



Interim condensed consolidated financial  
statements

**of the MEDICALgorithmics  
Capital Group**

for the 3<sup>rd</sup> quarter of 2020

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	PLN '000		EUR '000	
	30.09.2020 <i>(unaudited)</i>	31.12.2019 <i>(audited)</i>	30.09.2020 <i>(unaudited)</i>	31.12.2019 <i>(audited)</i>
<b>Interim condensed consolidated statement of financial position</b>				
Non-current assets	251 815	246 862	55 628	57 969
Intangible assets	210 556	209 717	46 513	49 247
Long-term financial assets	200	200	44	47
Current assets	53 922	36 400	11 912	8 548
Short-term receivables	21 217	25 250	4 687	5 929
Cash and cash equivalents	32 705	11 150	7 225	2 618
Long-term liabilities	41 590	30 631	9 188	7 193
Short-term liabilities	42 042	27 909	9 287	6 554
Equity attributable to Shareholders of the Parent Company	203 583	195 840	44 973	45 988
Share capital	433	361	96	85
Non-controlling interests	18 522	28 882	4 092	6 782
Number of shares	4 327 829	3 606 526	4 327 829	3 606 526
Book value per ordinary share (PLN/EUR)	47,04	54,30	10,39	12,75

	01.01.2020-	01.01.2019-	01.01.2020-	01.01.2019-
	30.09.2020 <i>(unaudited)</i>	30.09.2019 <i>(unaudited)</i>	30.09.2020 <i>(unaudited)</i>	30.09.2019 <i>(unaudited)</i>
<b>Interim condensed consolidated statement of comprehensive income</b>				
Sales revenue	84 257	136 254	18 968	31 624
Profit/(loss) on sales	(29 246)	4 952	(6 584)	1 149
Operating profit/(loss)	(25 238)	5 276	(5 682)	1 224
Profit/(loss) before tax	(26 519)	3 326	(5 970)	772
Net profit/(loss)	(18 969)	3 904	(4 270)	906
- attributable to Shareholders of the Parent Company	(7 901)	5 950	(1 779)	1 381
- attributable to non-controlling interests	(11 068)	(2 046)	(2 492)	(475)
Net profit/(loss) attributable to Shareholders of the Parent Company per share (in PLN) – basic	(1,94)	1,65	(0,44)	0,38

	01.01.2020-	01.01.2019-	01.01.2020-	01.01.2019-
	30.09.2020 <i>(unaudited)</i>	30.09.2019 <i>(unaudited)</i>	30.09.2020 <i>(unaudited)</i>	30.09.2019 <i>(unaudited)</i>
<b>Interim condensed consolidated statement of cash flows</b>				
Net cash flows from operating activities	1 363	16 409	307	3 808
Net cash flows from investing activities	(2 580)	(1 958)	(581)	(455)
Net cash flows from financing activities	22 773	(55 963)	5 127	(12 989)
Total net cash flows	21 556	(41 512)	4 853	(9 635)

**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 30 September 2020, i.e. EUR/PLN 4.5268, 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 30 September 2020, i.e. EUR/PLN 4.4420, and from 1 January 2019 to 30 September 2019, i.e. EUR/PLN 4.3086.

		<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Intangible assets	13	210 556	216 779	209 717	220 445
Property plant and equipment	14	25 050	27 664	31 705	36 213
Financial assets	15	200	200	200	200
Deferred income tax assets		16 009	11 601	5 240	3 274
<b>Non-current assets</b>		<b>251 815</b>	<b>256 244</b>	<b>246 862</b>	<b>260 132</b>
Trade and other receivables	16	21 217	23 312	25 250	24 915
Cash and cash equivalents	17	32 705	40 975	11 150	18 677
<b>Current assets</b>		<b>53 922</b>	<b>64 287</b>	<b>36 400</b>	<b>43 592</b>
<b>TOTAL ASSETS</b>		<b>305 737</b>	<b>320 531</b>	<b>283 262</b>	<b>303 724</b>

		<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Share capital		433	433	361	361
Supplementary capital		137 128	137 128	124 622	124 622
Retained earnings		68 410	71 854	76 311	77 982
Foreign exchange differences		(2 388)	2 310	(5 454)	3 225
<b>Equity attributable to Shareholders of the Parent Company</b>		<b>203 583</b>	<b>211 725</b>	<b>195 840</b>	<b>206 190</b>
<b>Non-controlling interests</b>		<b>18 522</b>	<b>23 362</b>	<b>28 882</b>	<b>33 054</b>
Provisions		3 074	2 956	2 023	2 179
Deferred tax liabilities		4 547	4 819	3 343	3 935
Credits and loans	20	17 758	19 729	9 845	5 708
Liabilities in respect of bonds and other financial liabilities	21	10 762	12 289	14 394	16 460
Other liabilities		-	-	-	40
Accruals and deferred income	22	5 449	1 210	1 026	856
<b>Long-term liabilities</b>		<b>41 590</b>	<b>41 003</b>	<b>30 631</b>	<b>29 178</b>
Credits and loans	20	5 133	4 100	3 057	9 631
Liabilities in respect of bonds and other financial liabilities	21	13 437	13 851	13 015	13 509
Trade and other liabilities	22	13 324	12 604	9 444	9 590
Income tax liabilities		41	29	54	252
Accruals and deferred income	22	10 107	13 857	2 339	2 320
<b>Short-term liabilities</b>		<b>42 042</b>	<b>44 441</b>	<b>27 909</b>	<b>35 302</b>
<b>Total liabilities</b>		<b>83 632</b>	<b>85 444</b>	<b>58 540</b>	<b>64 480</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>305 737</b>	<b>320 531</b>	<b>283 262</b>	<b>303 724</b>

		<b>01.07.2020- 30.09.2020 (unaudited)</b>	<b>01.07.2019- 30.09.2019 (unaudited)</b>	<b>01.01.2020- 30.09.2020 (unaudited)</b>	<b>01.01.2019- 30.09.2019 (unaudited)</b>
<b>Sales revenue</b>	6	<b>25 088</b>	<b>42 156</b>	<b>84 257</b>	<b>136 254</b>
Raw materials and consumables used		(2 109)	(1 899)	(6 442)	(6 485)
Employee benefits	7	(21 398)	(27 243)	(68 621)	(77 046)
Amortization and depreciation	8	(3 802)	(5 149)	(11 899)	(13 749)
Third-party services	9	(7 299)	(8 432)	(23 591)	(28 269)
Other		(848)	(1 615)	(2 950)	(5 753)
<b>Total costs of sales</b>		<b>(35 456)</b>	<b>(44 338)</b>	<b>(113 503)</b>	<b>(131 302)</b>
<b>Profit/(loss) on sales</b>		<b>(10 368)</b>	<b>(2 182)</b>	<b>(29 246)</b>	<b>4 952</b>
Other operating revenue	10	(86)	90	4 130	843
Other operating expenses	10	(26)	(246)	(122)	(519)
<b>Operating profit/(loss)</b>		<b>(10 480)</b>	<b>(2 338)</b>	<b>(25 238)</b>	<b>5 276</b>
Finance income	11	(552)	(8)	(473)	59
Finance costs	11	(228)	(139)	(808)	(2 009)
<b>Net finance costs</b>		<b>(780)</b>	<b>(147)</b>	<b>(1 281)</b>	<b>(1 950)</b>
<b>Profit/(loss) before tax</b>		<b>(11 260)</b>	<b>(2 485)</b>	<b>(26 519)</b>	<b>3 326</b>
Income tax	12	3 729	861	7 550	578
<b>Net profit/(loss) from continuing operations</b>		<b>(7 531)</b>	<b>(1 624)</b>	<b>(18 969)</b>	<b>3 904</b>
Net profit/ (loss) for the reporting period attributable to Shareholders of the Parent Company		(3 444)	80	(7 901)	5 950
Net profit/ (loss) for the reporting period attributable to non-controlling interests		(4 087)	(1 704)	(11 068)	(2 046)
		<b>(7 531)</b>	<b>(1 624)</b>	<b>(18 969)</b>	<b>3 904</b>
<b>Other comprehensive income</b>					
Currency translation differences		(3 830)	10 822	2 895	9 757
Exchange differences on loans constituting a part of net investments in subsidiaries		(2 000)	4 459	1 086	4 081
Deferred tax on valuation of exchange differences on loans		380	(847)	(206)	(932)
<b>Other comprehensive income</b>		<b>(5 450)</b>	<b>14 434</b>	<b>3 775</b>	<b>12 906</b>
Other comprehensive income attributable to Shareholders of the Parent Company		(4 698)	11 625	3 065	10 376
Other comprehensive income attributable to non-controlling interests		(752)	2 809	710	2 530
<b>Total comprehensive income for the reporting period</b>					
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		(8 142)	11 705	(4 835)	16 326
Comprehensive income for the reporting period attributable to non-controlling interests		(4 839)	1 104	(10 359)	484
		<b>(12 981)</b>	<b>12 809</b>	<b>(15 194)</b>	<b>16 810</b>
<b>Net profit/ (loss) attributable to Shareholders of the Parent Company per share (in PLN)</b>					
- basic		(0,80)	0,02	(1,94)	1,65
- diluted		(0,80)	0,02	(1,94)	1,65

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
<b>Equity as at 1 January 2020 (audited)</b>	<b>361</b>	<b>124 622</b>	<b>76 311</b>	<b>(5 454)</b>	<b>195 840</b>	<b>28 882</b>
<b>Comprehensive income for the reporting period</b>						
Net profit for the current reporting period	-	-	(7 901)	-	(7 901)	(11 068)
Other comprehensive income	-	-	-	3 065	3 065	710
	-	-	<b>(7 901)</b>	<b>3 065</b>	<b>(4 836)</b>	<b>(10 359)</b>
<b>Transactions recognized directly in equity</b>						
Issue of G series shares	72	12 507	-	-	12 579	-
<b>Total contributions from and distributions to owners</b>	<b>72</b>	<b>12 507</b>	<b>-</b>	<b>-</b>	<b>12 579</b>	<b>-</b>
<b>Equity as at 30 September 2020 (unaudited)</b>	<b>433</b>	<b>137 129</b>	<b>68 410</b>	<b>(2 389)</b>	<b>203 583</b>	<b>18 523</b>

