 533)
Equity attributable to Shareholders of the Parent Company		**206 738**	**195 840**	**197 949**
Non-controlling interests		**27 721**	**28 882**	**42 189**
Provisions		2 481	2 023	2 101
Deferred tax liabilities		5 520	3 343	3 485
Credits and loans	18	8 576	9 845	200
Liabilities in respect of bonds and other financial liabilities	19	14 373	14 394	19 429
Other liabilities		-	-	80
Accruals and deferred income	20	1 076	1 026	518
Long-term liabilities		**32 026**	**30 631**	**25 813**
Credits and loans	18	3 100	3 057	115
Liabilities in respect of bonds and other financial liabilities	19	14 066	13 015	71 886
Trade and other liabilities	20	12 741	9 444	11 218
Income tax liabilities		24	54	287
Accruals and deferred income	20	2 789	2 339	2 222
Short-term liabilities		**32 720**	**27 909**	**85 728**
Total liabilities		**64 746**	**58 540**	**111 541**
TOTAL EQUITY AND LIABILITIES		**299 205**	**283 262**	**351 679**

		01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*
Sales revenue	6	**36 072**	**48 696**
Raw materials and consumables used		(3 154)	(3 056)
Employee benefits	7	(27 251)	(24 817)
Amortization and depreciation	8	(4 049)	(4 187)
Third-party services	9	(8 733)	(9 082)
Other		(1 443)	(1 888)
Total costs of sales		**(44 630)**	**(43 030)**
Profit/(loss) on sales		**(8 558)**	**5 666**
Other operating revenue		1	663
Other operating expenses		(61)	(70)
Operating profit/(loss)		**(8 618)**	**6 259**
Finance income		849	153
Finance costs		(313)	(1 013)
Net finance income/(costs)		**536**	**(860)**
Profit/(loss) before tax		**(8 082)**	**5 399**
Income tax	10	1 147	(492)
Net profit/(loss) from continuing operations		**(6 935)**	**4 907**
Net profit/(loss) for the reporting period attributable to Shareholders of the Parent Company		(3 265)	4 467
Net profit/(loss) for the reporting period attributable to non-controlling interests		(3 670)	440
		(6 935)	**4 907**
Other comprehensive income			
Currency translation differences		11 860	3 247
Exchange differences on loans constituting a part of net investments in subsidiaries		5 941	1 496
Deferred tax on valuation of exchange differences on loans		(1 129)	(284)
Other comprehensive income		**16 672**	**4 459**
Other comprehensive income attributable to Shareholders of the Parent Company		14 163	3 618
Other comprehensive income attributable to non-controlling interests		2 509	841
Total comprehensive income for the reporting period			
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		10 898	8 085
Comprehensive income for the reporting period attributable to non-controlling interests		(1 161)	1 281
		9 737	**9 366**
Net profit attributable to Shareholders of the Parent Company per share (in PLN)			
- basic		(0,91)	1,24
- diluted		(0,91)	1,24

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2020 (*audited*)	**361**	**124 622**	**76 311**	**(5 454)**	**195 840**	**28 882**
Comprehensive income for the reporting period						
Net profit for the current reporting period	-	-	(3 265)	-	(3 265)	(3 670)
Other comprehensive income				14 163	14 163	2 509
	-	**-**	**(3 265)**	**14 163**	**10 898**	**(1 161)**
Transactions recognized directly in equity						
Minority interest from the acquisition of investments in subsidiaries	-	-	-	-	-	-
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 31 March 2020 (*unaudited*)	**361**	**124 622**	**73 046**	**8 709**	**206 738**	**27 721**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2019 (*audited*)	**361**	**124 622**	**72 032**	**(7 151)**	**189 864**	**40 898**
Comprehensive income for the reporting period						
Net profit for the current reporting period	-	-	4 279	-	4 279	(4 578)
Other comprehensive income	-	-	-	1 697	1 697	468
	-	**-**	**4 279**	**1 697**	**5 976**	**(4 110)**
Transactions recognized directly in equity						
Distribution to a minority shareholder	-	-	-	-	-	(7 916)
Minority interest from the acquisition of investments in subsidiaries	-	-	-	-	-	9
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(7 907)**
Equity as at 31 December 2019 (*audited*)	**361**	**124 622**	**76 311**	**(5 454)**	**195 840**	**28 882**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
Equity as at 1 January 2019 (*audited*)	**361**	**124 622**	**72 032**	**(7 151)**	**189 864**	**40 898**
Comprehensive income for the reporting period						
Net profit for the current reporting period	-	-	4 467	-	4 467	440
Other comprehensive income				3 618	3 618	841
	-	**-**	**4 467**	**3 618**	**8 085**	**1 281**
Transactions recognized directly in equity						
Minority interest from the acquisition of investments in subsidiaries	-	-	-	-	-	10
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**10**
Equity as at 31 March 2019 (*unaudited*)	**361**	**124 622**	**76 499**	**(3 533)**	**197 949**	**42 189**

	01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*
Cash flows from operating activities		
Net profit/(loss) for the reporting period	**(6 935)**	**4 907**
Depreciation of property plant and equipment	2 164	2 386
Amortization of intangible assets	1 884	1 801
Income tax	(18)	778
Change in trade and other receivables	(2 822)	(2 463)
Change in accruals prepayments and deferred income	451	(373)
Change in trade and other liabilities	3 083	487
Change in provisions	458	312
Loss/(profit) on sale of fixed assets	25	-
Net finance costs	-	22
Tax paid	(391)	(582)
Foreign exchange differences	(357)	877
Interest	285	984
Other	64	(65)
	(2 109)	**9 071**
Cash flows from investing activities		
Acquisition of intangible assets	(1 043)	(1 497)
(Acquisition)/sale of property, plant and equipment	882	(3 510)
Sale of other investments	-	207
	(161)	**(4 800)**
Cash flows from financing activities		
Repayment debt on account of credits taken out with interest	(1 307)	(13)
Payments of finance lease liabilities	(1 351)	(1 249)
Other inflows from financing activities	49	155
	(2 609)	**(1 107)**
Total net cash flows	**(4 879)**	**3 164**
Opening balance of cash and cash equivalents	11 150	60 189
Closing balance of cash	**6 271**	**63 353**

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.

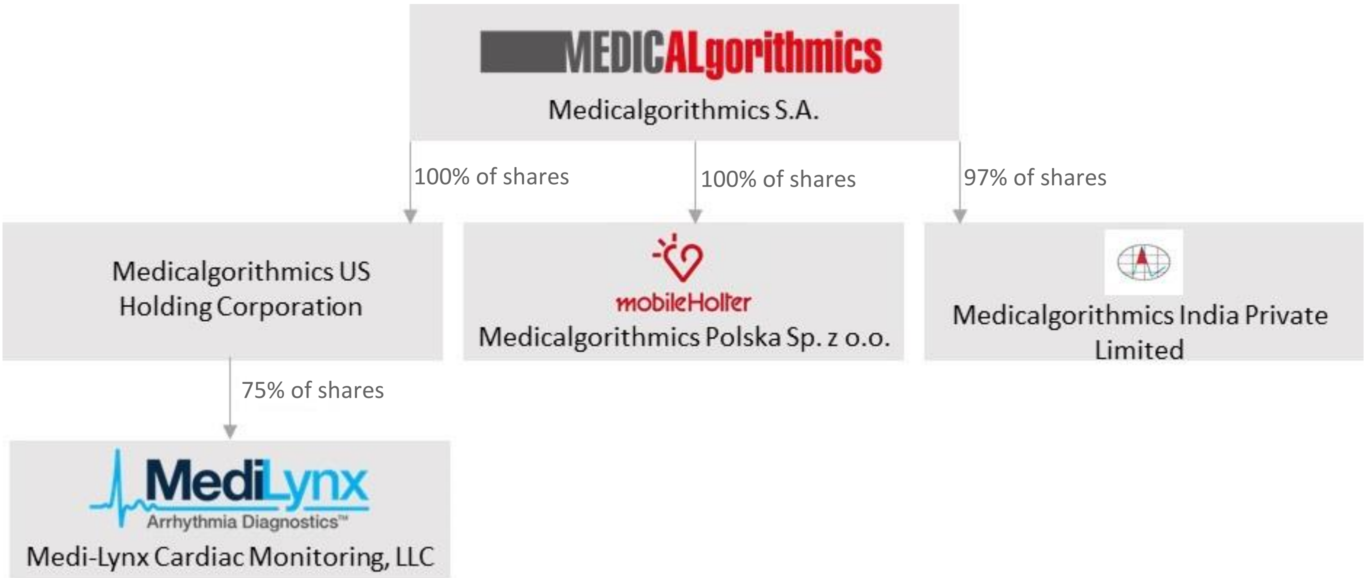
The term "Report" refers to this interim condensed consolidated report for Q1 2020. The term "Consolidated financial statements" means the interim condensed consolidated financial statements of the Medicalgorithmics Group as at 31 March 2020, covering the period 1 January 2020 to 31 March 2020 and including appropriate comparative data as at 31 December 2019, as well as data for the corresponding comparative period of 2019.

2. Information on the Capital Group

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

- 100% of shares in Medicalgorithmics US Holding Corporation ("MDG HoldCo"), representing 100% of the votes at the General Meeting of Shareholders;
- 100% of shares in Medicalgorithmics Polska Sp. z o.o. ("Medicalgorithmics Polska", "MDG Polska");
- 75% of shares in Medi-Lynx Cardiac Monitoring, LLC ("Medi-Lynx") with its registered office in Plano, Texas, USA, through MDG HoldCo;
- 97% of shares in Medicalgorithmics India Private Limited ("MDG India"; formerly: Algotel Solutions Private Limited („Algotel")) with its registered office in Bangalore, India.

The composition of the Medicalgorithmics Capital Group and its organizational and equity links as at 31 March 2020 are presented below:



Business profile

The Medicalgorithmics 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 services;
- scientific research and development;
- manufacture of electro-medical equipment.

The Group provides services in over a dozen countries on several continents, including North 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) and 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 centers.

