Interim condensed consolidated financial statements

of the MEDICALgorithmics Capital Group

for the 1st quarter of 2021

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Interim condensed consolidated statement of financial position	PLN '000 31.03.2021 *(unaudited)*	PLN '000 31.12.2020 *(audited)*	EUR '000 31.03.2021 *(unaudited)*	EUR '000 31.12.2020 *(audited)*
Non-current assets	255 213	242 663	54 763	52 584
Intangible assets	211 205	201 767	45 320	43 722
Long-term financial assets	200	200	43	43
Current assets	56 605	40 741	12 146	8 828
Short-term receivables	32 875	24 544	7 054	5 319
Cash and cash equivalents	23 730	16 197	5 092	3 510
Long-term liabilities	48 290	38 893	10 362	8 428
Short-term liabilities	49 696	37 146	10 664	8 049
Equity attributable to Shareholders of the Parent Company	213 823	207 355	45 882	44 933
Share capital	433	433	93	94
Non-controlling interests	9	10	2	2
Number of shares	4 327 829	4 327 829	3 606 526	4 327 829
Book value per ordinary share (PLN/EUR)	49,41	47,91	10,60	10,38

Interim condensed consolidated statement of comprehensive income	01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*	01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*
Sales revenue	31 366	36 072	6 860	8 205
Loss on sales	(5 033)	(8 558)	(1 101)	(1 947)
Operating loss	(5 094)	(8 618)	(1 114)	(1 960)
Loss before tax	(3 294)	(8 082)	(721)	(1 838)
Net Loss	(1 013)	(6 935)	(222)	(1 577)
- attributable to Shareholders of the Parent Company	(1 012)	(3 265)	(221)	(743)
- attributable to non-controlling interests	(1)	(3 670)	-	(835)
Net loss attributable to Shareholders of the Parent Company per share (in PLN) – basic	(0,23)	(0,91)	(0,05)	-0,21

Interim condensed consolidated statement of cash flows	01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*	01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*
Net cash flows from operating activities	(4 281)	(2 109)	(936)	(480)
Net cash flows from investing activities	(2 764)	(161)	(605)	(37)
Net cash flows from financing activities	14 578	(2 609)	3 189	(593)
Total net cash flows	7 533	(4 879)	1 648	(1 110)

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 31 March 2021, i.e. EUR/PLN 4.6603, and for 31 December 2020, i.e. EUR/PLN 4.6148;
- 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 2021 to 31 March 2021, i.e. EUR/PLN 4.5721, and from 1 January 2020 to 31 March 2020, i.e. EUR/PLN 4.3963.

		31.03.2021 (unaudited)	31.12.2020 (audited)	31.03.2020 (unaudited)
Intangible assets	12	211 205	201 767	225 903
Property plant and equipment	13	23 175	23 535	30 235
Financial assets		200	200	200
Deferred income tax assets		20 633	17 161	8 983
Non-current assets		**255 213**	**242 663**	**265 321**
Trade and other receivables	14	32 875	24 544	27 613
Cash and cash equivalents	15	23 730	16 197	6 271
Current assets		**56 605**	**40 741**	**33 884**
TOTAL ASSETS		**311 818**	**283 404**	**299 205**

		31.03.2021 (unaudited)	31.12.2020 (audited)	31.03.2020 (unaudited)
Share capital		433	433	361
Supplementary capital		137 129	137 129	124 622
Retained earnings		74 868	75 880	73 046
Foreign exchange differences		1 393	(6 087)	8 709
Equity attributable to Shareholders of the Parent Company		**213 823**	**207 355**	**206 738**
Non-controlling interests		**9**	**10**	**27 721**
Provisions		3 621	2 973	2 481
Deferred tax liabilities		5 972	5 331	5 520
Credits and loans	18	20 720	12 128	8 576
Other financial liabilities	19	16 274	17 182	14 373
Accruals and deferred income	20	1 703	1 279	1 076
Long-term liabilities		**48 290**	**38 893**	**32 026**
Credits and loans	18	11 477	2 928	3 100
Other financial liabilities	19	7 411	7 144	14 066
Trade and other liabilities	20	16 319	13 588	12 741
Income tax liabilities		34	40	24
Accruals and deferred income	20	14 455	13 446	2 789
Short-term liabilities		**49 696**	**37 146**	**32 720**
Total liabilities		**97 986**	**76 039**	**64 746**
TOTAL EQUITY AND LIABILITIES		**311 818**	**283 404**	**299 205**