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
<b>Equity as at 1 January 2020 (audited)</b>	<b>361</b>	<b>124 622</b>	<b>76 311</b>	<b>(5 454)</b>	<b>195 840</b>	<b>28 882</b>
<b>Comprehensive income for the reporting period</b>						
Net profit for the current reporting period	-	-	(4 457)	-	(4 457)	(6 981)
Other comprehensive income	-	-	-	7 764	7 764	1 461
	-	-	<b>(4 457)</b>	<b>7 764</b>	<b>3 306</b>	<b>(5 520)</b>
<b>Transactions recognized directly in equity</b>						
Issue of G series shares	72	12 507	-	-	12 579	-
<b>Total contributions from and distributions to owners</b>	<b>72</b>	<b>12 507</b>	<b>-</b>	<b>-</b>	<b>12 579</b>	<b>-</b>
<b>Equity as at 30 June 2020 (unaudited)</b>	<b>433</b>	<b>137 129</b>	<b>71 854</b>	<b>2 310</b>	<b>211 725</b>	<b>23 362</b>

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

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests
<b>Equity as at 1 January 2019 (audited)</b>	<b>361</b>	<b>124 622</b>	<b>72 032</b>	<b>(7 151)</b>	<b>189 864</b>	<b>40 898</b>
<b>Comprehensive income for the reporting period</b>						
Net profit for the current reporting period	-	-	5 950	-	5 950	(2 046)
Other comprehensive income	-	-	-	10 376	10 376	2 530
	-	-	<b>5 950</b>	<b>10 376</b>	<b>16 326</b>	<b>484</b>
<b>Transactions recognized directly in equity</b>						
Distribution to a minority shareholder	-	-	-	-	-	(8 338)
Minority interest from the acquisition of investments in subsidiaries	-	-	-	-	-	10
<b>Total contributions from and distributions to owners</b>	-	-	-	-	-	<b>(8 328)</b>
<b>Equity as at 30 September 2019 (unaudited)</b>	<b>361</b>	<b>124 622</b>	<b>77 982</b>	<b>3 225</b>	<b>206 190</b>	<b>33 054</b>

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
<b>Net profit for the reporting period</b>	<b>(18 969)</b>	<b>3 904</b>
Depreciation of property, plant and equipment	6 196	8 013
Amortization of intangible assets	5 703	5 736
Income tax	(7 342)	353
Change in trade and other receivables	2 572	(1 689)
Change in accruals, prepayments and deferred income	11 785	(252)
Change in trade and other liabilities	3 370	(1 141)
Change in provisions	1 051	390
Profit from the sale of investments	23	178
Net finance (income)/costs	-	179
Tax paid less returns received	(469)	(1 544)
Foreign exchange differences	457	629
Interest	753	1 655
Revenue recognized from the subsidy settlement	(4 088)	-
Other	321	(2)
	<b>1 363</b>	<b>16 409</b>
<b>Cash flows from investing activities</b>		
(Acquisition)/sale of intangible assets	(3 173)	(3 758)
(Acquisition)/sale of property, plant and equipment	593	(4 192)
(Acquisition)/sale of other investments	-	5 992
	<b>(2 580)</b>	<b>(1 958)</b>
<b>Cash flows from financing activities</b>		
Inflows from credits taken out	-	19 000
Income from issue of shares	12 578	-
Inflows received under US anti-crisis packages (PPP, HHS)	16 657	-
Repayment debt on account of credits taken out with interest	(2 530)	(4 163)
Repayment of other financial liabilities	-	(8 082)
Payments of finance lease liabilities	(4 339)	(4 038)
Distribution of Medi-Lynx profit to a minority shareholder	-	(7 782)
Repayment of bonds with interest	-	(51 369)
Other inflows from financing activities	407	471
	<b>22 773</b>	<b>(55 963)</b>
<b>Total net cash flows</b>	<b>21 556</b>	<b>(41 512)</b>
Opening balance of cash and cash equivalents	11 150	60 189
<b>Closing balance of cash</b>	<b>32 706</b>	<b>18 677</b>



## 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.

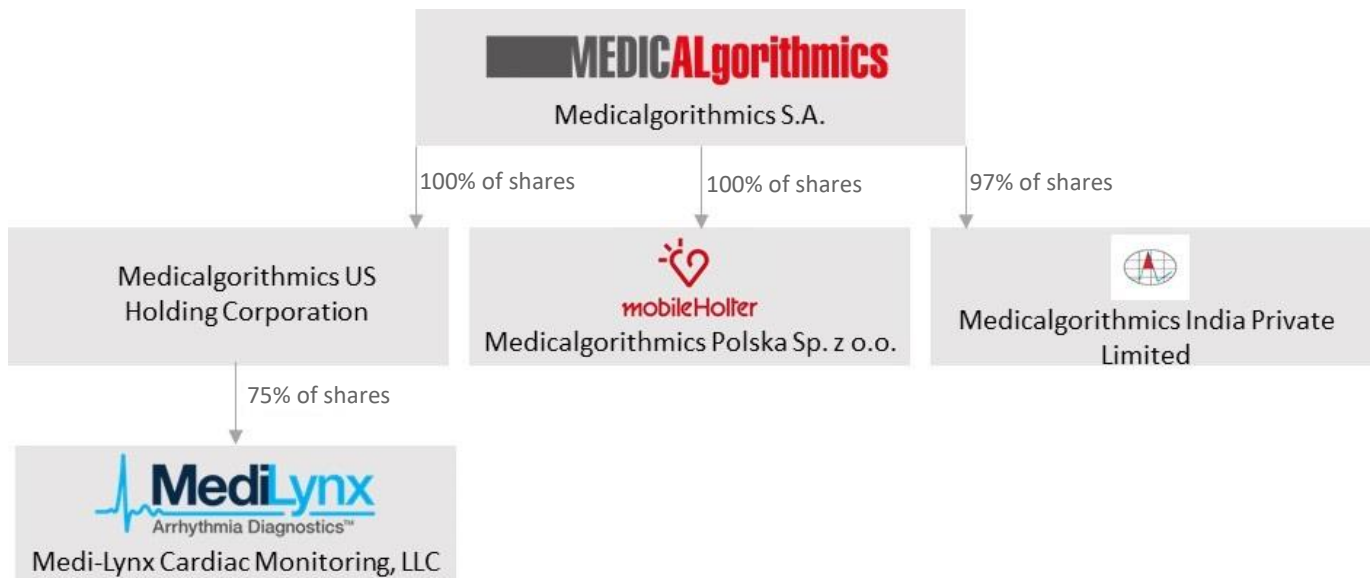
The term “Report” refers to this interim condensed consolidated report for 3<sup>rd</sup> quarter of 2020. The term “Consolidated financial statements” means the interim condensed consolidated financial statements of the Medicalgorithmics Group as of 30 September 2020, covering the period 1 January 2020 to 30 September 2020 and including appropriate comparative data as of 30 June 2020 and 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”) with its registered office in Bangalore, India.

The composition of the Medicalgorithmics Capital Group and its organizational and equity links as of 30 September 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, Asia, 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, 12<sup>th</sup> 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

In the period from 1 January 2020 to 30 September 2020 and in the period from the balance sheet date to the date of publication of these consolidated financial statements 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.

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. With the onset of the pandemic significant decrease in the number of patients undergoing ECG tests using PocketECG technology was noted, which will consequently reduce the number of payments received from both insurers and patients. The biggest drop in the number of procedures sold on US market was noted in April 2020. Beginning May 2020 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 are carried out in a fully remote form - i.e. the device is delivered directly to the patient's home.

Moreover, the Management Board has taken a number of measures to mitigate the impact of the pandemic on the Group's operations. Medi-Lynx applied for a preferential loan pursuant to the Paycheck Protection Program (the “PPP”) under the CARES Act established by the US Congress. As part of the loan, in April 2020 Medi-Lynx obtained from JPMorgan Chase Bank 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 is non-returnable. The remaining part of the loan will be due on 7 April 2022 and bears an interest rate of 0.98% per annum. Medi-Lynx received also funds in the amount of USD 1 million dedicated to delivering relief to providers of the U.S. Department of Health and Human Services (“HHS”) to cover lost revenues caused by SARS-CoV-2. The company has filed appropriate disclosures with the HHS to document this loss and believes the funds are not returnable. 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 according to predetermined schedule using a percentage of Medicare payments owed to Medi-Lynx. All remaining payments, if any, will be due at 29 months.

Additionally, in order to optimally use the working time of people employed in the Medicalgorithmics Group companies, the basic working time was temporarily reduced, which entailed lower expenditure on remuneration in 2<sup>nd</sup> and 3<sup>rd</sup> quarter.

Thanks to the actions taken and the adaptation of the economy to pandemic conditions beginning May 2020 the Group records constant increase in the volume of tests sold. This trend continued throughout third quarter and, despite the advent of the second wave of the pandemic, no further decline in the number of tests sold has been recorded so far. However, it should be borne in mind that this may take place in the fourth quarter of 2020.

Due to the unpredictable course of the pandemic, its impact on the Group's operations for the remainder of the year is difficult to estimate. The cash flow projections prepared on the basis of the Management Board's current estimates of 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 the required liabilities. The Management Board of the Company underlines that, taking into account the unusual nature of the current situation, as well as its dynamic development, it is currently impossible to fully 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 of 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 of 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 of 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 of 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);
- 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.

There were no significant changes in the estimated values of the amounts presented in previous reporting periods which had a significant impact on the current period.

For estimating sales revenues generated by Medi-Lynx, the Group uses a model based on historical cash inflows for the service. The rates for a given type of medical procedure for a given insurer are estimated on the basis of average payments occurring over twelve months period ending six months before the date of estimation. The transaction price estimate takes into account all expectations known to the entity including applicable contractual and business conditions as to the actual value of the revenue for particular types of procedures. Reliable estimate of the transaction price is assessed at each balance sheet date.

#### **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.

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**

Interim consolidated financial statements (consolidated financial statements) are not subject to approval by the approving body pursuant to Art. 53 of The Accounting Act of September 29, 1994. The interim condensed consolidated financial statements are signed by the head of the entity, i.e. the Management Board of Medicalgorithmics S.A. and, if appointed, entrusted individual who handles accounting affairs. These interim condensed consolidated financial statements were signed on 24 November 2020.

#### **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

	<b>01.07.2020- 30.09.2020</b>	<b>01.07.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
<b>By type</b>				
Revenue from sales of services	24 875	41 481	81 178	133 701
Revenue from sales of devices	213	675	3 079	2 553
<b>Total revenue</b>	<b>25 088</b>	<b>42 156</b>	<b>84 257</b>	<b>136 254</b>
	<b>01.07.2020- 30.09.2020</b>	<b>01.07.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
<b>By territory</b>				
Domestic sales	342	246	975	853
Export sales	24 746	41 910	83 282	135 401
<b>Total revenue</b>	<b>25 088</b>	<b>42 156</b>	<b>84 257</b>	<b>136 254</b>

## 7. Employee benefits

	<b>01.07.2020- 30.09.2020</b>	<b>01.07.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
Remuneration	(21 000)	(26 573)	(67 573)	(75 219)
Social security and other employee benefits	(398)	(670)	(1 048)	(1 827)
	<b>(21 398)</b>	<b>(27 243)</b>	<b>(68 621)</b>	<b>(77 046)</b>

## 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 reporting period amounted to PLN 4.7 million and increased by PLN 0.1 million resulting from an increase in the 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 cycle devices life. The total cost in this respect in the reporting period amounted to PLN 1.2 million (in the comparative period PLN 2.0 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 in first 9 months of 2020 amounted to PLN 3.4 million (in the comparative period PLN 4.3 million).