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

Marek Dziubiński – President of the Management Board
Maksymilian Sztandera – Member of the Management Board, Chief Financial Officer
Peter G. Pellerito – Member of the Management Board (since 21 January 2020)

Supervisory Board

Michał Wnorowski – Chairperson of the Supervisory Board, Member of the Audit Committee
Artur Małek – Member of the Supervisory Board, Chairman of the Audit Committee
Krzysztof Urbanowicz – Member of the Supervisory Board, Member of the Audit Committee
Marek Tatar – Member of the Supervisory Board
Mariusz Matuszewski – Member of the Supervisory Board
Marcin Gołębicki – Member of the Supervisory Board

During the first quarter of 2020 and in the period from the balance sheet date to the date of publication of these consolidated financial statements for the first quarter of 2020, there were no changes in the composition of the Parent Company's Supervisory Board.

On 21 January 2020, the Supervisory Board of the Company resolved to appoint Mr Peter G. Pellerito to the Management Board, entrusting him with the function of the Management Board Member.

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 2019, as well as the Directors' Report on activities of the Medicalgorithmics Capital Group and Medicalgorithmics S.A. in 2019.

Going Concern

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. The going concern assumption includes the current Management Board assessment regarding the development of the SARS-CoV-2 pandemic and its negative impact on the Group's results.

As it was presented in current reports no. 20/2020 and 27/2020 the effects of the SARS-CoV-2 pandemic and related regulatory activities to counteract the spread of the virus will reduce the Group's revenues and will result in worse financial results of the Capital Group in 2020. The largest expected decrease in revenues is expected in the second quarter of 2020 and mainly concerns the US market and will be caused primarily by a decrease in the number of patients undergoing ECG tests using PocketECG technology which will consequently reduce the number of applications for payment from insurers. From March 16, 2020 to April 12, 2020 (equivalent to the following weeks of the year from 12 to 15), Medi-Lynx recorded a 43% decrease in the number of monitoring sessions started compared to the same period last year. As expected, the aforementioned decrease in the number of monitoring sessions started has translated into the number of applications for payment from insurers in the following month. The number of applications for payment from insurers per business day in April 2020 decreased by 35% compared to March 2020.

The data currently held by the Company does not indicate a further deepening of declines - after the initial decrease, the Group records a slow increase in volumes as a result of the process of gradual defrosting of the economy and actions taken by Medi-Lynx. The PocketECG system is promoted as a comprehensive telemedicine platform enabling fully remote diagnostics, without the need for a physical visit to a doctor. Currently, a large part of tests is carried out in a fully remote form - i.e. the device is delivered directly to the patient's home.

Due to the expected decline in revenues, Medi-Lynx has applied for a preferential loan under the CARES Act established by the US Congress. As part of the loan, Medi-Lynx obtained funds in the amount of USD 3.2 million, which, according to the "CARES Act" will be used to finance certain operating activities, mainly to finance salaries. Pursuant to the provisions of the CARES Act, part of the loan, spent under certain conditions on employee remuneration, is non-returnable. The remaining part of the loan will be repaid within 24 months and bears an interest rate of 0.98% per annum.

Additionally, in order to optimally use the working time of people employed in the Medicalgorithmics Group companies, the dimensions of basic working time have been reduced, which will entail lower expenditure on remuneration. The Management Board informs that the introduced change is temporary and results from the adjustment of the demand for performed work to current market conditions.

In the opinion of the Management Board, the decrease in the number of ECG monitoring sessions started is temporary, and the actions taken by companies from the Medicalgorithmics group are aimed at reducing the threat associated with a temporary decline in revenues, while maintaining the ability of companies to quickly restore their original potential. Cash flow projections prepared on the basis of the current estimates of the Management Board regarding the development of the pandemic and its impact on the Group's operations, and taking into account the currently implemented and planned remedial actions show that the Group will have sufficient liquidity to meet its liabilities. At the same time, the Company's Management Board underlines that the unusual nature of the current situation, as well as its dynamic development, it is currently impossible to determine the actual impact of the situation on the future functioning of the market, including the functioning of the entire Capital Group and its future financial results and cash flow position in next 12 months.

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 Medicalgorithmics Polska Sp. z o.o. The functional currency of subsidiaries, Medi-Lynx and MDG HoldCo, is the US dollar ("USD"), and of Medicalgorithmics India Pvt. Ltd – Indian rupee ("INR").

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 gains and losses arising on translation are recognized as finance income (costs), or, where the accounting policies so provide, capitalised in assets. Non-monetary assets and liabilities recognized 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);
- right-of-use assets and finance lease liabilities recognised following the application of IFRS 16 (estimates of the useful life and discount rate used – as described in detail in Note 4.5 hereto);
- 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

The accounting policies applied to prepare these interim condensed consolidated financial statements are consistent with the policies applied to draw up the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2020.

- Amendment to IFRS 3 "Business combinations" – the amendment to IFRS 3 was published on 22 October 2018 and is effective for annual periods beginning on or after 1 January 2020,
- Amendments to IAS 1 and IAS 8: Definition of the term "material" – amendments to IAS 1 and IAS 8 were published on 31 October 2018 and are effective for annual periods beginning on or after 1 January 2020,
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7 – amendments to IFRS 9, IAS 39 and IFRS 7 were published on 26 September 2019 and are effective for annual periods beginning on or after 1 January 2020,
- Amendments in IAS 1 "Presentation of Financial Statements": Classification of liabilities as short and long-term – the change in IAS 1 was published on January 23, 2020 and applies to annual periods beginning on January 1, 2020 or later. The amendment redefines the criteria that must be met in order to be considered as a short-term commitment.

The amendments introduced have been analysed by the Management Board of the Parent Company. The Management Board of the Company believes that other changes do not have a material impact on the Group's financial position, results of operations and scope of disclosures in these interim condensed consolidated financial statements.

The Group did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective. The Management Board is currently assessing the effect of these standards on the Group's financial position, results of operations and the scope of disclosures in the consolidated financial statements, but does not expect any material changes in this respect.

The accounting principles applied are described in the published consolidated financial statements of the Medicalgorithmics Capital Group for 2019.

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 2019.

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 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.

In the reporting period, the Group did not discontinue any operations and no operations are expected to be discontinued in the following period.

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

By type	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Revenue from sales of services	35 033	47 490
Revenue from sales of devices	1 039	1 206
Total revenue	**36 072**	**48 696**

By territory	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Domestic sales	146	278
Export sales	35 926	48 418
Total revenue	**36 072**	**48 696**

7. Employee benefits

	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Remuneration	(26 898)	(24 157)
Social security and other employee benefits	(353)	(660)
	(27 251)	**(24 817)**

8. Amortisation 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). According to the estimates of the Management Board, customer bases will bring economic benefits and will be amortized over a period of 20 years. The cost of amortization in the first quarter of 2020 amounted to PLN 1.6 million and increased by PLN 0.1 million compared to the same period of the previous year. The whole change is the result of an increase in the average dollar exchange rate.

In addition, due to the fact that from the Group's point of view, PocketECG devices used to provide diagnostic services by the Group companies are fixed assets, the production cost of these devices is not recognized once in the costs of raw materials and consumables, but amortized over a period of 3 years, corresponding to the expected cycle devices life. The total cost in this respect in the first quarter of 2020 amounted to PLN 0.5 million (in the comparative period PLN 0.6 million).

Following the application of IFRS 16, the Group recognised right-of-use assets. Right-of-use assets for office space are depreciated overt the lease term, and the depreciation expense in first quarter of 2020 amounted to PLN 1.2 million (in the comparative period PLN 1.3 million).

9. Third-party services

	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Lease and rental	(140)	(542)
Telecommunication and Internet services	(2 037)	(1 370)
IT services	(757)	(509)
Accounting and financial audit services	(531)	(392)
Advisory services	(953)	(2 368)
Transport and courier services	(1 876)	(1 450)
Monitoring services	(569)	(574)
Maintenance services	(391)	(362)
Marketing services	(431)	(743)
Other third-party services	(1 048)	(772)
	(8 733)	**(9 082)**

Explanations of the main changes in individual categories of external services can be found in Note 26 of this report.

10. Effective tax rate

	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Profit/(loss) before tax	(8 082)	5 399
Tax at the tax rate applicable in Poland	1 536	(1 026)
Non-tax-deductible costs	(196)	(129)
Difference between the tax rate in Poland and USA	(529)	(4)
Amortization of goodwill for tax purposes	436	413
Non-taxable revenue	0	100
Other	(99)	154
Tax reported in the statement of comprehensive income	**1 147**	**(492)**

11. Intangible assets

	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 2020	**85 232**	**120 110**	**9 768**	**18 712**	**2 669**	**236 491**
Increases	-	-	-	1 025	18	**1 043**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	7 702	11 035	-	-	62	**18 799**
Gross value as at 31 March 2020	**92 934**	**131 145**	**9 768**	**19 737**	**2 749**	**256 333**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2020	**-**	**18 016**	**6 735**	**-**	**2 022**	**26 773**
Amortization	-	1 639	240	-	67	**1 947**
Foreign exchange differences	-	1 656	-	-	55	**1 710**
Accumulated amortization and impairment losses as at 31 March 2020	**-**	**21 311**	**6 975**	**-**	**2 144**	**30 430**
Net value						
As at 1 January 2020	**85 232**	**102 094**	**3 033**	**18 712**	**647**	**209 717**
As at 31 March 2020	**92 934**	**109 834**	**2 793**	**19 737**	**605**	**225 903**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value as at 1 January 2019	**84 393**	**118 908**	**5 937**	**17 788**	**2 493**	**229 519**
Increases	-	-	3 831	4 755	359	**8 945**
Decreases	-	-	-	(3 831)	(191)	**(4 022)**
Foreign exchange differences	839	1 202	-	-	8	**2 049**
Gross value as at 31 December 2019	**85 232**	**120 110**	**9 768**	**18 712**	**2 669**	**236 491**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2019	**-**	**11 890**	**5 482**	**-**	**1 693**	**19 065**
Amortization	-	6 006	1 253	-	324	**7 583**
Foreign exchange differences	-	120	-	-	5	**125**
Accumulated amortization and impairment losses as at 31 December 2019	**-**	**18 016**	**6 735**	**-**	**2 022**	**26 773**
Net value						
As at 1 January 2019	**84 393**	**107 018**	**455**	**17 788**	**800**	**210 454**
As at 31 December 2019	**85 232**	**102 094**	**3 033**	**18 712**	**647**	**209 717**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value as at 1 January 2019	**84 393**	**118 908**	**5 937**	**17 788**	**2 493**	**229 519**
Increases	-	-	3 831	1 403	88	**5 322**
Decreases	-	-	-	(3 831)	-	**(3 831)**
Foreign exchange differences	1 696	2 429	-	-	18	**4 143**
Gross value as at 31 March 2019	**86 089**	**121 337**	**9 768**	**15 360**	**2 599**	**235 153**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2019	**-**	**11 890**	**5 482**	**-**	**1 693**	**19 065**
Amortization	-	1 517	194	-	112	**1 823**
Foreign exchange differences	-	243	-	-	13	**256**
Accumulated amortization and impairment losses as at 31 March 2019	**-**	**13 650**	**5 676**	**-**	**1 818**	**21 144**
Net value						
As at 1 January 2019	**84 393**	**107 018**	**455**	**17 788**	**800**	**210 454**
As at 31 March 2019	**86 089**	**107 687**	**4 092**	**15 360**	**781**	**214 009**

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 recognised 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 2018, the Parent Company's Management Board did not find any indications of impairment of goodwill.