### 9. Third-party services

	<b>01.07.2020- 30.09.2020</b>	<b>01.07.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
Lease and rental	(175)	(621)	(552)	(1 879)
Telecommunication and Internet services	(1 982)	(1 473)	(6 173)	(4 406)
IT services	(669)	(599)	(2 061)	(1 509)
Accounting and financial audit services	(501)	(574)	(1 534)	(1 575)
Advisory services	(670)	(1 600)	(2 360)	(6 187)
Transport and courier services	(1 524)	(1 141)	(4 818)	(4 269)
Monitoring services	(689)	(601)	(1 728)	(1 755)
Leases	(4)	(5)	(12)	(15)
Maintenance services	(20)	(386)	(739)	(1 125)
Marketing services	(259)	(581)	(1 101)	(2 603)
Other third-party services	(806)	(851)	(2 513)	(2 946)
	<b>(7 299)</b>	<b>(8 432)</b>	<b>(23 591)</b>	<b>(28 269)</b>

Explanations of the main changes in individual categories of third-party services, see Note 29.

In the period ended 30 September 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.

### 10. Other operating revenues and costs

	<b>01.07.2020- 30.09.2020</b>	<b>01.07.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
Settlement of subsidies	0	79	3	236
Reversal of impairment losses on inventories	-	-	-	442
Gain on a bargain purchase	-	-	-	139
Support received by Medi-Lynx under the CARES Act	(124)	-	4 088	-
Other	38	11	39	26
<b>Other operating revenue</b>	<b>(86)</b>	<b>90</b>	<b>4 130</b>	<b>843</b>
Impairment losses on receivables	-	(7)	-	(15)
Loss on disposal of fixed assets	(21)	(168)	(21)	(168)
Other	(5)	(71)	(101)	(336)
<b>Other operating expenses</b>	<b>(26)</b>	<b>(246)</b>	<b>(122)</b>	<b>(519)</b>

As a result of the SARS-CoV-2 pandemic, Medi-Lynx recorded a significant decrease in revenues in the second quarter of 2020 and qualified for the support program for healthcare companies (HHS). As of the balance sheet date, the Company complied with the terms of the program and recognized the subsidy received (over USD 1 million) in other operating income.

**11. Financial revenues and costs**

	01.07.2020- 30.09.2020	01.07.2019- 30.09.2019	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019
Interest income	9	12	22	74
Foreign exchange differences	(561)	(15)	(495)	(15)
Other	-	(5)	-	-
<b>Finance income</b>	<b>(552)</b>	<b>(8)</b>	<b>(473)</b>	<b>59</b>
Interest on borrowings contracted	(120)	(276)	(408)	(1 418)
Interest on finance leases	(97)	(117)	(350)	(419)
Foreign exchange differences	-	213	-	-
Income from the valuation/sale of investment certificates	-	-	-	(117)
Other	(11)	41	(50)	(55)
<b>Finance costs</b>	<b>(228)</b>	<b>(139)</b>	<b>(808)</b>	<b>(2 009)</b>
<b>Net finance costs</b>	<b>(780)</b>	<b>(147)</b>	<b>(1 281)</b>	<b>(1 950)</b>

**12. Effective tax rate**

	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019
Profit before tax	(26 519)	3 326
Tax at the tax rate applicable in Poland	5 039	(632)
Non-tax-deductible costs	(241)	(247)
Difference between the tax rate in Poland and USA	(341)	148
Amortization of goodwill for tax purposes	1 288	1 258
Non-taxable revenue	1	129
Tax benefit due to the application of the IP BOX relief	1 832	-
Other	(28)	(78)
<b>Tax reported in the statement of comprehensive income</b>	<b>7 550</b>	<b>578</b>

**13. Intangible assets**

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
<b>Gross value of intangible assets</b>						
<b>Gross value as at 1 January 2020</b>	<b>85 232</b>	<b>120 110</b>	<b>9 768</b>	<b>18 712</b>	<b>2 669</b>	<b>236 491</b>
Increases	-	-	1 630	3 136	36	4 803
Decreases	-	-	-	(1 630)	-	(1 630)
Foreign exchange differences	1 504	2 154	-	-	12	3 670
<b>Gross value as at 30 September 2020</b>	<b>86 736</b>	<b>122 264</b>	<b>11 398</b>	<b>20 218</b>	<b>2 717</b>	<b>243 334</b>
<b>Accumulated amortization and impairment losses</b>						
<b>Accumulated amortization and impairment losses as at 1 January 2020</b>	-	<b>18 016</b>	<b>6 735</b>	-	<b>2 022</b>	<b>26 773</b>
Amortization	-	4 585	912	-	172	5 669
Foreign exchange differences	-	324	-	-	12	336
<b>Accumulated amortization and impairment losses as at 30 September 2020</b>	-	<b>22 925</b>	<b>7 647</b>	-	<b>2 205</b>	<b>32 778</b>
<b>Net value</b>						
<b>As at 1 January 2020</b>	<b>85 232</b>	<b>102 094</b>	<b>3 033</b>	<b>18 712</b>	<b>647</b>	<b>209 718</b>
<b>As at 30 September 2020</b>	<b>86 736</b>	<b>99 339</b>	<b>3 751</b>	<b>20 218</b>	<b>512</b>	<b>210 556</b>



	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
<b>Gross value of intangible assets</b>						
<b>Gross value as at 1 January 2020</b>	<b>85 232</b>	<b>120 110</b>	<b>9 768</b>	<b>18 712</b>	<b>2 669</b>	<b>236 491</b>
Increases	-	-	1 630	1 911	36	3 577
Decreases	-	-	-	(1 630)	-	(1 630)
Foreign exchange differences	4 038	5 785	-	-	33	9 856
<b>Gross value as at 30 June 2020</b>	<b>89 270</b>	<b>125 895</b>	<b>11 398</b>	<b>18 993</b>	<b>2 738</b>	<b>248 294</b>
<b>Accumulated amortization and impairment losses</b>						
<b>Accumulated amortization and impairment losses as at 1 January 2020</b>	-	<b>18 016</b>	<b>6 735</b>	-	<b>2 022</b>	<b>26 773</b>
Amortization	-	3 148	571	-	125	3 844
Foreign exchange differences	-	868	-	-	29	897
<b>Accumulated amortization and impairment losses as at 30 June 2020</b>	-	<b>22 032</b>	<b>7 306</b>	-	<b>2 176</b>	<b>31 514</b>
<b>Net value</b>						
<b>As at 1 January 2020</b>	<b>85 232</b>	<b>102 094</b>	<b>3 033</b>	<b>18 712</b>	<b>647</b>	<b>209 718</b>
<b>As at 30 June 2020</b>	<b>89 270</b>	<b>103 863</b>	<b>4 092</b>	<b>18 993</b>	<b>562</b>	<b>216 779</b>
<b>Gross value of intangible assets</b>						
<b>Gross value as at 1 January 2019</b>	<b>84 393</b>	<b>118 908</b>	<b>5 937</b>	<b>17 788</b>	<b>2 493</b>	<b>229 519</b>
Increases	-	-	3 831	4 755	359	8 945
Decreases	-	-	-	(3 831)	(191)	(4 022)
Foreign exchange differences	839	1 202	-	-	8	2 049
<b>Gross value as at 31 December 2019</b>	<b>85 232</b>	<b>120 110</b>	<b>9 768</b>	<b>18 712</b>	<b>2 669</b>	<b>236 491</b>
<b>Accumulated amortization and impairment losses</b>						
<b>Accumulated amortization and impairment losses as at 1 January 2019</b>	-	<b>11 890</b>	<b>5 482</b>	-	<b>1 693</b>	<b>19 065</b>
Amortization	-	6 006	1 253	-	324	7 583
Foreign exchange differences	-	120	-	-	5	125
<b>Accumulated amortization and impairment losses as at 31 December 2019</b>	-	<b>18 016</b>	<b>6 735</b>	-	<b>2 022</b>	<b>26 773</b>
<b>Net value</b>						
<b>As at 1 January 2019</b>	<b>84 393</b>	<b>107 018</b>	<b>455</b>	<b>17 788</b>	<b>800</b>	<b>210 454</b>
<b>As at 31 December 2019</b>	<b>85 232</b>	<b>102 094</b>	<b>3 033</b>	<b>18 712</b>	<b>647</b>	<b>209 717</b>

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
<b>Gross value of intangible assets</b>						
<b>Gross value as at 1 January 2019</b>	<b>84 393</b>	<b>118 908</b>	<b>5 937</b>	<b>17 788</b>	<b>2 493</b>	<b>229 519</b>
Increases	-	-	3 831	3 692	229	7 752
Decreases	-	-	-	(3 831)	(163)	(3 994)
Foreign exchange differences	5 304	7 600	-	-	53	12 958
<b>Gross value as at 31 December 2019</b>	<b>89 697</b>	<b>126 508</b>	<b>9 768</b>	<b>17 649</b>	<b>2 613</b>	<b>246 236</b>
<b>Accumulated amortization and impairment losses</b>						
<b>Accumulated amortization and impairment losses as at 1 January 2019</b>	-	<b>11 890</b>	<b>5 482</b>	-	<b>1 693</b>	<b>19 065</b>
Amortization	-	4 744	900	-	279	5 924
Foreign exchange differences	-	760	-	-	42	802
<b>Accumulated amortization and impairment losses as at 30 September 2019</b>	-	<b>17 394</b>	<b>6 382</b>	-	<b>2 014</b>	<b>25 790</b>
<b>Net value</b>						
<b>As at 1 January 2019</b>	<b>84 393</b>	<b>107 018</b>	<b>455</b>	<b>17 788</b>	<b>800</b>	<b>210 454</b>
<b>As at 30 September 2019</b>	<b>89 697</b>	<b>109 114</b>	<b>3 386</b>	<b>17 649</b>	<b>599</b>	<b>220 445</b>

## 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 of 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 dynamic pandemic situation Company conducted the test as of 30 June 2020, 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 of 30 September 2020, the remaining tax value of goodwill to be amortized amounts to USD 21,832 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.**

<b>Company</b>	<b>Acquisition date</b>	<b>Acquired share in net assets</b>	<b>Acquisition price (PLN '000)</b>	<b>Fair value of acquired net assets (PLN '000)</b>	<b>Goodwill (PLN '000)</b>
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 of 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 of 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 of 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. As of 30 September 2020 Parent Company's Management Board did not find any indications of impairment of goodwill.