Goodwill is amortized for tax purposes at the level of the subsidiary, MDG HoldCo (included in the consolidated financial statements). As at 31 March 2020, the remaining tax value of goodwill to be amortized amounts to USD 22,871 thousand.

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. Medicalgorithmics Polska Sp. z o.o.

Company	Acquisition date	Acquired share in net assets	Acquisition price (PLN '000)	Fair value of acquired net assets (PLN ‘000)	Goodwill (PLN '000)
Medicalgorithmics Polska Sp. z o.o.	02.07.2018	100%	167	(599)	766

On 2 July 2018, the Company acquired all shares in Kardiosystem Monitoring sp. z o.o. (currently Medicalgorithmics Polska 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 Medicalgorithmics Polska 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 acquisition of shares in Medicalgorithmics Polska Sp. z o.o. were accounted for in the financial statements for the third quarter of 2018 on the basis of fair value estimates. As at 31 December 2018, the Capital Group adjusted the preliminary amounts recognized in connection with the acquisition of Medicalgorithmics Polska Sp. z o.o. The goodwill determined as at 31 December 2018 amounted to USD 766 thousand.

Goodwill is tested for impairment on an annual basis (or more frequently if there are any indications of impairment). Impairment losses are recognised as an expense in the period and are not reversed in the subsequent period.

c. Medicalgorithmics India Private Limited (formerly: Algotel Solutions Private Limited)

Company	Acquisition date	Acquired share in net assets	Acquisition price (PLN '000)	Fair value of acquired net assets (PLN ‘000)	Gain on a bargain purchase (PLN '000)
Medicalgorithmics India Private Limited	22.01.2019	97%	183	331	139

On 22 January 2019, the Company acquired 97% of new shares in Algotel Solutions Private Limited, based in India. All the new shares were subscribed for the Company against a cash contribution of USD 48,550. The remaining shares (3%) are still held by the founders of Algotel Solutions Private Limited, i.e. Mr Ravi Chandran and Mr Kailas Kumar Springeri. As a result of the aforesaid transaction, the minority interest of PLN 9 thousand was recognized. The Parent Company is in the process of acquiring the remaining shares and will ultimately hold 100% of shares. On 25 June 2019, the company changed its name to Medicalgorithmics India Private Limited.

Following the accounting for the acquisition, in the first quarter of 2019 a gain on a bargain purchase of PLN 139 thousand was recognised in the statement of comprehensive income under other operating revenue. The gain on a bargain purchase was recognized due to the fact that MDG India is at the early stage of its development and requires the operational support of the Parent Company in order to achieve business growth.

The business of the acquired company includes distribution of the PocketECG system in India. Through MDG India, the Group launched its expansion into the prospective Indian market, characterized by a strong sales potential (large population, dynamic economic growth).

Client bases

a. Medi-Lynx's client base (net value at the balance sheet date: USD 10,579 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 at the balance sheet date USD 15,909 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.

Impairment tests

As at 31 December 2019, the Group tested the goodwill recognized on acquisition of subsidiaries and Medi-Lynx and AMI client bases. The tests indicated no need to recognize any impairment losses.

The impairment test was carried out on the basis of calculation of expected cash flows, estimated based on historical performance and expectations concerning the future growth of the market. Cash flow projections for identified cash generating units have been prepared on the basis of assumptions derived from historical experience adjusted to the plans in progress. The assumptions included the expected impact of the SARS-Cov-2 pandemic on the decrease in the number of patients using PocketECG technology in 2020, as well as the assumption regarding the implementation of the change in the business model. Details of the conducted test are presented in Note 15 to the consolidated financial statements for 2019.

Costs of completed development works

As at the balance sheet date, expenditure on development works on the PocketECG system was capitalised by the Company as intangible assets. It is currently the most technologically advanced solution offered by the Company. 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. The Group continues to develop and introduce new functionalities of the PocketECG system to maintain its technological advantage over competitive solutions. 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 programme of the Foundation for Polish Science – Innovator. The project was fully amortised in 2019.

The above development works were carried out in part with co-financing from the European Union funds and were fully amortised in 2019. According to the rules adopted by the Company, 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. Key costs capitalised as development works in progress include the costs of salaries of the R&D staff.
At present, the key development projects are as follows:

- ECG TechBot – software using a set of algorithms for automatic analysis and interpretation of the ECG signal based on deep learning methods.

As part of the ECG Techbot project, the research team continued work on a set of algorithms for automatic analysis and interpretation of ECG signal (algorithms for rhythm analysis, classification of morphology, detection of waves). The ECG TechBot project is supposed to enable to fully automate the verification of ECG test analysis and interpretation. The set of developed algorithms will enable to verify the analysis of cardiac rhythm and morphology classification. This will reduce the risk of human errors in ECG signal analysis verification and optimize the monitoring center operation.
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.

- PatchECG – a device enabling single-channel offline monitoring.

In response to the needs of the US market, the Group decided to complement its offer with the PatchECG device. The device is limited to 1 ECG channel and will be functionally focused mainly on ease of use while providing good quantitative data over 7-14 days. The most common application of the device is in the diagnosis of atrial fibrillation and arrhythmia, for which real-time monitoring is not required and intervention during monitoring is not essential, and for examinations that do not require several ECG channels. The PatchECG device provides a solution which is reimbursed on the US market.

- PocketECG IV – fourth generation Pocket ECG system

In 2020, the Group plans to introduce another version of the PocketECG system, a multi-channel, most advanced diagnostic device for monitoring arrhythmias and ECG changes, to the market. The fourth generation will primarily enable the PocketECG to be connected over the LTE band for more efficient continuous ECG signal transmission.

- PocketECG CRS – device and system for cardiac rehabilitation;

In 2020, the Group continued works on the functional development of the PocketECG CRS remote cardio rehabilitation system. In 2019, the Group received the approval of the Canadian governmental institution for public health care, Health Canada, for the PocketECG CRS system. With the approval, the Group will continue its efforts to commercialize the new system in Canada. In the fourth quarter of 2019, a contract for lending the devices was signed. With respect to PocketECG CRS, the potential of the US, Canadian, Indian and Polish markets will allow the product to be commercialized in the coming periods and generate sufficient cash flows to cover the expenditures incurred.

- PocketECG 12Ch – device and system for remote, instant ECG description (12-channel ECG).

As regards PocketECG 12Ch, the work was suspended at the stage of the YOKE prototype. The development of algorithms continues under the TechBot project, and work on the complete product (hardware and software) will resume after the global version of the device operating in the LTE network has been developed. The launch of commercialization of PocketECG 12Ch is scheduled for 2022. In the opinion of the Management Board, development works will be completed and will produce the expected economic effects.

In addition to the above products, new functionalities of the current PocketECG system continue to be developed to maintain the technological edge over competitive solutions. In first quarter of 2020 the Group continued the process of development work to extend the range of services offered on the US market to include the "Extended Holter" examination while integrating all types of examinations offered into a single PocketECG system. The new service was launched at the beginning of the second quarter of 2020.

12. Property, plant and equipment

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value as at 1 January 2020	**2 470**	**27 280**	**2 188**	**653**	**24 374**	**56 965**
Increases	-	89	-	-	-	**89**
Decreases	(7)	(62)	(33)	-	(114)	**(216)**
Change in inventories	-	(971)	-	-	-	**(971)**
Foreign exchange differences	193	1 646	189	-	1 872	**3 900**
Gross value as at 31 March 2020	**2 656**	**27 982**	**2 344**	**653**	**26 132**	**59 767**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2020	**877**	**15 819**	**1 992**	**266**	**6 305**	**25 259**
Depreciation	75	880	78	16	1 270	**2 319**
Decreases	(2)	(44)	(31)	-	-	**(77)**
Foreign exchange differences	68	1 286	126	-	551	**2 031**
Accumulated depreciation and impairment losses as at 31 March 2020	**1 018**	**17 941**	**2 166**	**282**	**8 126**	**29 532**
Net value						
As at 1 January 2020	**1 593**	**11 460**	**196**	**387**	**18 069**	**31 705**
As at 31 March 2020	**1 638**	**10 041**	**179**	**371**	**18 006**	**30 235**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value as at 1 January 2019	**2 338**	**25 364**	**2 135**	**632**	**24 922**	**55 391**
Increases	278	2 516	337	21	-	**3 152**
Decreases	(165)	(1 441)	(305)	-	(751)	**(2 662)**
Change in inventories	-	670	-	-	-	**670**
Foreign exchange differences	19	171	21	-	203	**414**
Gross value as at 31 December 2019	**2 470**	**27 280**	**2 188**	**653**	24 374	**56 965**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2019	**655**	**13 114**	**1 815**	**200**	**-**	**15 784**
Depreciation	250	4 001	441	66	6 305	**11 063**
Decreases	(33)	(1 415)	(277)	-	-	**(1 725)**
Foreign exchange differences	5	119	13	-	-	**137**
Accumulated depreciation and impairment losses as at 31 December 2019	**877**	**15 819**	**1 992**	**266**	**6 305**	**25 259**
Net value						
As at 1 January 2019	**1 683**	**12 250**	**320**	**432**	**24 922**	**39 607**
As at 31 December 2019	**1 593**	**11 460**	**196**	**387**	**18 069**	**31 705**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value as at 1 January 2019	**2 338**	**25 364**	**2 135**	**632**	**25 334**	**55 803**
Increases	120	1 691	496	16	-	**2 323**
Decreases	(384)	-	-	-	-	**(384)**
Change in inventories	-	1 572	-	-	-	**1 572**
Foreign exchange differences	48	346	33	-	-	**427**
Gross value as at 31 March 2019	**2 122**	**28 973**	**2 664**	**648**	**25 334**	**59 741**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2019	**655**	**13 114**	**1 815**	**200**	**-**	**15 784**
Depreciation	56	987	100	16	1 335	**2 494**
Foreign exchange differences	10	243	28	-	-	**281**
Accumulated depreciation and impairment losses as at 31 March 2019	**721**	**14 344**	**1 943**	**216**	**1 335**	**18 559**
Net value						
As at 1 January 2019	**1 683**	**12 250**	**320**	**432**	**25 334**	**40 019**
As at 31 March 2019	**1 401**	**14 629**	**721**	**432**	**23 999**	**41 182**