**c. Medicalgorithmics India Private Limited**

<b>Company</b>	<b>Acquisition date</b>	<b>Acquired share in net assets</b>	<b>Acquisition price (PLN '000)</b>	<b>Fair value of acquired net assets (PLN '000)</b>	<b>Gain on a bargain purchase (PLN '000)</b>
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 10,263 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 15,434 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.

**Impairment tests**

As of 30 June 2020, 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. In the opinion of the Management Board, the assumptions made for the test remain valid as of 30 September 2020 and any reasonably possible change to any key assumption will not cause the carrying amount of the assets to significantly exceed their recoverable amount.

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. Details of the conducted test are presented in Note 13 to the interim condensed consolidated financial statements for the period ended 30 June 2020.

**Costs of completed development works**

As of 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. The Management Board expects that development of the PatchECG will be completed in the first quarter of 2021.

- 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. The Company expects that PocketECG IV will be introduced to the market in 4<sup>th</sup> quarter of 2020.

- 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.

#### 14. Property, plant and equipment

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
<b>Gross value of property plant and equipment</b>						
<b>Gross value as at 1 January 2020</b>	<b>2 470</b>	<b>27 280</b>	<b>2 188</b>	<b>653</b>	<b>24 374</b>	<b>56 965</b>
Increases	-	937	-	-	-	937
Decreases	(6)	(58)	(31)	-	(114)	(210)
Change in inventories	-	(1 530)	-	-	-	(1 530)
Foreign exchange differences	37	321	37	-	365	760
<b>Gross value as at 30 September 2020</b>	<b>2 501</b>	<b>26 950</b>	<b>2 194</b>	<b>653</b>	<b>24 625</b>	<b>56 924</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Accumulated depreciation and impairment losses as at 1 January 2020</b>	<b>877</b>	<b>15 819</b>	<b>1 992</b>	<b>266</b>	<b>6 305</b>	<b>25 259</b>
Depreciation	211	2 219	214	49	3 599	6 291
Decreases	(2)	(41)	(29)	-	-	(72)
Foreign exchange differences	13	250	25	-	108	396
<b>Accumulated depreciation and impairment losses as at 30 September 2020</b>	<b>1 099</b>	<b>18 247</b>	<b>2 202</b>	<b>315</b>	<b>10 011</b>	<b>31 874</b>
<b>Net value</b>						
<b>As at 1 January 2020</b>	<b>1 593</b>	<b>11 461</b>	<b>196</b>	<b>387</b>	<b>18 069</b>	<b>31 705</b>
<b>As at 30 September 2020</b>	<b>1 402</b>	<b>8 703</b>	<b>(8)</b>	<b>338</b>	<b>14 614</b>	<b>25 050</b>

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
<b>Gross value of property plant and equipment</b>						
<b>Gross value as at 1 January 2020</b>	<b>2 470</b>	<b>27 280</b>	<b>2 188</b>	<b>653</b>	<b>24 374</b>	<b>56 965</b>
Increases	-	101	-	-	-	101
Decreases	(6)	(60)	(32)	-	(114)	(212)
Change in inventories	-	(634)	-	-	-	(634)
Foreign exchange differences	101	862	99	-	981	2 043
<b>Gross value as at 30 June 2020</b>	<b>2 565</b>	<b>27 549</b>	<b>2 255</b>	<b>653</b>	<b>25 241</b>	<b>58 263</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Accumulated depreciation and impairment losses as at 1 January 2020</b>	<b>877</b>	<b>15 819</b>	<b>1 992</b>	<b>266</b>	<b>6 305</b>	<b>25 259</b>
Depreciation	145	1 567	149	32	2 456	4 349
Decreases	(2)	(42)	(30)	-	-	(74)
Foreign exchange differences	35	674	67	-	289	1 065
<b>Accumulated depreciation and impairment losses as at 30 June 2020</b>	<b>1 055</b>	<b>18 018</b>	<b>2 178</b>	<b>298</b>	<b>9 050</b>	<b>30 599</b>
<b>Net value</b>						
<b>As at 1 January 2020</b>	<b>1 593</b>	<b>11 461</b>	<b>196</b>	<b>387</b>	<b>18 069</b>	<b>31 705</b>
<b>As at 30 June 2020</b>	<b>1 510</b>	<b>9 531</b>	<b>77</b>	<b>355</b>	<b>16 191</b>	<b>27 664</b>

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

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
<b>Gross value of property plant and equipment</b>						
<b>Gross value as at 1 January 2019</b>	<b>2 338</b>	<b>25 364</b>	<b>2 135</b>	<b>632</b>	<b>24 922</b>	<b>55 391</b>
Increases	250	2 453	337	16	-	<b>3 055</b>
Decreases	(174)	(1 510)	(305)	-	(791)	<b>(2 781)</b>
Change in inventories	-	1 137	-	-	-	<b>1 137</b>
Foreign exchange differences	125	1 084	130	-	1 289	<b>2 629</b>
<b>Gross value as at 30 September 2019</b>	<b>2 538</b>	<b>28 527</b>	<b>2 296</b>	<b>648</b>	<b>25 420</b>	<b>59 429</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Accumulated depreciation and impairment losses as at 1 January 2019</b>	<b>655</b>	<b>13 114</b>	<b>1 815</b>	<b>200</b>	-	<b>15 784</b>
Depreciation	191	3 116	336	49	4 673	<b>8 365</b>
Decreases	(35)	(1 485)	(291)	-	-	<b>(1 812)</b>
Foreign exchange differences	33	758	87	-	-	<b>879</b>
<b>Accumulated depreciation and impairment losses as at 30 September 2019</b>	<b>844</b>	<b>15 503</b>	<b>1 947</b>	<b>249</b>	<b>4 673</b>	<b>23 216</b>
<b>Net value</b>						
<b>As at 1 January 2020</b>	<b>1 683</b>	<b>12 250</b>	<b>320</b>	<b>432</b>	<b>24 922</b>	<b>39 607</b>
<b>As at 30 September 2019</b>	<b>1 694</b>	<b>13 023</b>	<b>350</b>	<b>400</b>	<b>20 747</b>	<b>36 213</b>

### 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 4,228 thousand as of 30 September 2020 (PLN 5.123 thousand as of 30 June 2020, PLN 5,758 thousand as of 31 December 2019 and PLN 6,225 thousand as of 30 June 2019).

### 15. Financial assets

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Shares	200	200	200	200
<b>Financial assets</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
of which long-term portion	200	200	200	200
of which short-term portion	-	-	-	-

### 16. Trade and other receivables

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade receivables	17 764	19 459	21 303	20 722
Budgetary receivables	844	1 096	1 236	774
Other receivables	200	173	100	101
Prepayments and deferred expenses	2 409	2 584	2 611	3 318
	<b>21 217</b>	<b>23 312</b>	<b>25 250</b>	<b>24 915</b>
Long-term	-	-	-	-
Short-term	21 217	23 312	25 250	24 915

The fair value of receivables approximates their book value. As of 30 September 2020, the total value of past due trade receivables for which no impairment losses were recognized amounts to PLN 8,162 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.

### 17. Cash and cash equivalents

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Cash in hand	10	7	8	11
Cash at banks	29 072	33 600	10 721	18 246
Cash in transit	-	-	1	-
Short-term deposits	3 623	7 368	420	420
	<b>32 705</b>	<b>40 975</b>	<b>11 150</b>	<b>18 677</b>

### 18. Shareholding structure of the Parent Company

Shareholder	Number of shares as at 1 September 2020	% ownership interest	Number of votes	% of total voting rights	Change in the period of 1 September 2020 - 24 November 2020
<b>Funds managed by NN PTE, including NN OFE</b>	540 586	12,49%	540 586	12,49%	unchanged
<b>Marek Dziubiński (President of the Management Board)</b>	480 000	11,09%	480 000	11,09%	unchanged
<b>PZU OFE</b>	500 000	11,55%	500 000	11,55%	unchanged
<b>Caravan Capital</b>	478 438	11,05%	478 438	11,05%	unchanged
<b>Other shareholders</b>	2 328 805	53,81%	2 328 805	53,81%	unchanged
<b>TOTAL NUMBER OF SHARES</b>	<b>4 327 829</b>				

### 19. Basic and diluted earnings per share

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 31.12.2019</b>	<b>01.01.2019- 30.09.2019</b>
Profit for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	(7 901)	4 279	5 950
Weighted average number of ordinary shares (in thousands of shares)	4 074	3 607	3 607
<b>Basic profit per share in PLN (net profit/weighted average number of shares)</b>	<b>(1,94)</b>	<b>1,19</b>	<b>1,65</b>
<b>Diluted profit per share in PLN (net profit/weighted average number of diluted shares)</b>	<b>(1,94)</b>	<b>1,19</b>	<b>1,65</b>

### 20. Credits and loans

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Credit card debt	16	(24)	12	31
Loan received under "Cares Act"	12 352	12 719	-	-
Credits and loans	10 523	11 134	12 890	15 307
	<b>22 891</b>	<b>23 829</b>	<b>12 902</b>	<b>15 339</b>

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.

Due to the expected decline in revenues Medi-Lynx has applied for a preferential loan pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act established by the US Congress. As part of the loan, in April 2020 Medi-Lynx obtained from JPMorgan Chase Bank 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 is non-returnable. The remaining part of the loan will be due on 7 April 2022 and bears an interest rate of 0.98% per annum.

## 21. Liabilities in respect of bonds and other financial liabilities

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Liabilities arising from acquisition of shares in Medi-Lynx	8 153	8 316	7 783	8 117
Finance lease liabilities	16 046	17 824	19 626	21 852
<b>Financial liabilities</b>	<b>24 199</b>	<b>26 140</b>	<b>27 409</b>	<b>29 969</b>
of which long-term	10 762	12 289	14 394	16 460
of which short-term	13 437	13 851	13 015	13 509

### 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 of 30 September 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. Talks with Medi-Lynx Monitoring Inc. are currently underway, to further defer the payment. As of the balance sheet date, interest accrued amounts to USD 120 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.