Recognition of PocketECG devices at the consolidated level

From the Group's point of view, PocketECG devices used to provide diagnostic services by the Group companies meet the definition of fixed assets and are presented in the consolidated financial statements in fixed assets (in the category Machinery and equipment). Components for the production of these devices, which at the Parent Entity level are recognized as inventories, from the point of view of the Capital Group are fixed assets under construction and are recognized in the Machinery and equipment category. The value of fixed assets under construction was PLN 4,787 thousand as at 31 March 2020 (PLN 5,758 thousand as at 31 December 2019 and PLN 6,659 thousand as at 31 March 2019).

13. Financial assets

	31.03.2020	31.12.2019	31.03.2019
Investment certificates	-	-	5 920
Shares	200	200	200
Financial assets	**200**	**200**	**6 120**
of which long-term portion	200	200	200
of which short-term portion	-	-	5 920

Investment certificates

On 11 April 2019, all certificates held by the Group, with the total value of PLN 5,942 thousand, were redeemed.

14. Trade and other receivables

	31.03.2020	31.12.2020	31.03.2019
Trade receivables	23 498	21 303	21 265
Budgetary receivables	764	1 236	1 577
Other receivables	126	100	106
Prepayments and deferred expenses	3 225	2 611	2 318
	27 613	**25 250**	**25 266**
Long-term	-	-	-
Short-term	27 613	25 250	25 266

The fair value of receivables approximates their book value. As at 31 March 2020, the total value of past due trade receivables for which no impairment losses were recognized amounts to PLN 9,812 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, impairment losses are recognised for all outstanding receivables. According to the accounting policy, the impairment loss on estimated payments from insurers is deducted directly from the amount of revenue from sales of medical services.

15. Cash and cash equivalents

	31.03.2020	31.12.2019	31.03.2019
Cash in hand	8	8	11
Cash at banks	5 843	10 721	48 268
Cash in transit	9	1	-
Short-term deposits	421	420	15 074
	6 271	**11 150**	**63 353**

16. Shareholding structure of the Parent Company

Shareholder	Number of shares as at 26 May 2020	% ownership interest	Number of votes	% of total voting rights	Change in the period from 29 April 2020 to 26 May 2020
Funds managed by NN PTE, including NN OFE	540 586	12,49%	540 586	12,49%	unchanged
Marek Dziubiński (President of the Management Board)	480 000	11,09%	480 000	11,09%	unchanged
OFE PZU	472 000	10,91%	472 000	10,91%	unchanged
Caravan Capital	478 438	11,05%	478 438	11,05%	+ 249 393
Other shareholders	2 356 805	54,46%	2 356 805	54,46%	- 249 393
Number of shares	**4 327 829**	**100,00%**	**4 327 829**	**100,00%**	

On 7 January 2020, the Extraordinary General Meeting resolved to increase the share capital of the Company through the issue of new Series G ordinary bearer shares. The capital increase was registered by the District Court for the capital city Warsaw in Warsaw on 6 April 2020. For more information on the issue of shares, see Note 33 to the consolidated financial statements for 2019.

17. Basic and diluted earnings per share

	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Profit/(loss) for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	(3 265)	4 467
Weighted average number of ordinary shares (in thousands of shares)	3 607	3 607
Basic profit/(loss) per share in PLN (net profit/(loss) /weighted average number of shares)	**(0,91)**	**1,24**
Diluted profit/(loss) per share in PLN (net profit/(loss) /weighted average number of diluted shares)	**(0,91)**	**1,24**

18. Credits and loans

	31.03.2020	31.12.2019	31.03.2019
Credit card debt	(10)	12	42
Liabilities in respect of credits and loans	11 686	12 890	273
	11 676	**12 902**	**315**
of which long-term	8 576	9 845	200
of which short-term	3 100	3 057	115

On 18 April 2019, a working capital facility contracted by the Company with Bank Millennium S.A. in the amount of PLN 19,000 thousand was disbursed. The facility was taken out to partially finance redemption of series A bearer bonds issued by the Company in 2016. On 11 February 2020, an annex to the working capital loan agreement was signed, according to which the final repayment date is 11 July 2022.The interest rate is the sum of the 3M WIBOR reference rate and the Bank's margin. The facility was disbursed after the Company complied with all terms and conditions for opening the facility stipulated in the facility agreement on 18 April 2019.

19. Liabilities in respect of bonds and other financial liabilities

	31.03.2020	31.12.2019	31.03.2019
Liabilities in respect of bonds	-	-	51 199
Liabilities arising from acquisition of shares in Medi-Lynx	8 580	7 783	15 874
Finance lease liabilities	19 859	19 626	24 242
Financial liabilities	**28 439**	**27 409**	**91 315**
of which long-term	14 373	14 394	19 429
of which short-term	14 066	13 015	71 886

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 was 3 years. Their redemption date was 21 April 2019. The bonds bore interest at a variable rate. The interest rate was 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 was due on a semi-annual basis.

On 19 April 2019, the amount of PLN 50,000 thousand was deposited to the account of the Krajowy Depozyt Papierów Wartościowych S.A. (the Central Securities Depository of Poland – “KDPW”), for the redemption of all bonds. The deadline for redemption of the Bonds was 21 April 2019. The funds were transferred by KDPW to bank accounts of direct participants on the first business day following the redemption date, i.e. 23 April 2019. The participants transferred the funds received to the accounts of eligible bondholders.

The redemption of the bonds was financed partially with own funds (PLN 31,000 thousand) and a working capital facility contracted by the Company (PLN 19,000 thousand). For details of borrowings contracted, see Note 18.

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 31 March 2020, the outstanding amount is USD 1,990 thousand. On 13 January 2020, an annex changing the date of repayment of the final instalment of the liability towards the seller of shares in Medi-Lynx Cardiac Monitoring, LLC to 30 September 2020 was signed. As at the balance sheet date, interest accrued amounts to USD 80 thousand. 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 the last instalment of liability arising from the acquisition of Medi-Lynx, payable on 30 September 2020.

Lease liabilities corresponding to right-of-use assets recognised (IFRS 16)

Following the application of the IFRS 16, the Group, as a lessee, recognised lease liabilities measured at the present value of the outstanding lease payments and recognised the right-of-use assets at the amount equal to the lease liabilities.

20. Trade and other liabilities, accruals and deferred income

	31.03.2020	31.12.2019	31.03.2019
Trade liabilities to other entities	3 821	2 061	4 090
Salaries and wages payable	7 512	5 663	6 008
Budgetary liabilities	1 323	1 442	1 096
Other liabilities	85	278	24
	12 741	**9 444**	**11 218**
Income tax liabilities	24	54	287

Accruals and deferred income

	31.03.2020	31.12.2019	31.03.2019
Subsidies	1 076	1 026	754
Other	2 789	2 339	1 986
	3 865	**3 365**	**2 740**
of which long-term	1 076	1 026	518
of which short-term	2 789	2 339	2 222

21. Seasonal and cyclical changes

Both operations of the Parent Company and subsidiaries of the Medicalgorithmics Capital Group are not subject to seasonality or cyclicality. 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

On 7 January 2020, the Extraordinary General Meeting resolved to increase the share capital of the Company through the issue of new Series G ordinary bearer shares. On 20 January 2020, a decision was taken to launch the public offering through private placement. The book building process was carried out on 20-23 January 2020 and the share subscription agreements were executed by 29 January 2020. 721,303 Series G shares were issued at an issue price of PLN 18.25 and nominal value of PLN 0.10 per share. The total value of the issue was PLN 13,2 million. The capital increase was registered by the District Court for the capital city Warsaw in Warsaw on 6 April 2020. For more information on the share issue, see current reports 7/2020–15/2020, 22/2020 and 29/2020.

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 29 April 2020 to 26 May 2020
Marek Dziubiński	President of the Management Board	480 000	-	Unchanged
Maksymilian Sztandera	CFO, Member of the Management Board	-	-	Unchanged
Peter G. Pellerito	Member of the Management Board	-	-	Unchanged
Michał Wnorowski	Chairperson of the Supervisory Board	-	-	Unchanged
Artur Małek	Member of the Supervisory Board	-	-	Unchanged
Marek Tatar	Member of the Supervisory Board	-	-	Unchanged
Krzysztof Urbanowicz	Member of the Supervisory Board	-	-	Unchanged
Mariusz Matuszewski	Member of the Supervisory Board	-	-	Unchanged
Marcin Gołębicki	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

In the period from 1 January 2020 to 31 March 2020 the Company did not declare nor pay any dividend.