## 22. Trade and other liabilities, accruals and deferred income

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Trade liabilities to other entities	3 035	2 206	2 061	1 913
Salaries and wages payable	8 918	8 445	5 663	6 471
Budgetary liabilities	1 371	1 783	1 442	1 060
Other liabilities	-	170	278	146
	<b>13 324</b>	<b>12 604</b>	<b>9 444</b>	<b>9 590</b>
Income tax liabilities	41	29	54	252
	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Subsidies	1 433	1 210	1 026	935
Medicare Advance Payment	10 618	10 934	-	-
Other	3 505	2 923	2 339	2 241
	<b>15 556</b>	<b>15 067</b>	<b>3 365</b>	<b>3 176</b>
of which long-term	5 449	1 210	1 026	856
of which short-term	10 107	13 857	2 339	2 320

In the first half of 2020 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 according to predetermined schedule using a percentage of Medicare payments owed to Medi-Lynx. All remaining payments, if any, will be due at 29 months.

## 23. 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 of 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.

As disclosed in the consolidated financial statements of the Medicalgorithmics Capital Group for 2018, in 2018 a tax audit was carried out by the Office of Audit of Public Accounts in Texas, which resulted in a potential liability on the part of Medi-Lynx for sales taxes and excise duty for the period from 1 July 2014 to 31 December 2017 in the amount of USD 1.9 million.

The Group received the opinion of tax advisers, which pointed to significant irregularities in the office's findings regarding a significant part of potential tax liability (USD 1.5 million). Based on the opinions of tax advisers, the Company's Management Board decided to recognize in the 2018 financial result the cost of the part of the tax liability that is unquestioned by the Group amounting to USD 0.4 million. This obligation was settled by Medi-Lynx in the third quarter of 2018. Due to significant doubts as to the correctness of the office's findings, the Management Board decided to submit a request for reconsideration of the case regarding the challenged part of the liability and not to create a provision regarding this part (more information on this subject is included in current reports no. 30/2018 and 31/2018 of 21 August 2018). Appeal proceedings are still pending before public administration bodies.

In the opinion of the Management Board, there were no circumstances that could lead to significant liabilities in this respect.

#### **24. Seasonal and cyclical changes**

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

## 25. 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. The issue costs amounted to PLN 585 thousand and were charged directly to the supplementary capital of Medicalgorithmics S.A. The funds from the issue were wired to the Company at the beginning of April 2020. For more information on the share issue, see current reports 7/2020–15/2020, 22/2020 and 29/2020.

## 26. 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 of 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	Change in the period from 1 September 2020 to 24 November 2020
<b>Marek Dziubiński</b>	President of the Management Board	480 000	-	Unchanged
<b>Maksymilian Sztandera</b>	CFO, Member of the Management Board	-	-	Unchanged
<b>Peter G. Pellerito</b>	Member of the Management Board	-	-	Unchanged
<b>Michał Wnorowski</b>	Chairperson of the Supervisory Board	-	-	Unchanged
<b>Artur Małek</b>	Member of the Supervisory Board	-	-	Unchanged
<b>Marek Tatar</b>	Member of the Supervisory Board	-	-	Unchanged
<b>Krzysztof Urbanowicz</b>	Member of the Supervisory Board	-	-	Unchanged
<b>Mariusz Matuszewski</b>	Member of the Supervisory Board	-	-	Unchanged
<b>Marcin Gołębicki</b>	Member of the Supervisory Board	-	-	Unchanged

## 27. Information on net profit allocation

On 12 August 2020, the Ordinary General Meeting of Shareholders of the Parent Company passed a resolution No 15/08/2020 to allocate the entire net profit reported in the Company's Financial statements for the financial year ended 31 December 2019 to the supplementary capital of Medicalgorithmics S.A.

On 26 June 2019, the Ordinary General Meeting of Shareholders of the Parent Company passed a resolution No 17/06/2019 to allocate the entire net profit reported in the Company's Financial statements for the financial year ended 31 December 2018 to the supplementary capital of Medicalgorithmics S.A.

## 28. Transactions with executives

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

	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Remuneration of the Management Board Members	661	945
Remuneration of the Supervisory Board	329	306

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

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

- revenue from medical services in the US market generated by Medi-Lynx, MDG Poland 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 from 1 January to 30 September 2020 and 2019.

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>	<b>Change</b>	<b>Change %</b>
<b>Sales revenue</b>	84 257	136 254	(51 996)	(38%)
<b>Operating expenses</b>	113 503	131 302	(17 799)	(14%)
<b>Profit on sales</b>	(29 246)	4 952	(34 198)	(691%)
<b>Other operating revenue/(expenses), net</b>	4 008	324	3 684	1 137%
<b>Operating profit/(loss)</b>	(25 238)	5 276	(30 514)	(578%)
<b>Net finance income/(costs)</b>	(1 281)	(1 950)	670	(34%)
<b>Profit before tax</b>	(26 519)	3 326	(29 844)	(897%)
<b>Net profit/ (loss), of which:</b>	<b>(18 969)</b>	<b>3 904</b>	<b>(22 873)</b>	<b>(586%)</b>
<b>Net profit/(loss) attributable to Shareholders of the Parent Company</b>	(7 901)	5 950	(13 851)	(233%)
<b>Net profit/(loss) attributable to non-controlling interests</b>	(11 068)	(2 046)	(9 022)	441%
<b>EBITDA</b>	(13 339)	19 025	(32 363)	(170%)

### Sales revenue

In the 9 month period ended 30 September 2020, the Capital Group's revenue amounted to PLN 84.3 million, down by 38% year on year. The decrease in revenue was largely attributable to worse sales results of Medi-Lynx, resulting from the decrease in the volume of services sold, a decrease in average rates for tests performed and their unfavorable structure.

As a result of the SARS-COV-2 pandemic, significant decrease in the number of patients undergoing ECG tests using PocketECG technology was noted which will consequently reduce the number of payments received from insurer and negatively impact Medi-Lynx revenues in 2020. The biggest drop in the number of procedures sold on US market was noted in April 2020. Beginning May 2020 the Group records an increase in volumes as a result of the process of gradual defrosting of the economy and actions taken by Medi-Lynx. In total in the first 9 months of 2020 the number of procedures sold decreased by 9% compared to same period last year.

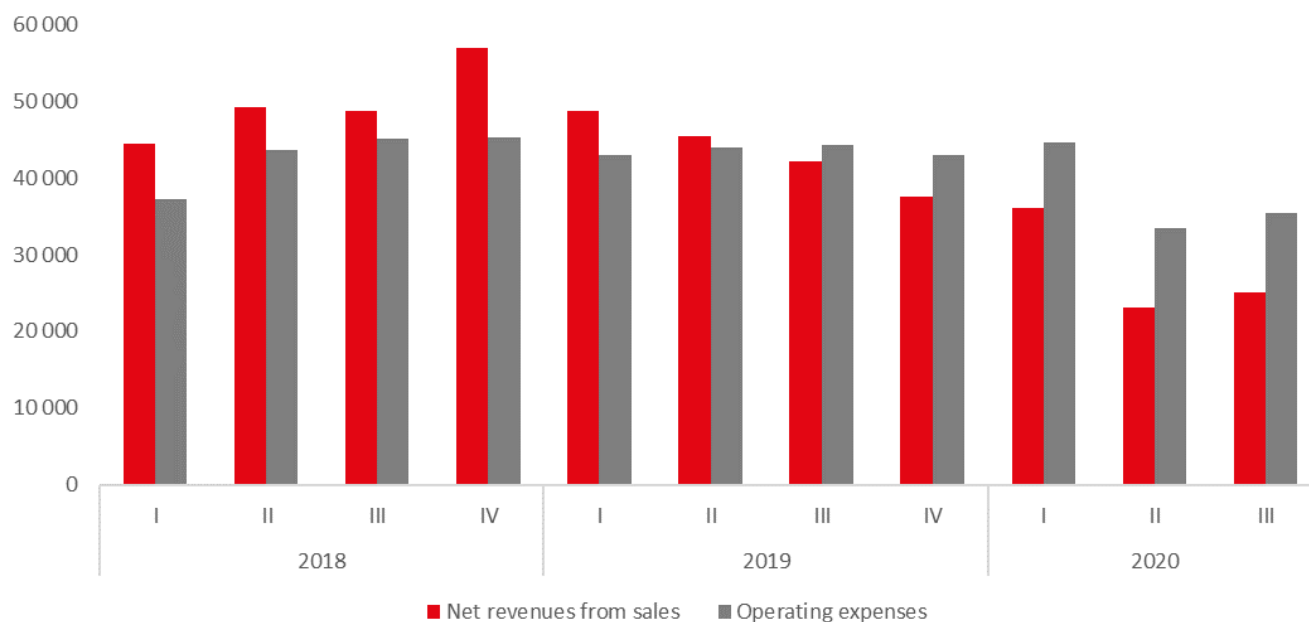
The decrease in average rates compared to 2019 is due to a decrease in reimbursement rates for Medi-Lynx services used for settlements with the clients of some insurers using the Multiplan network (more details in Current Report No. 5/2019), and to a large extent due to a change in the business model, 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.

Simultaneously in the reporting period there was an unfavorable change in the sales product mix compared to same period last year. The share of higher priced tests decreased in favor of tests with a lower priced tests, which consequently had a negative impact on the level of revenues.

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 56.7 million compared to the same period last year. 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 from unrelated entities in the Parent Entity (PLN +3.0 million) and in Medicalgorithmics India (PLN +0.1 million PLN) was recorded. Sales revenues of Medicalgorithmics Polska Sp. z o.o. remained at a similar level compared to 2019.

In the period from 1 July 2020 to 30 September 2020, the Group's revenues amounted to PLN 25.1 million and increased compared to the second quarter of 2020 by PLN 2.0 million, i.e. 9%. The quarterly change in revenues is directly connected with the gradual recovery in the volume of remote monitoring performed following a significant decline caused by the pandemic and the freezing of the economy in the second quarter of 2020. The number of claims submitted in the third quarter of 2020 increased by approx. 25% compared to the second quarter of 2020 and translated into an increase in revenues by approx. PLN 4.2 million (+22%, without the impact of dollar exchange rate). On the other hand, this increase was offset by a negative change in the average dollar exchange rate (PLN -1.8 million) and lower sales of equipment to unrelated entities (PLN -0.4 million).

**Chart 1. The Group's revenue from sales and cost of sales in particular quarters of 2018–2020 (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 81.2 million (PLN 133.7 million in the same period of 2019) representing 96% of total revenue and revenue from sales of devices to not-related companies in the amount of PLN 3.1 million (PLN 2.6 million in the same period of 2019). The vast majority of revenue, as in the previous years, was denominated in US dollars.

### Operating expenses

In the reporting period, the operating costs amounted to PLN 113.5 million and decreased by 14% compared to the same period of 2019.