25. Transactions with executives

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

	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Remuneration of the Management Board Members	240	217
Remuneration of the Supervisory Board	112	98

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 generated by Medi-Lynx, MDG Polska and MDG India;
- subscription revenue generated by Medicalgorithmics S.A. from cooperation with strategic partners, excluding Medi-Lynx and other subsidiaries;
- revenue from sales of PocketECG devices, excluding Medi-Lynx and other subsidiaries.

Medi-Lynx revenue are derived from the number of diagnostic services performed over a given period and the price for such services (in the case of "in-network" insurers) or the average amount of payments received for a given procedure (in the case of "out-of-network" 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 31 March 2020 and 2019.

	01.01.2020-31.03.2020	01.01.2019-31.03.2019	Change	Change %
Sales revenue	36 072	48 696	(12 624)	(26%)
Operating expenses	44 630	43 030	1 600	4%
Profit/(loss) on sales	(8 558)	5 666	(14 224)	(251%)
Other operating revenue/(expenses), net	(60)	593	(653)	(110%)
Operating profit/(loss)	(8 618)	6 259	(14 877)	(238%)
Net finance costs	536	(860)	1 396	(162%)
Profit/(loss) before tax	(8 082)	5 399	(13 480)	(250%)
Net profit/(loss), *of which*:	**(6 935)**	**4 907**	**(11 842)**	**(241%)**
Net profit/(loss) attributable to Shareholders of the Parent Company	(3 265)	4 467	(7 732)	(173%)
Net profit/(loss) attributable to non-controlling interests	(3 670)	440	(4 110)	(935%)
EBITDA	(4 569)	10 446	(15 015)	(144%)

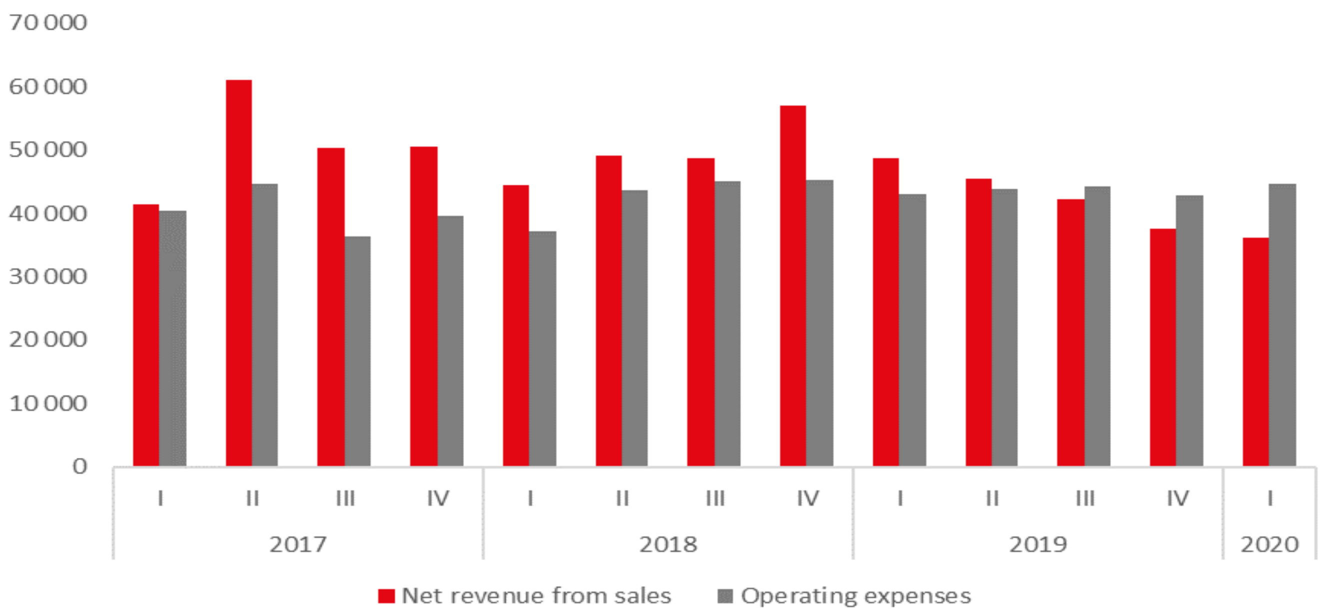
Sales revenue

In the first quarter of 2020, the Capital Group's revenues amounted to PLN 36.1 million and decreased by 26% compared to the same period of 2019. This decrease is caused by worse sales results of Medi-Lynx, resulting from a 10% decrease in volume and a decrease in average rates for individual types of research.

The decrease in average rates compared to the first quarter of 2019 is due to a decrease in reimbursement rates for Medi-Lynx services used for settlements with the clients of some insurers using the Multiplan network (more details in Current Report No. 5/2019), and to a large extent due to a change in the business model, under which long-term contracts with insurers are signed and fixed rates are contracted. In line with previous assumptions, the process of changing the business model from "out-of network" to "in-network" translates into lower rates for research, but it is expected that it will significantly increase the volume of research in the long run.

The total impact of the factors described above translated into a decrease in the Group's revenues in real terms (without the impact of the USD/PLN exchange rate) by PLN 15.3 million compared to the first quarter of 2019. As a result of the increase in the USD/PLN exchange rate, this decrease was offset by PLN 1.7 million. Additionally, an increase in revenues to unrelated entities in the Parent Entity (PLN +0.7 million) and in Medicalgorithmics India (+ 0.2 million PLN) was recorded. Sales revenues of Medicalgorithmics Polska Sp. z o.o. remained at a similar level compared to the first quarter of 2019.

Chart 1. The Group's revenue from sales and operating expenses in particular quarters of 2017-2020 (PLN '000)



In the reporting period, the Group earned all of its revenue from the sales of PocketECG system that comprised of the revenue from sales of services in the amount of PLN 35.0 million (PLN 47.5 million in 2019), representing 97% of total revenue and revenue from sales of devices to not-related companies in the amount of PLN 1.0 million (PLN 1.2 million in 2019). The vast majority of revenue, as in the previous years, was received in US dollars.

Despite the restrictions imposed in the second half of March 2020 related to the SARS-CoV-2 pandemic, on a quarterly basis Medi-Lynx achieved a slight increase in the volume of services provided (+1%) compared to the fourth quarter of 2019. On the other hand, there was an unfavorable change in the sales product mix and the share of high-paid tests in favor of tests with a lower refund level decreased. In addition, decrease in collection rate for test was observed as compared to the previous quarter, which results to a large extent from the specificity of the medical services market in the US. A part of private insurers in the United States applies the model of the co-financing of provided medical services by the patient. In such a model the patient is obliged to participate in a part of the service cost up to a certain amount, the outstanding amount is covered entirely by the insurer. Due to the fact that from the point of view of Medi-Lynx as a service provider, the own contribution from patients is not as recoverable as receivables from insurers, the average rate for an test in the first quarter is burdened each year with the effect of such a medical service financing model. As a result of the factors described above, the Group's revenues decreased by PLN 1.5 million compared to the fourth quarter of 2019.

Operating expenses

	01.01.2020-31.03.2020	01.01.2019-31.03.2019	Change	Change %
Raw materials and consumables used	3 154	3 056	98	3%
Employee benefits	27 251	24 817	2 433	10%
Amortization and depreciation	4 049	4 187	(138)	(3%)
External services	8 733	9 082	(349)	(4%)
Other	1 443	1 888	(445)	(24%)
TOTAL:	**44 630**	**43 030**	**1 600**	**4%**

Raw materials and consumables used

The costs of raw materials and consumables used increased by 3% as compared to first quarter of 2019. This change was primarily attributable to an increase in the average USD/PLN exchange rate (+5%) while the costs of raw materials and consumables of individual Group companies remained in real terms at a similar level as compared to the same period of the previous year.

Employee benefits

Costs of employee benefits increased by approximately PLN 2.4 million (+10%) as compared to first quarter of 2019. The change is primarily attributable to the following factors:

(1) increase in employment costs in Medi-Lynx (PLN 1.8 million) – mainly as a result of reorganization of the company's sales functions as well as transferring the Group's marketing activities from Medicalgorithmics S.A. to Medi-Lynx.

(2) a change in the average USD exchange rate which translated into an increase in costs by approximately PLN 1.3 million.

(3) costs of employee benefits at the Parent Company declined by approx. PLN 0.7 million.

The costs of employee benefits represent the most significant item in the structure of the Group's operating expenses (61%). 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 subsidiaries, where, among others, ECG technicians and sales and customer service specialists are employed, the operations are based on human capital.

Amortisation and depreciation

In the period ended 31 March 2020, depreciation and amortization expenses decreased by PLN 0.1 million (+3%) year on year, and currently represent more than 9% 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 1.6 million in the reporting period and increased by about PLN 0.1 million year on year. The change is attributable exclusively to an increase in the average USD exchange rate.

In addition, due to the fact that from the Group's point of view, PocketECG devices used to provide diagnostic services by the Group companies are fixed assets, the production cost of these devices is not recognized once in the costs of raw materials and consumables, but amortized over a period of 3 years, corresponding to the expected devices' life cycle . The total cost in this respect in the first quarter of 2020 amounted to PLN 0.5 million (in the comparative period PLN 0.6 million).

Following the application of IFRS 16, the Group recognised right-of-use assets. Right-of-use assets for office space are depreciated over the lease term, and the depreciation expense for these assets in first quarter of 2020 amounted to PLN 1.2 million (PLN 1.3 million in the corresponding period).

Third-party services

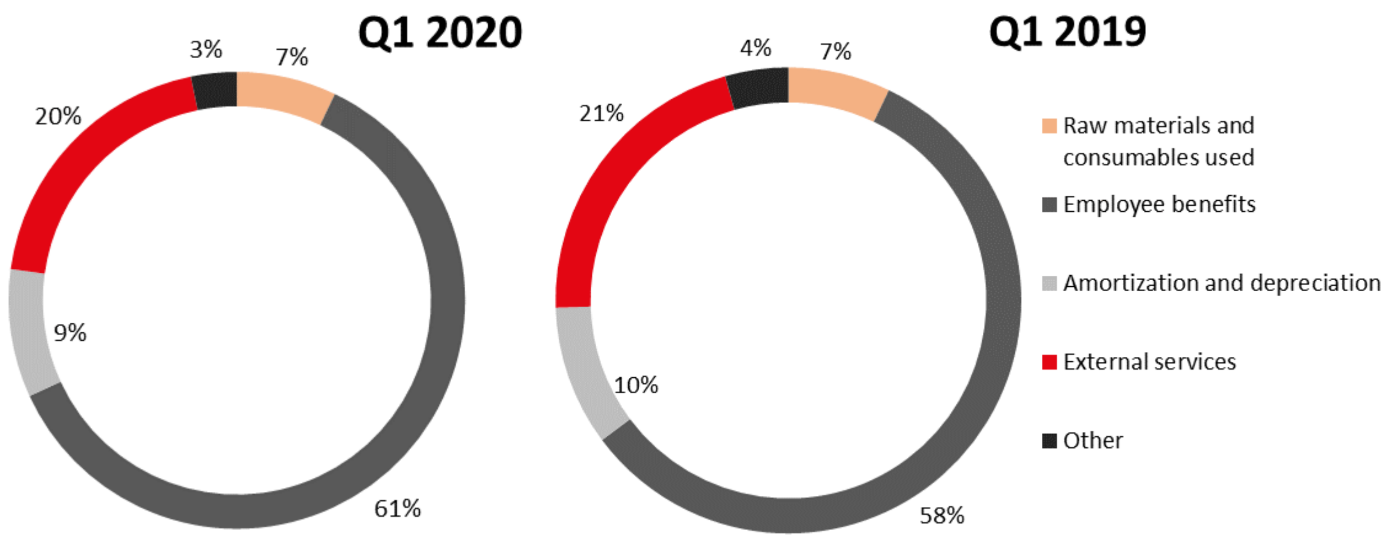
Third-party services account for nearly 20% of the Group's operating expenses, and their amount decreased by 4% year on year to PLN 8.7 million. The key items of costs of third-party services include: telecommunications and Internet services, courier and transport services, as well as advisory and marketing services. The table in Note 9 hereto presents in detail the structure of costs of third-party services in the reporting period and in the corresponding period

Comparing the first quarter of 2020 with the corresponding period of 2019, a significant decrease in advisory and legal costs is visible. In 2019 Group incurred significant costs in connection with cooperation with external consultants and law firms with respect to the implementation of the new business model. Due to the pandemic situation, the annual scientific conference organized by the Heart Rhythm Society (HRS) was canceled, therefore the marketing costs incurred by the Group decreased in the analyzed period.

On the other hand, in the first quarter of 2020, the Group continued the implementation of the new IT system (XiFin), which was started in the second half of 2019. This translated into an increase in the costs of telecommunications and Internet services compared to the first quarter of 2019. Furthermore, the Group incurred significantly higher costs of transport and courier services. The cost level was negatively affected by an increase in the average USD/PLN exchange rate.

In the first quarter of 2020, as well as in the comparative period, a significant part of the cost of lease and rental was the cloud storage service, which is not subject to transformation in accordance with IFRS 16. In addition, the rent and lease category includes also operating expenses related to the rent of office space and the cost of renting low-value office equipment.

Chart 2. Structure of operating expenses in the period from 1 January to 31 March 2020 and 2019 (in %)



Asset and financial position

As at 31 March 2020, total assets amounted to PLN 299.2 million which represents an increase by PLN 15.9 million (or +6%) from 31 December 2019. The significant increase in the balance sheet value is primarily due to the increase of USD/PLN exchange rate compared to 31 December 2019 (+9%).

As at the balance sheet date, total non-current assets amounted to PLN 265.3 million and accounted for 89% of total assets. The most significant item of non-current assets were intangible assets, including client bases (PLN 109.8 million), goodwill recognized on the acquisition of related entities (PLN 92.9 million) and expenditure on research activities (PLN 22.5 million). Non-current assets increased by PLN 18.5 million (+7%) as compared to 31 December 2019 what resulted mainly from increase in intangible assets value caused by an increase in the average USD/PLN exchange rate (+17.1 million) and expenditure on research activities incurred (+1.0 million).

As at 31 March 2020, current assets amounted to PLN 33.9 million which represents a decrease by PLN 2.5 million (or -7%) from 31 December 2019. Current assets accounted for 14% of total assets. Current assets comprise cash (19%) and trade receivables (81%).

As at 31 March 2020, equity attributable to Shareholders of the Parent Company amounted to PLN 206.7 million, having increased by PLN 10.9 million (or +6%) from 31 December 2019. Equity account for 69% of total assets. The change in equity attributable to Shareholders of the Parent Company was driven by the net loss incurred in the current reporting period (PLN -3.3 million) and foreign exchange gains resulting from a increase in the USD exchange rate (PLN +14.2 million). The equity of minority shareholders decreased by PLN 1.2 million mainly as a result of the loss suffered by Medi-Lynx, partly offset by exchange differences resulting from the increase in USD/PLN exchange rate.

As at the balance sheet date, long-term liabilities stood at PLN 32.0 million (11% of total assets), and comprised mainly financial liabilities (PLN 14.4 million). Long-term liabilities increased by PLN 1.4 million (+5%) as compared to 31 December 2019, mainly due to increase in deferred tax asset (PLN +2.2 million). This increase was offset by partial repayment of the credit facility (PLN -1.3 million).

As at the balance sheet date, short-term liabilities amounted to PLN 32.7 million (11% of total assets). The most significant components of short-term liabilities were financial liabilities which included liabilities arising from the acquisition of shares in Medi-Lynx (PLN 8.6 million) and finance lease liabilities (PLN 5.5 million). Short-term liabilities increased by PLN 4.8 million (+17%) from 31 December 2019 mainly as a result of increase in trade liabilities by 3.3 million (+35%).

27. Factors and events, including non-recurring ones, with material bearing on the interim 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

Medicalgorithmics 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 31 March 2020, the outstanding amount is USD 1,990 thousand. On the first quarter of 2020 an annex was signed changing the date of repayment of the last installment to 30 September 2020. As at the balance sheet date, the value of accrued interest is USD 80 thousand. Liabilities bear interest at a fixed interest rate.

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

The Management Board monitors the risk of difficulties in the Capital Group meeting its obligations related to the implementation of its obligations. In line with the assumptions regarding the change in the business model, after a temporary drop in sales revenues and operating cash flows, the Group expected an increase in the volume of medical tests provided and an improvement in cash flow. In order to provide adequate funds for the development of the Group and current operations during the transitional period, a decision was made to obtain additional financing through the issue of new series G ordinary bearer shares. The total value of the issue carried out in the first quarter of 2020 amounted to PLN 13.2 million (more details in note 22). However, due to the onset of the pandemic, the Group's performance and situation has deteriorated significantly. The Management Board has taken a number of actions to overcome this crisis and return to normal business operations. Medi-Lynx obtained funds under the loan in the amount of USD 3.2 million, which, according to the provisions of the "CARES Act" will be used to finance certain operating activities, mainly to finance salaries. Annexes have been signed to extend the repayment terms of liabilities towards the seller of Medi-Lynx Cardiac Monitoring shares and a bank loan. In addition, in order to optimally use the working time of persons employed in the Medicalgorithmics Group companies, the dimensions of basic working time have been reduced, which will entail lower expenditure on remuneration. The change is temporary and results from adjusting the demand for work to current market conditions. At the same time, intensive reorganization work is underway to improve efficiency and further optimize costs.

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

In the opinion of the Management Board, effects of the SARS-COV-2 pandemic and related regulatory activities to counteract the spread of the virus will reduce the Group's revenues and will result in worse financial results of the Capital Group in 2020. The largest expected decrease in revenues is expected in the second quarter of 2020 and mainly concerns the US market and will be caused primarily by a decrease in the number of patients undergoing ECG tests using PocketECG technology which will consequently reduce the number of applications for payment from insurers. From 16 March 2020 to 12 April 2020 (equivalent to the following weeks of the year from 12 to 15), Medi-Lynx recorded a 43% decrease in the number of monitoring sessions started compared to the same period last year. As expected, the aforementioned decrease in the number of monitoring sessions started has translated into the number of applications for payment from insurers in the following month. The number of applications for payment from insurers per business day in April 2020 decreased by 35% compared to March 2020.

The data currently held by the Company does not indicate a further deepening of declines - after the initial decrease, the Group records a slow increase in volumes as a result of the process of gradual defrosting of the economy and actions taken by Medi-Lynx. The PocketECG system is promoted as a comprehensive telemedicine platform enabling fully remote diagnostics, without the need for a physical visit to a doctor. Currently, a large part of research is carried out in a fully remote form - i.e. the device is delivered directly to the patient's home.

In the opinion of the Management Board, the decrease in the number of ECG monitoring sessions started is temporary, and the actions taken by companies from the Medicalgorithmics group are aimed at reducing the threat associated with a temporary decline in revenues, while maintaining the ability of companies to quickly restore their original potential.

At the same time, the Company's Management Board underlines that the unusual nature of the current situation, as well as its dynamic development, including the introduction of regulatory regulations, it is currently impossible to determine the actual impact of the situation on the future functioning of the market, including the functioning of the entire Capital Group, including The Company, and its future financial results.

In the opinion of the Management Board, another important factor contributing to the Group's performance over the next year is the implementation of objectives of the business model. Currently, the Group is in the second phase of changing the business model in the USA, which it plans to complete by the end of 2020. As previously assumed, the process of changing the business model translated into lower average examination rates and lower revenue for the Group. In the long run, after pandemic period, the Group expects the new model to have a positive impact on its financial performance. The new model means lower rates for services, but allows to increase the volume because it makes it much easier for customers to cooperate with the Group. However, it should be emphasized that there is a risk that despite the measures taken, the Management Board's projections will not met and the sales volume will not increase.

Moreover, there are also certain other factors, both internal and external, that will directly or indirectly affect the Group's financial results in the next year. The most important of them include:

- revision of medical examinations prices and payments for the procedure received from “in-network” insurers by the subsidiary, Medi-Lynx;
- decrease in average amount of payments received for Medi-Lynx services used in settlements with “out-of-network” insurers;
- 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;
- growth of cardiac diagnostics sector in countries where the Group's products are sold and level of reimbursement for services provided with PocketECG devices;
- movements in exchange rates of the currencies of countries where the Group operates.