	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019	Change	Change %
<b>Raw materials and consumables used</b>	6 442	6 485	(43)	(1%)
<b>Employee benefits</b>	68 621	77 046	(8 425)	(11%)
<b>Amortisation and depreciation</b>	11 899	13 749	(1 850)	(13%)
<b>Third-party services</b>	23 591	28 269	(4 678)	(17%)
<b>Other</b>	2 950	5 753	(2 803)	(49%)
<b>TOTAL:</b>	<b>113 503</b>	<b>131 302</b>	<b>(17 799)</b>	<b>(14%)</b>

### Raw materials and consumables used

The cost of raw materials and consumables used remained on comparable level as compared to the same period of 2019. On the Parent entity level the increase in costs of materials used for maintenance services, that are not eliminated in consolidation, translated into an increase in costs of raw materials and consumables by PLN 0.4 million. This increase was fully compensated by the decrease in cost achieved thanks to cost saving initiatives initiated by Medi-Lynx. The costs of raw materials and consumables MDG India and MDG Poland remained at a similar level as compared to the same period of the previous year.

### Employee benefits

Costs of employee benefits decreased by approximately PLN 8.4 million (-11%) as compared to the same period last year. The change is primarily attributable to the following factors:

(1) decrease in working time in Medi-Lynx. Because of SARS-COV-2 pandemic in order to optimally use the working time of persons employed, in March 2020 a decision was made to reduce working time of employees. As a result the average number of FTEs decreased by 36% (as compared to first quarter of 2020). Due to the stabilization of the pandemic situation, it was decided to gradually restore the basic working time in the following months. In third quarter of 2020 average full-time employment reached 81% of the pre-pandemic level (Q1 2020). As a result of the described changes, the cost of remuneration in Medi-Lynx in the entire analyzed period (Q1-Q3 2020) decreased by PLN 7.5 million compared to the corresponding period of 2019.

(2) a change in the average USD exchange rate which translated into an increase in costs by approximately PLN 1.4 million.

(3) decrease is costs of employee benefits at the Parent Company by PLN 2.3 million, due to reduced working time of employees in the second quarter of 2020, connected with SARS-CoV-2 pandemic and lower headcount as compared to the same period of 2019.

The costs of employee benefits represent the most significant item in the structure of the Group's operating expenses (60%). 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 9 month period ended 30 September 2020, depreciation and amortization expenses decreased by PLN 1.9 million (-13%) as compared to the same period of 2019. Currently they represent nearly 10% 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 in the reporting period amounted to PLN 4.7 million 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 the Group classifies the PocketECG devices as fixed assets, the manufacturing cost of PocketECG sold to Medi-Lynx is not charged on a one-off basis to costs of raw materials and consumables used, but it is amortized over a period of 3 years, corresponding to the expected life cycle of the devices. The total cost in 9 month period ended 30 September 2020 amounted to PLN 1.2 million (PLN 2.0 million in the same period of 2019).

Following the application of IFRS 16, the Group recognised right-of-use assets. Right-of-use assets are depreciated over the lease term, and the depreciation expense in the in 9 month period ended 30 September 2020 amounted to PLN 3.4 million (PLN 4.3 million in the same period of 2019).

### Third-party services

Third-party services account for 21% of the Group's operating expenses, and their amount decreased by 17% year on year to PLN 23.6 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

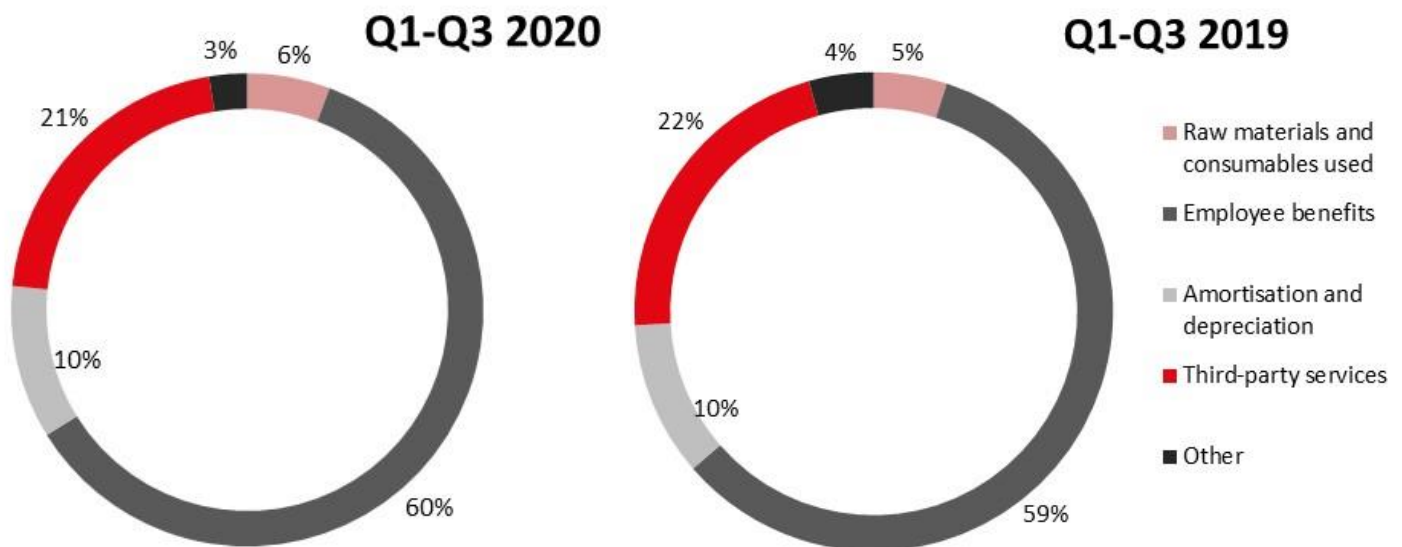
Comparing the 9 month period of 2020 with the corresponding period of 2019, a significant decrease in advisory and legal costs is visible. In 2019 Group incurred significant costs in connection with cooperation with external consultants and law firms with respect to the implementation of the new business 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 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

same period of 2019. Furthermore, the Group incurred higher costs of IT services related to the computing services for the needs of ongoing research projects. The cost level was negatively affected by an increase in the average USD/PLN exchange rate.

In the reporting period, 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 presented in Note 9 includes also operating expenses related to the rent of office space and the cost of renting low-value office equipment.

**Chart 2. Structure of the Group's operating expenses in the 9 month period ended 30 September 2020 and 2019**



### Profit and profitability

Net loss generated in the 9 months of 2020 amounted to PLN 19.0 million and loss attributable to Shareholders of the Parent Company amounted to PLN 7.9 million. Under the influence of factors affecting revenues and operating costs, which were described in the previous sections, the Group recorded negative sales margin (-35% in 9 months of 2020; 4% in the same period of 2019) and negative EBITDA margin (-16% in 9 months of 2020; 14% in the same period of 2019). Recognition of support received directed at companies from the healthcare sector (HHS) in other operating income (PLN 4.2 million) had positive impact on profit.

Result before tax was encumbered with net finance costs of PLN 1.3 million, comprising mainly interest on the Group's financial liabilities (PLN 0.4 million) and interest recognized following the application of IFRS 16 (PLN 0.4 million). Following the repayment of subsequent instalments of the liability on account of the acquisition of shares in Medi-Lynx and refinancing the bonds with a credit facility, followed by lower interest rate due to the change in WIBOR, interest expenses declined by approximately PLN 1.0 million year on year.

### Assets and financial position of the Capital Group

As of 30 September 2020, total assets amounted to PLN 305.7 million which represents an increase by PLN 22.5 million (or +8%) from 31 December 2019. The significant increase in the balance sheet value is primarily due to recognition of funds received under the support of the Cares Act and Medicare (+8%) and the increase of USD/PLN exchange rate compared to 31 December 2019 (+2%).

As of the balance sheet date, total non-current assets amounted to PLN 251.8 million and accounted for 82% of total assets. The most significant item of non-current assets were intangible assets, including client bases (PLN 99.3 million), goodwill recognized on the acquisition of related entities (PLN 86.7 million) and expenditure on research activities (PLN 24.0 million).

Non-current assets increased by PLN 5.0 million (+2%) as compared to 31 December 2019 what resulted mainly from recognition of deferred tax asset (+PLN 10.8 million) on tax loss incurred in 2020. Additionally, gross value of intangible assets increased caused by an increase in the average USD/PLN exchange rate (+3.3 million) and expenditure on research activities incurred (+3.2 million). The increase in the gross value of intangible assets was partially offset by the accrued depreciation (PLN 5.7 million). Moreover, the change in non-current assets was influenced by the decrease in the net value of fixed assets, mainly due to the depreciation charged during the period (PLN 6.3 million).

As of 30 September 2020, current assets amounted to PLN 53.9 million which represents an increase by PLN 17.5 million (or +48%) from 31 December 2019. The significant increase is the effect of high, positive net cash flows, the most important of which is the inflow of cash under the "Cares Act" support program (PLN 16.7 million), an advance payment for services received from Medicare (PLN 10.8 million) and the proceeds from the issue of series G shares (PLN 12.6 million). Current assets accounted for 18% of total assets. Current assets comprise cash (61%) and trade receivables (39%).

As of 30 September 2020, equity attributable to Shareholders of the Parent Company amounted to PLN 203.6 million, having increased by PLN 7.7 million (or +4%) from 31 December 2019. Equity account for 67% 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 - 7.9 million), foreign exchange gains resulting from an increase in the USD exchange rate (PLN +3.1 million) and recognition of the issue of series G shares in the share and supplementary capital (PLN +12.6 million). The equity of minority shareholders decreased by PLN 10.4 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 of the balance sheet date, long-term liabilities stood at PLN 41.6 million (14% of total assets), and comprised mainly credits and loans (PLN 17.8 million) and other financial liabilities (PLN 10.8 million). Long-term liabilities increased by PLN 11.0 million (+36%) as compared to 31 December 2019, mainly due to recognition of the loan received under the "Cares Act" adopted by the US Congress (USD +3.2 million) and recognition of the long-term part of Medicare advance payment.

As of the balance sheet date, short-term liabilities amounted to PLN 42.0 million (14% of total assets). The most significant components of short-term liabilities were accruals and deferred income (PLN 10.1 million) where short-term part of advance payment for services received from Medicare to support the current liquidity of Medi-Lynx was recognised. Financial liabilities include liabilities arising from the acquisition of shares in Medi-Lynx (PLN 8.2 million) and finance lease liabilities (PLN 5.3 million). Short-term liabilities increased by PLN 14.1 million (+51%) from 31 December 2019 mainly as a result of aforementioned advance payment from Medicare.