The Capital Group is also exposed to various types of risk associated with its operations and environment, and these may have an impact on the performance of its strategic tasks and objectives. These risks were described in detail in the Consolidated financial statements for 2019 as well as the Directors’ Report on activities of the Medicalgorithmics Capital Group and the Directors’ Report on activities of Medicalgorithmics in 2019.

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’s liabilities or receivables, the value of which would constitute, individually or jointly, at least 10% of the Parent’s equity.

33. Events after the balance sheet date

On 6 April 2020, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered in the register of entrepreneurs the increase in the Company's share capital from PLN 360,652.60 to PLN 432,782.90. The shareholding structure as at the date of publication of the report is presented in note 20 of this report. For more information on the share issue, see current reports 7/2020–15/2020, 22/2020 and 29/2020. The proceeds from the SPO were received by the Company in the first half of April 2020.

On 7 April 2020, the Company received an individual ruling on the tax law provisions regarding corporate income tax and issues related to preferential taxation of income generated by intellectual property rights, the so-called IP BOX preference. In the issued individual ruling, the Director of the National Revenue Information System fully agreed with the position presented in the Company’s application regarding the first question that the charges for the service presented according to the described facts constitute the income from the qualified intellectual property right included in the sale price of the service, thereby qualifying for the IP BOX preferences and taxation based on art. 24d of Corporate Income Tax Act 5% income tax rate. This individual ruling applies to revenues generated in 2019 as well as revenues that will be recognized in subsequent years. Preliminary estimates assume that the application of the preferential rate to qualifying income will translate into a reduction in the tax burden for 2019 by approximately PLN 600 thousand. More information on this subject is presented in current report no. 23/2020.

Due to the spread of SARS-CoV-2 and the expected decline in revenues (for more information please refer to note 31 hereto), Medi-Lynx has applied for a preferential loan under the CARES Act established by the US Congress. As part of the loan, Medi-Lynx obtained funds in the amount of USD 3.2 million, which, according to the “CARES Act” will be used to finance certain operating activities, mainly to finance salaries. Pursuant to the provisions of the CARES Act, part of the loan, spent under certain conditions on employee remuneration, is non-returnable. The remaining part of the loan will be repaid within 24 months and bears an interest rate of 0.98% per annum. Under the CARES Act, Medi-Lynx received also non-returnable support for health care companies in the amount of USD 1 million. In addition, to support the current liquidity of Medi-Lynx, the Medicare public insurer paid USD 2.7 million in the form of an advance payment on services. This amount is to be settled with the amounts due for tests rendered to Medicare over a period of 210 days. After this date, the remaining balance will be refunded to Medicare. Proceeds from the loan, non-returnable support and advance payment from Medicare were received by Medi-Lynx in April 2020.

Additionally, in order to optimally use the working time of people employed in the Medicalgorithmics Group companies, the dimensions of basic working time have been reduced, which will entail lower expenditure on remuneration. The Management Board informs that the introduced change is temporary and results from the adjustment of the demand for performed work to current market conditions.

In the opinion of the Management Board, the decrease in the number of ECG monitoring sessions started is temporary, and the actions taken by companies from the Medicalgorithmics group are aimed at reducing the threat associated with a temporary decline in revenues, while maintaining the ability of companies to quickly restore their original potential.

At the same time, the Company's Management Board underlines that the unusual nature of the current situation, as well as its dynamic development, including the introduction of regulatory regulations, it is currently impossible to determine the actual impact of the situation on the future functioning of the market, including the functioning of the entire Capital Group, including The Company, and its future financial results.

On 18 May 2020, the Company received a notification from Caravan Capital Management, LLC with its registered office in Tacoma, Washington, USA, representing shareholders MIRI Strategic Emerging Markets Fund LP and The Kenneth Rainin Foundation ("Shareholders"). Caravan Capital Management LLC informed the Company that after the purchase Shareholders holds 478 438 of the Company shares, which constitutes 11,05 % of the share capital and 478 438 votes from the shares held, constituting 11,05 % of the total number of votes.

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	
	31.03.2020	**31.12.2019**	**31.03.2020**	**31.12.2019**
Statement of financial position	***(unaudited)***	***(audited)***	***(unaudited)***	***(audited)***
Non-current assets	194 718	188 684	42 774	44 308
Current assets	22 503	17 429	4 943	4 093
Intangible assets	23 029	22 287	5 059	5 234
Long-term financial assets	69 973	64 021	15 371	15 034
Short-term receivables	16 480	9 684	3 620	2 274
Cash and cash equivalents	1 236	1 987	272	467
Equity	194 677	183 674	42 764	43 131
Share capital	361	361	79	85
Short-term liabilities	5 973	5 934	1 312	1 393
Long-term liabilities	16 571	16 505	3 640	3 876
Number of shares	3 606 526	3 606 526	3 606 526	3 606 526
Book value per ordinary share (PLN/EUR)	53,98	50,93	11,86	11,96

	01.01.2020-31.03.2020	**01.01.2019-31.03.2019**	**01.01.2020-31.03.2020**	**01.01.2019-31.03.2019**
Statement of comprehensive income	***(unaudited)***	***(unaudited)***	***(unaudited)***	***(unaudited)***
Sales revenue	13 449	13 373	3 059	3 112
Profit on sales	6 073	3 951	1 381	919
Operating profit	6 060	4 444	1 378	1 034
Profit before tax	13 467	6 289	3 063	1 463
Net profit	11 003	5 038	2 503	1 172
Earnings per ordinary share (PLN/EUR)	3,05	1,40	0,69	0,32

	01.01.2020-31.03.2020	**01.01.2019-31.03.2019**	**01.01.2020-31.03.2020**	**01.01.2019-31.03.2019**
Statement of cash flows	***(unaudited)***	***(unaudited)***	***(unaudited)***	***(unaudited)***
Net cash flows from operating activities	1 091	3 212	248	747
Net cash flows from investing activities	(372)	(1 854)	(85)	(431)
Net cash flows from financing activities	(1 470)	(136)	(334)	(32)
Total net cash flows	(751)	1 222	(171)	284

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 31 March 2020, i.e. EUR/PLN 4.5523, and for 31 December 2019, i.e. EUR/PLN 4.2585;
- The presented selected items of the statement of comprehensive income and the statement of cash flows were converted based on the arithmetic mean of the mid-rates quoted by the NBP for the last day of each month of the financial period from 1 January 2020 to 31 March 2020, i.e. EUR/PLN 4.3963, and from 1 January 2019 to 31 March 2019, i.e. EUR/PLN 4.2978.

		31.03.2020 *(unaudited)*	31.12.2019 *(audited)*	31.03.2019 *(unaudited)*
Intangible assets		23 029	22 287	20 044
Property plant and equipment		4 879	5 327	6 506
Financial assets	35	69 973	64 021	62 422
Shares in subsidiaries	36	96 221	96 221	96 221
Deferred income tax assets		616	828	1 476
Non-current assets		**194 718**	**188 684**	**186 669**
Inventories		4 787	5 758	6 659
Trade and other receivables	37	16 480	9 684	7 753
Financial assets	35	-	-	18 199
Cash and cash equivalents		1 236	1 987	16 972
Current assets		**22 503**	**17 429**	**49 583**
TOTAL ASSETS		**217 221**	**206 113**	**236 252**

		31.03.2020 *(unaudited)*	31.12.2019 *(audited)*	31.03.2019 *(unaudited)*
Share capital		361	361	361
Supplementary capital		166 719	166 719	155 394
Retained earnings		27 597	16 594	16 363
Equity		**194 677**	**183 674**	**172 118**
Credits and loans		8 444	9 698	-
Provisions		744	716	917
Deferred tax liabilities		3 562	2 409	1 829
Liabilities in respect of bonds and other financial liabilities	39	2 745	2 656	3 502
Other liabilities		-	-	80
Accruals and deferred income		1 076	1 026	518
Long-term liabilities		**16 571**	**16 505**	**6 846**
Credits and loans		3 025	2 981	42
Liabilities in respect of bonds and other financial liabilities	39	831	1 042	52 207
Trade and other liabilities	40	2 117	1 911	4 803
Accruals and deferred income		-	-	236
Short-term liabilities		**5 973**	**5 934**	**57 288**
Total liabilities		**22 544**	**22 439**	**64 134**
TOTAL EQUITY AND LIABILITIES		**217 221**	**206 113**	**236 252**

		01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*
Sales revenue	34	**13 449**	**13 373**
Raw materials and consumables used		(1 980)	(3 013)
Employee benefits		(2 942)	(3 667)
Amortization and depreciation		(616)	(610)
Third-party services		(1 725)	(1 864)
Other		(113)	(268)
Total costs of sales		**(7 376)**	**(9 422)**
Profit on sales		**6 073**	**3 951**
Other operating revenue		1	524
Other operating expenses		(14)	(31)
Operating profit		**6 060**	**4 444**
Finance income		7 530	2 574
Finance costs		(123)	(729)
Net finance income		**7 407**	**1 845**
Profit before tax		**13 467**	**6 289**
Income tax		(2 464)	(1 251)
Net profit from continuing operations		**11 003**	**5 038**
Other net comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		**11 003**	**5 038**
Basic profit per share in PLN		3,05	1,40
Diluted profit per share in PLN		3,05	1,40

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2020 (*audited)*	**361**	**166 719**	**16 594**	**183 674**
Comprehensive income for the reporting period				
Net profit for the current reporting period	-	-	11 003	11 003
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as at 31 March 2020 *(unaudited)*	**361**	**166 719**	**27 597**	**194 677**

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2019 (*audited)*	**361**	**155 394**	**11 325**	**167 080**
Comprehensive income for the reporting period				
Net profit for the previous reporting period	-	11 325	(11 325)	-
Net profit for the current reporting period	-	-	16 594	16 594
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as at 31 December 2019 *(audited)*	**361**	**166 719**	**16 594**	**183 674**

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2019 (*audited)*	**361**	**155 394**	**11 325**	**167 080**
Comprehensive income for the reporting period				
Net profit for the current reporting period	-	-	5 038	5 038
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as at 31 March 2019 *(unaudited)*	**361**	**155 394**	**16 363**	**172 118**

Cash flows from operating activities	01.01.2020-31.03.2020 *(unaudited)*	01.01.2019-31.03.2019 *(unaudited)*
Net profit for the reporting period	**11 003**	**5 038**
Depreciation of property, plant and equipment	315	346
Amortization of intangible assets	301	264
Income tax	2 464	1 252
Change in inventories	971	(1 571)
Change in trade and other receivables	(7 020)	(856)
Change in accruals, prepayments and deferred income	1	(79)
Change in trade and other liabilities	(8)	847
Change in provisions	28	120
Net finance costs	-	22
Tax paid	(661)	(582)
Foreign exchange differences	(5 728)	(1 495)
Interest	(642)	(173)
Other	67	79
	1 091	**3 212**
Cash flows from investing activities		
Interest received	730	-
Acquisition of subsidiaries	-	(183)
Expenditure of property plant and equipment and intangible assets	(1 102)	(1 628)
Acquisition of other investments	-	(43)
	(372)	**(1 854)**
Cash flows from financing activities		
Repayment of credit card debt	(23)	3
Repayment debt on account of credits taken out with interest	(1 263)	-
Payments of finance lease liabilities	(211)	(242)
Interest on finance leases	(23)	(29)
Other inflows from financing activities	50	132
	(1 470)	**(136)**
Total net cash flows	**(751)**	**1 222**
Opening balance of cash and cash equivalents	1 987	15 750
Closing balance of cash	**1 236**	**16 972**

34. Sales revenue structure

By type	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Revenue from sales of services	12 088	10 288
Revenue from sales of devices	1 361	3 085
	13 449	**13 373**

By territory	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Domestic sales	164	20
Export sales	13 285	13 353
	13 449	**13 373**

35. Financial assets

	31.03.2020	31.12.2019	31.03.2019
Investment certificates	-	-	5 920
Loans granted	69 773	63 821	74 501
Shares	200	200	200
	69 973	**64 021**	**80 621**
of which long-term portion	69 973	64 021	62 422
of which short-term portion	-	-	18 199

Investment certificates

On 11 April 2019, all certificates held by the Company, with the total value of PLN 5,942 thousand were redeemed.

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	2 912	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/Spectocor for the client base acquired from this entity. The fair value of financial assets approximates their book value.

In the first quarter of 2020, a portion of interest on loans in the amount of USD 189 thousand was repaid. The interest accrued as at 31 March 2020 was USD 1,593 thousand.

The loans are measured at amortized cost using the effective interest rate.

36. Shares in subsidiaries

	31.03.2020	31.12.2019	31.03.2019
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771
Medicalgorithmics Polska Sp. z o.o.	1 267	1 267	1 267
Medicalgorithmics India Pvt. Ltd (formerly Algotel Solutions Pvt. Ltd)	183	183	183
	96 221	**96 221**	**96 221**

37. Trade and other receivables

	31.03.2020	31.12.2019	31.03.2019
Trade receivables	16 000	8 759	5 880
Budgetary receivables	270	723	1 475
Other receivables	123	98	104
Prepayments and deferred expenses	87	104	294
	16 480	**9 684**	**7 753**
Long-term	-	-	-
Short-term	16 480	9 684	7 753

	31.03.2020	31.12.2019	31.03.2019
Trade receivables from related entities	15 033	7 680	4 557
Trade receivables from other entities	967	1 079	1 425
Impairment loss on receivables from other entities	-	-	(102)
Total net trade receivables	**16 000**	**8 759**	**5 880**

38. Basic and diluted earnings per share

	01.01.2020-31.03.2020	01.01.2019-31.12.2019	01.01.2019-31.03.2019
Profit for the period (PLN '000)	11 003	16 594	5 038
Weighted average number of ordinary shares (in thousands of	3 607	3 607	3 607
Effect of dilution of the potential number of ordinary shares (in	-	-	-
Basic profit per share in PLN (net profit weighted average number of shares)	**3,05**	**4,60**	**1,40**
Diluted profit per share in PLN (net profit weighted average number of diluted shares)	**3,05**	**4,60**	**1,40**

39. Credits and loans

On 19 April 2019, the amount of PLN 50,000 thousand was deposited to the account of the Krajowy Depozyt Papierów Wartościowych S.A. (the Central Securities Depository of Poland – "KDPW"), for the redemption of all bonds. The deadline for redemption of the Bonds was 21 April 2019. The funds were transferred by KDPW to bank accounts of direct participants on the first business day following the redemption date, i.e. 23 April 2019.

The redemption of the bonds was financed partially with own funds (PLN 31,000 thousand) and a working capital facility contracted by the Company (PLN 19,000 thousand). For details of borrowings contracted, see Note 18.

40. Trade and other liabilities, accruals and deferred income

	31.03.2020	31.12.2019	31.03.2019
Trade liabilities to other entities	1 507	987	2 305
Budgetary liabilities	400	459	561
Salaries and wages payable	125	215	1 913
Other liabilities	85	250	24
Short-term accruals and deferred income	-	-	236
Long-term accruals and deferred income	1 076	1 026	518
	3 193	**2 937**	**5 557**

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 19 to this report.

On 16 July 2018 Medicalgorithmics S.A. 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 guarantee is valid from the date of issue to 30 August 2024.

As disclosed in a current report No 9/2019, a collateral was established in connection with the credit facility agreement concluded, in the form of a notarial declaration of the Company about submission, for the benefit of the Bank, to the rigour of enforcement pursuant to Article 777 § 1(5) of the Code of Civil Procedure from the entirety of property with regard to fulfilment of the obligation to pay the Bank any sums of cash due to the liabilities arising from the Agreement, up to the maximum amount of PLN 19,000 thousand.

Moreover, pursuant to the agreement of 18 April 2019, concluded by and between the Company, represented by the Company's Supervisory Board, and the President of the Management Board, Mr Marek Dziubiński, the Company has made a commitment that, in the case of possible dismissal of Mr Marek Dziubiński from the position of a Member of the Management Board of the Company or failure to appoint him Member of the Management Board for the next term of office, the Company shall ensure that Mr Marek Dziubiński shall be released by the Bank from an liability with his personal assets arising from the established Pledge and submitted Declaration.

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	31.03.2020	31.12.2019	31.03.2019
Loans granted	69 773	63 821	74 501
Contribution to the supplementary capital	94 771	94 771	94 771

Statement of comprehensive income (in PLN '000)	01.01.2020-31.03.2020	01.01.2019-31.12.2019	01.01.2019-31.03.2019
Interest on loans	889	3 429	929

Medi-Lynx Cardiac Monitoring LLC

Statement of financial position (in PLN '000) — as at	31.03.2020	31.12.2019	31.03.2019
Trade receivables	14 830	7 506	4 414

Statement of comprehensive income (in PLN '000)	01.01.2020-31.03.2020	01.01.2019-31.12.2019	01.01.2019-31.03.2019
Revenue from sales of goods and services	10 594	40 851	11 305

Medicalgorithmics Polska Sp. z o.o.

Statement of financial position (in PLN '000) — as at	31.03.2020	31.12.2019	31.03.2019
Trade receivables	128	119	65
Contribution to equity	1 267	1 267	1 267

Statement of comprehensive income (in PLN '000)	01.01.2020-31.03.2020	01.01.2019-31.12.2019	01.01.2019-31.03.2019
Revenue from sales of goods and services	18	78	5

Medicalgorithmics India Pvt. Ltd

Statement of financial position (in PLN '000) — as at	31.03.2020	31.12.2019	31.03.2019
Trade receivables	75	55	78
Contribution to equity	183	183	183

Statement of comprehensive income (in PLN '000)	01.01.2020-31.03.2020	01.01.2019-31.12.2019	01.01.2019-31.03.2019
Revenue from sales of goods and services	89	314	100

43. Transactions with executives

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

	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Remuneration of the Management Board Members	240	217
Remuneration of the Supervisory Board	112	98

44. 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.

45. Events after the balance sheet date

On 6 April 2020, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register registered in the register of entrepreneurs the increase in the Company's share capital from PLN 360,652.60 to PLN 432,782.90. The shareholding structure as at the date of publication of the report is presented in note 20 of this report. For more information on the share issue, see current reports 7/2020–15/2020, 22/2020 and 29/2020. The proceeds from the SPO were received by the Company in the first half of April 2020.

On 7 April 2020, the Company received an individual ruling on the tax law provisions regarding corporate income tax and issues related to preferential taxation of income generated by intellectual property rights, the so-called IP BOX preference. In the issued individual ruling, the Director of the National Revenue Information System fully agreed with the position presented in the Company's application regarding the first question that the charges for the service presented according to the described facts constitute the income from the qualified intellectual property right included in the sale price of the service, thereby qualifying for the IP BOX preferences and taxation based on art. 24d of Corporate Income Tax Act 5% income tax rate. This individual ruling applies to revenues generated in 2019 as well as revenues that will be recognized in subsequent years. Preliminary estimates assume that the application of the preferential rate to qualifying income will translate into a reduction in the tax burden for 2019 by approximately PLN 600 thousand. More information on this subject is presented in current report no. 23/2020.

On 18 May 2020, the Company received a notification from Caravan Capital Management, LLC with its registered office in Tacoma, Washington, USA, representing shareholders MIRI Strategic Emerging Markets Fund LP and The Kenneth Rainin Foundation ("Shareholders"). Caravan Capital Management LLC informed the Company that after the purchase Shareholders holds 478 438 of the Company shares, which constitutes 11,05 % of the share capital and 478 438 votes from the shares held, constituting 11,05 % of the total number of votes.

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.

This report was approved for publication on 26 May 2020

Marek Dziubiński
President of the Management Board

Maksymilian Sztandera
Chief Financial Officer

Peter G. Pellerito
Member of the Management Board

Warsaw, 26 May 2020

INNOVATIVE SOLUTIONS IN MEDICINE

Central Tower, 19th floor
Al. Jerozolimskie 81
02-001 Warsaw

+48 (22) 825 12 49
finanse@medicalgorithmics.com
medicalgorithmics.pl