### **30. 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 other than those described above having a significant impact on the condensed financial statements.

### **31. 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.

### **32. Information on securities 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 of 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 of the balance sheet date the outstanding amount is USD 2,110 thousand and was due on 30 September 2020. Talks with Medi-Lynx Monitoring Inc. are currently underway to further defer payment. Liabilities bear interest at a fixed interest rate.

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.

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

The Management Board monitors the risk of difficulties in fulfillment of financial obligations by the Capital Group. In line with the assumptions regarding the change in the business model, following a temporary decline in sales revenues and cash flows from operating activities, the Group expected an increase in the volume of tests and improvement in cash flows. In order to ensure adequate funds for the Group's development and current operating activities in the transitional period, a decision was made to obtain additional financing by issuing new ordinary series G bearer shares. The total value of the shares issued in the first quarter of 2020 was PLN 13.2 million (more in Note 25). However, due to the onset of the pandemic, the Group's results and situation deteriorated significantly. Management has taken a number of steps to get through this crisis and return to normal business operations. Medi-Lynx obtained financing from aid programs implemented by the American government, including: USD 3.2 million under a loan, part of which, spent under certain conditions on employee wages, is non-returnable; USD 1 million as non-returnable support for healthcare companies and USD 2.7 million in advance for services provided to the public insurer Medicare. Annexes were signed extending the repayment dates of the liabilities towards the seller of Medi-Lynx Cardiac Monitoring shares and the bank loan. In addition, in order to optimally use the working time of people employed in the Medicalgorithmics Group companies, the basic working was reduced, which entailed lower expenditure on remuneration in 2<sup>nd</sup> and 3<sup>rd</sup> quarter. Thanks to the above activities, the Group is able to pay its liabilities on an ongoing basis.

In the face of the second wave of the pandemic, the Management Board is taking steps to dynamically adapt to the situation, intensive reorganization works are underway to improve efficiency and further optimize costs. The cash flow projections prepared on the basis of the Management Board's current estimates of 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 the required liabilities. The Management Board of the Company underlines that, taking into account the unusual nature of the current situation, as well as its dynamic development, it is currently impossible to fully 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.

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

The most important factor that will affect the Group's results in the next quarter is the SARS-CoV-2 pandemic. Effects of the SARS-COV-2 pandemic and related regulatory activities to counteract the spread of the virus significantly reduce the Group's revenues and translated into worse financial results of the Capital Group in second and third quarter of 2020. Due to the advent of the second wave of the pandemic, it should be expected that the fourth quarter of 2020 will also be significantly affected. In the United States significant decrease in the number of patients undergoing ECG tests using PocketECG technology was noted, which will consequently reduce the number of payments from patients and insurers. In total in second quarter of 2020 the number of procedures sold decreased by 22% compared to same period last year while in third quarter of 2020 an increase by 6% was recorded.

The biggest drop in the number of tests sold on US market was noted in April 2020. Beginning May 2020 the Group records an 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. This upward trend continued throughout third quarter. Despite the advent of the second wave of the pandemic, no further decline in the number of tests sold has been recorded so far, however, it should be borne in mind that this may take place in the fourth quarter of 2020.

In the opinion of the Management Board, another important factor contributing to the Group's performance over the next quarter is the implementation of objectives of the business model. As reported in the current report dated 2 November 2020, Medi-Lynx signed an agreement with one of the largest commercial insurers in the USA. After concluding the agreement, the Management Board of the Company estimates that approximately 85% of US insured persons are within the "in-network" range in the USA. This means that the Group is close to achieving the 2020 target, i.e. signing contracts with insurers covering 90% of the insured. 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 each monitoring session, but allows to increase the volume because more patients will be covered under insurance plans. However, it should be emphasized that there is a risk that despite the measures taken, the Management Board's projections will not be 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 reimbursement rates 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;
- changes in physicians' preferences regarding patient diagnosis methods and their impact on the structure of the services provided;
- 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.

### **35. 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.

### **36. Events after the balance sheet date**

On 2 November 2020, the Company informed in the current report No. 43/2020 that Medi-Lynx has signed an agreement with one of the largest commercial payors in the USA, thanks to which Medi-Lynx will be an accepted provider of medical services in the insurer's network. Pursuant to the provisions of the agreement, services rendered by Medi-Lynx to the patients starting from 2 November 2020 will be reimbursed in accordance with the new contracted rates. The Management Board of the Company expects that impact of the agreement will be seen in operating profits starting from Q1 2021. The Management Board of the Company estimates, that after an agreement, approximately 85% of the population is covered for Medi-Lynx's arrhythmia diagnostics services with "in-network" model.

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

	PLN '000		EUR '000	
	30.09.2020 <i>(unaudited)</i>	31.12.2019 <i>(audited)</i>	30.09.2020 <i>(unaudited)</i>	31.12.2019 <i>(audited)</i>
<b>Statement of financial position</b>				
Non-current assets	193 386	188 684	42 720	44 308
Current assets	43 656	17 429	9 644	4 093
Intangible assets	24 392	22 287	5 388	5 234
Long-term financial assets	66 804	64 021	14 757	15 034
Short-term receivables	34 930	9 684	7 716	2 274
Cash and cash equivalents	4 498	1 987	994	467
Equity	216 163	183 674	47 752	43 131
Share capital	433	361	96	85
Short-term liabilities	8 536	5 934	1 886	1 393
Long-term liabilities	12 343	16 505	2 727	3 876
Number of shares	4 327 829	3 606 526	4 327 829	3 606 526
Book value per ordinary share (PLN/EUR)	49,95	50,93	11,03	11,96
	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Statement of comprehensive income</b>				
Sales revenue	39 065	36 724	8 794	8 523
Profit on sales	19 026	12 731	4 283	2 955
Operating profit	19 003	13 174	4 278	3 058
Profit before tax	21 762	18 382	4 899	4 266
Net profit	19 910	14 661	4 482	3 403
Earnings per ordinary share (PLN/EUR)	4,89	4,07	1,10	0,94
	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Statement of cash flows</b>				
Net cash flows from operating activities	(4 487)	9 179	(1 010)	2 131
Net cash flows from investing activities	(2 513)	13 376	(566)	3 104
Net cash flows from financing activities	9 511	(36 872)	2 141	(8 558)
Total net cash flows	2 511	(14 317)	565	(3 323)

**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 30 September 2020, i.e. EUR/PLN 4.5268, 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 30 September 2020, i.e. EUR/PLN 4.4420, and from 1 January 2019 to 30 September 2019, i.e. EUR/PLN 4.3086.

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Intangible assets	24 392	23 548	22 287	21 521
Property plant and equipment	4 118	4 499	5 327	5 825
Financial assets	38 66 804	67 972	64 021	66 633
Shares in subsidiaries	39 96 221	96 221	96 221	96 221
Deferred income tax assets	1 851	1 384	828	593
<b>Non-current assets</b>	<b>193 386</b>	<b>193 624</b>	<b>188 684</b>	<b>190 793</b>
Inventories	4 228	5 123	5 758	6 225
Trade and other receivables	40 34 930	25 807	9 684	8 495
Cash and cash equivalents	4 498	9 817	1 987	1 433
<b>Current assets</b>	<b>43 656</b>	<b>40 747</b>	<b>17 429</b>	<b>16 153</b>
<b>TOTAL ASSETS</b>	<b>237 042</b>	<b>234 371</b>	<b>206 113</b>	<b>206 946</b>

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Share capital	433	433	361	361
Supplementary capital	195 820	179 226	166 719	166 719
Retained earnings	19 910	32 643	16 594	14 661
<b>Equity</b>	<b>216 163</b>	<b>212 302</b>	<b>183 674</b>	<b>181 741</b>
Provisions	733	863	716	823
Deferred tax liabilities	2 821	3 136	2 409	2 630
Liabilities in respect of bonds and other financial liabilities	2 079	2 274	2 656	2 960
Credits and loans	5 278	6 861	9 698	5 541
Other liabilities	-	-	-	40
Accruals and deferred income	1 432	1 210	1 026	856
<b>Long-term liabilities</b>	<b>12 343</b>	<b>14 344</b>	<b>16 505</b>	<b>12 850</b>
Credits and loans	42 5 030	3 999	2 981	9 557
Liabilities in respect of bonds and other financial liabilities	919	991	1 042	1 055
Trade and other liabilities	43 2 587	2 735	1 911	1 467
Income tax liabilities	-	-	-	197
Accruals and deferred income	43 -	-	-	79
<b>Short-term liabilities</b>	<b>8 536</b>	<b>7 725</b>	<b>5 934</b>	<b>12 355</b>
<b>Total liabilities</b>	<b>20 879</b>	<b>22 069</b>	<b>22 439</b>	<b>25 205</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>237 042</b>	<b>234 371</b>	<b>206 113</b>	<b>206 946</b>

	01.07.2020- 30.09.2020 <i>(unaudited)</i>	01.07.2019- 30.09.2019 <i>(unaudited)</i>	01.01.2020- 30.09.2020 <i>(unaudited)</i>	01.01.2019- 30.09.2019 <i>(unaudited)</i>
<b>Sales revenue</b>	37 <b>13 118</b>	<b>12 005</b>	<b>39 065</b>	<b>36 724</b>
Raw materials and consumables used	(2 008)	(1 034)	(4 794)	(5 096)
Employee benefits	(2 671)	(3 609)	(7 628)	(9 963)
Amortization and depreciation	(697)	(861)	(2 005)	(2 256)
Third-party services	(1 806)	(1 952)	(5 347)	(5 816)
Other	(88)	(220)	(265)	(862)
<b>Total costs of sales</b>	<b>(7 270)</b>	<b>(7 676)</b>	<b>(20 039)</b>	<b>(23 993)</b>
<b>Profit on sales</b>	<b>5 848</b>	<b>4 329</b>	<b>19 026</b>	<b>12 731</b>
Other operating revenue	5	84	10	689
Other operating expenses	(8)	(74)	(33)	(246)
<b>Operating profit</b>	<b>5 845</b>	<b>4 339</b>	<b>19 003</b>	<b>13 174</b>
Finance income	(1 722)	4 764	3 032	6 531
Finance costs	(65)	441	(273)	(1 323)
<b>Net finance (costs)/income</b>	<b>(1 787)</b>	<b>5 205</b>	<b>2 759</b>	<b>5 208</b>
<b>Profit before tax</b>	<b>4 058</b>	<b>9 544</b>	<b>21 762</b>	<b>18 382</b>
Income tax	(198)	(1 817)	(1 852)	(3 721)
<b>Net profit from continuing operations</b>	<b>3 860</b>	<b>7 727</b>	<b>19 910</b>	<b>14 661</b>
Other net comprehensive income for the reporting period	-	-	-	-
<b>Total comprehensive income for the reporting period</b>	<b>3 860</b>	<b>7 727</b>	<b>19 910</b>	<b>14 661</b>
Basic profit per share in PLN	0,89	2,14	4,89	4,07
Diluted profit per share in PLN	0,89	2,14	4,89	4,07

	Share capital	Supplement ary capital	Retained earnings	Total equity
<b>Equity as at 1 January 2020 (audited)</b>	<b>361</b>	<b>166 719</b>	<b>16 594</b>	<b>183 674</b>
<b>Comprehensive income for the reporting period</b>				
Net profit for the previous reporting period	-	16 594	(16 594)	-
Net profit for the current reporting period	-	-	19 910	19 910
	<b>-</b>	<b>16 594</b>	<b>3 316</b>	<b>19 910</b>
<b>Transactions recognized directly in equity</b>				
Issue of G series shares	72	12 507	-	12 579
<b>Total contributions from and distributions to owners</b>	<b>72</b>	<b>12 507</b>	<b>-</b>	<b>12 579</b>
<b>Equity as at 30 September 2020 (unaudited)</b>	<b>433</b>	<b>195 820</b>	<b>19 910</b>	<b>216 163</b>

	Share capital	Supplementary capital	Retained earnings	Total equity
<b>Equity as at 1 January 2020 (audited)</b>	<b>361</b>	<b>166 719</b>	<b>16 594</b>	<b>183 674</b>
<b>Comprehensive income for the reporting period</b>				
Net profit for the current reporting period	-	-	16 050	16 050
	<b>-</b>	<b>-</b>	<b>16 050</b>	<b>16 050</b>
<b>Transactions recognized directly in equity</b>				
Issue of G series shares	72	12 507	-	12 579
<b>Total contributions from and distributions to owners</b>	<b>72</b>	<b>12 507</b>	<b>-</b>	<b>12 579</b>
<b>Equity as at 30 June 2020 (unaudited)</b>	<b>433</b>	<b>179 226</b>	<b>32 643</b>	<b>212 302</b>

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

	Share capital	Supplement ary capital	Retained earnings	Total equity
<b>Equity as at 1 January 2019 (audited)</b>	<b>361</b>	<b>155 394</b>	<b>11 325</b>	<b>167 080</b>
<b>Comprehensive income for the reporting period</b>				
Net profit for the previous reporting period	-	11 325	(11 325)	-
Net profit for the current reporting period	-	-	14 661	14 661
	-	<b>11 325</b>	<b>3 336</b>	<b>14 661</b>
<b>Total contributions from and distributions to owners</b>	-	-	-	-
<b>Equity as at 30 September 2019 (unaudited)</b>	<b>361</b>	<b>166 719</b>	<b>14 661</b>	<b>181 741</b>

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Cash flows from operating activities</b>		
<b>Net profit for the reporting period</b>	<b>19 910</b>	<b>14 661</b>
Depreciation of property, plant and equipment	938	1 059
Amortization of intangible assets	1 067	1 197
Income tax	1 853	3 721
Change in inventories	1 530	(1 137)
Change in trade and other receivables	(26 539)	(1 598)
Change in accruals, prepayments and deferred income	0	(236)
Change in trade and other liabilities	166	(2 489)
Change in provisions	17	25
Net finance costs	-	179
Tax paid	(661)	(1 168)
Foreign exchange differences	(981)	(4 850)
Interest	(2 118)	(433)
Other	331	248
	<b>(4 487)</b>	<b>9 179</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	-	5 825
Repayment of loans granted with interest	730	19 721
Loans granted	-	(7 673)
Acquisition of subsidiaries	-	(183)
Purchase of property plant and equipment and intangible assets	(3 243)	(4 169)
Acquisition of other investments	-	(40)
Other cash used in investing activities	-	(105)
	<b>(2 513)</b>	<b>13 376</b>
<b>Cash flows from financing activities</b>		
Income from issue of shares	12 579	-
Repayment of credit card debt	5	-
Inflows from credits taken out	-	19 000
Repayment debt on account of credits taken out with interest	(2 535)	(4 132)
Repayment of bonds with interest	-	(51 369)
Payments of finance lease liabilities	(879)	(802)
Interest on finance leases	(65)	(56)
Other inflows from financing activities	406	487
	<b>9 511</b>	<b>(36 872)</b>
<b>Total net cash flows</b>	<b>2 511</b>	<b>(14 317)</b>
Opening balance of cash and cash equivalents	1 987	15 750
<b>Closing balance of cash</b>	<b>4 498</b>	<b>1 433</b>



**37. Sales revenue structure**

	<b>01.07.2020- 30.09.2020</b>	<b>01.07.2019- 30.09.2019</b>	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 30.09.2019</b>
<b>By type</b>				
Revenue from sales of services	11 150	11 144	34 230	31 789
Revenue from sales of devices	1 968	862	4 835	4 935
	<b>13 118</b>	<b>12 006</b>	<b>39 065</b>	<b>36 724</b>
<b>By territory</b>				
Domestic sales	63	23	242	148
Export sales	13 055	11 983	38 823	36 576
	<b>13 118</b>	<b>12 006</b>	<b>39 065</b>	<b>36 724</b>

**38. Financial assets**

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Loans granted	66 604	67 772	63 821	66 433
Shares	200	200	200	200
	<b>66 804</b>	<b>67 972</b>	<b>64 021</b>	<b>66 633</b>
of which long-term portion	66 804	67 972	64 021	66 633
of which short-term portion	-	-	-	-

**Loans granted**

	<b>Loan amount (USD '000)</b>	<b>Repayment date</b>	<b>Interest rate</b>
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/Spectacor for the client base acquired from this entity. The fair value of financial assets approximates their book value.

In the first half of 2020, a portion of interest on loans in the amount of USD 189 thousand was repaid. The interest accrued as of 30 September 2020 was USD 2.022 thousand.

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

**39. Shares in subsidiaries**

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771	94 771
Medicalgorithmics Polska Sp. z o.o.	1 267	1 267	1 267	1 267
Medicalgorithmics India Pvt. Ltd	183	183	183	183
	<b>96 221</b>	<b>96 221</b>	<b>96 221</b>	<b>96 221</b>

**40. Trade and other receivables**

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade receivables	34 318	25 303	8 759	7 817
Budgetary receivables	158	132	723	292
Other receivables	200	172	98	98
Prepayments and deferred expenses	254	200	104	288
	<b>34 930</b>	<b>25 807</b>	<b>9 684</b>	<b>8 495</b>
Long-term	-	-	-	-
Short-term	34 930	25 807	9 684	8 495

**Trade receivables**

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade receivables from related entities	32 975	23 604	7 680	6 064
Trade receivables from other entities	1 343	1 699	1 079	1 860
Impairment loss on receivables from other entities	-	-	-	(107)
<b>Total net trade receivables</b>	<b>34 318</b>	<b>25 303</b>	<b>8 759</b>	<b>7 817</b>

**41. Basic and diluted earnings per share**

	01.01.2020- 30.09.2020	01.01.2019- 31.12.2019	01.01.2019- 30.09.2019
Profit for the period (PLN '000)	19 910	16 594	14 661
Weighted average number of ordinary shares (in thousands of shares)	4 074	3 607	3 607
<b>Basic profit per share in PLN (net profit/weighted average number of shares)</b>	<b>4,89</b>	<b>4,60</b>	<b>4,07</b>
<b>Diluted profit per share in PLN (net profit/weighted average number of diluted shares)</b>	<b>4,89</b>	<b>4,60</b>	<b>4,07</b>

**42. Credits and loans**

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Credit card debt	17	(24)	12	57
Credits and loans	10 291	10 884	12 666	15 041
	<b>10 308</b>	<b>10 860</b>	<b>12 678</b>	<b>15 098</b>
of which long-term	5 278	6 861	9 698	5 541
of which short-term	5 030	3 999	2 981	9 557

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.

**43. Trade and other liabilities, accruals and deferred income**

	30.09.2020	30.06.2020	31.12.2019	30.09.2019
Trade liabilities to other entities	1 458	1 164	987	738
Budgetary liabilities	669	1 093	459	437
Salaries and wages payable	460	308	215	146
Other liabilities	-	170	250	146
Short-term accruals and deferred income	-	-	-	79
Long-term accruals and deferred income	1 432	1 210	1 026	856
	<b>4 019</b>	<b>3 945</b>	<b>2 937</b>	<b>2 402</b>

**44. Contingent liabilities**

Contingent liabilities were disclosed in Note 23 to these financial statements.

**45. 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**

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Loans granted	66 804	67 772	63 821	69 673
Contribution to the supplementary capital	94 771	94 771	94 771	94 771

**Statement of comprehensive income (in PLN '000)**

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 31.12.2019</b>	<b>01.01.2019- 30.09.2019</b>
Interest on loans	2 574	3 429	1 895

**Medi-Lynx Cardiac Monitoring LLC**
**Statement of financial position (in PLN '000) — as at**

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Trade receivables	32 774	23 426	7 506	5 935

**Statement of comprehensive income (in PLN '000)**

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 31.12.2019</b>	<b>01.01.2019- 30.09.2019</b>
Revenue from sales of goods and services	31 031	40 851	30 851

**Medicalgorithmics Polska Sp. z o.o.**
**Statement of financial position (in PLN '000) — as at**

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Trade receivables	119	119	119	80
Contribution to equity	1 267	1 267	1 267	1 267

**Statement of comprehensive income (in PLN '000)**

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 31.12.2019</b>	<b>01.01.2019- 30.09.2019</b>
Revenue from sales of goods and services	35	78	32

**Medicalgorithmics India Pvt. Ltd**
**Statement of financial position (in PLN '000) — as at**

	<b>30.09.2020</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.09.2019</b>
Trade receivables	81	59	55	48
Contribution to the supplementary capital	183	183	183	183

**Statement of comprehensive income (in PLN '000)**

	<b>01.01.2020- 30.09.2020</b>	<b>01.01.2019- 31.12.2019</b>	<b>01.01.2019- 30.09.2019</b>
Revenue from sales of goods and services	207	314	238

**46. Transactions with executives**

Transactions with executives were disclosed in Note 28 to these financial statements.

**47. 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.

**48. Events after the balance sheet date**

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

This report was approved for publication on 24 November 2020

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Marek Dziubiński  
President of the Management Board

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Maksymilian Sztandera  
Chief Financial Officer

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Peter G. Pellerito  
Member of the Management Board

Warsaw, 24 November 2020



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