		01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*
Sales revenue	6	**31 366**	**36 072**
Raw materials and consumables used		(2 478)	(3 154)
Employee benefits	7	(20 653)	(27 251)
Amortization and depreciation	8	(4 247)	(4 049)
Third-party services	9	(8 127)	(8 733)
Other		(894)	(1 443)
Total costs of sales		**(36 399)**	**(44 630)**
Loss on sales		**(5 033)**	**(8 558)**
Other operating revenue		13	1
Other operating expenses		(74)	(61)
Operating loss		**(5 094)**	**(8 618)**
Finance income	10	2 007	849
Finance costs	10	(207)	(313)
Net finance income		**1 800**	**536**
Loss before tax		**(3 294)**	**(8 082)**
Income tax	11	2 281	1 147
Net loss from continuing operations		**(1 013)**	**(6 935)**
Net loss for the reporting period attributable to Shareholders of the Parent Company		(1 012)	(3 265)
Net loss for the reporting period attributable to non-controlling interests		(1)	(3 670)
		(1 013)	**(6 935)**
Other comprehensive income			
Currency translation differences		4 384	11 860
Exchange differences on loans constituting a part of net investments in subsidiaries		3 822	5 941
Deferred tax on valuation of exchange differences on loans		(726)	(1 129)
Other comprehensive income that can be reclassified to income statement in the following reporting periods		**7 480**	**16 672**
Other comprehensive income		**7 480**	**16 672**
Other comprehensive income attributable to Shareholders of the Parent Company		7 480	14 163
Other comprehensive income attributable to non-controlling interests		0	2 509
Total comprehensive income for the reporting period			
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		6 468	10 898
Comprehensive income for the reporting period attributable to non-controlling interests		(1)	(1 161)
		6 467	**9 737**
Net profit attributable to Shareholders of the Parent Company per share (in PLN)			
- basic		(0,23)	(0,91)
- diluted		(0,23)	(0,91)

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as at 1 January 2021 (*audited)*	**433**	**137 129**	**75 880**	**(6 087)**	**207 355**	**10**	**207 365**
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	(1 012)	-	(1 012)	(1)	(1 013)
Other comprehensive income				7 480	7 480	0	7 480
	-	**-**	**(1 012)**	**7 480**	**6 468**	**(1)**	**6 467**
Transactions recognized directly in equity							
Issue of shares in the Parent Company	-	-	-	-	-	-	-
Share purchase transaction	-	-	-	-	-	-	-
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 31 March 2021 *(unaudited)*	**433**	**137 129**	**74 868**	**1 393**	**213 823**	**9**	**213 832**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as at 1 January 2020 (*audited)*	**361**	**124 622**	**76 311**	**(5 454)**	**195 840**	**28 882**	**224 722**
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	(12 919)	-	(12 919)	(14 757)	(27 676)
Other comprehensive income	-	-	-	(633)	(633)	253	(379)
	-	**-**	**(12 919)**	**(633)**	**(13 552)**	**(14 504)**	**(28 056)**
Transactions recognized directly in equity							
Issue of shares in the Parent Company	72	12 507	-	-	12 579	-	12 579
Share purchase transaction	-	-	12 488	-	12 488	(14 368)	(1 880)
Total contributions from and distributions to owners	**72**	**12 507**	**12 488**	**-**	**25 067**	**(14 368)**	**10 699**
Equity as at 31 December 2020 *(audited)*	**433**	**137 129**	**75 880**	**(6 087)**	**207 355**	**10**	**207 365**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as at 1 January 2020 (*audited)*	**361**	**124 622**	**76 311**	**(5 454)**	**195 840**	**28 882**	**224 722**
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	(3 265)	-	(3 265)	(3 670)	(6 935)
Other comprehensive income				14 163	14 163	2 509	16 672
	-	**-**	**(3 265)**	**14 163**	**10 898**	**(1 161)**	**9 737**
Transactions recognized directly in equity							
Issue of shares in the Parent Company	-	-	-	-	-	-	-
Share purchase transaction	-	-	-	-	-	-	-
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 31 March 2020 *(unaudited)*	**361**	**124 622**	**73 046**	**8 709**	**206 738**	**27 721**	**234 459**

	01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*
Cash flows from operating activities		
Net loss for the reporting period	**(1 013)**	**(6 935)**
Depreciation of property plant and equipment	2 051	2 164
Amortization of intangible assets	2 196	1 884
Income tax	(1 555)	(18)
Change in trade and other receivables	(8 519)	(2 822)
Change in accruals prepayments and deferred income	867	451
Change in trade and other liabilities	2 730	3 083
Change in provisions	648	458
Profit on sale of fixed assets	-	25
Tax paid	-	(391)
Foreign exchange differences	(1 941)	(357)
Interest	274	285
Other	(19)	64
	(4 281)	**(2 109)**
Cash flows from investing activities		
Acquisition of intangible assets	(1 788)	(1 043)
(Acquisition)/sale of property, plant and equipment	(976)	882
	(2 764)	**(161)**
Cash flows from financing activities		
Proceeds from credits taken out	8 553	-
Repayment debt on account of credits taken out with interest	(204)	(1 307)
Repayment of financial liabilities	(572)	-
Payments of finance lease liabilities	(1 391)	(1 351)
Inflows received under US anti-crisis packages	7 626	-
Other inflows from financing activities	566	49
	14 578	**(2 609)**
Total net cash flows	**7 533**	**(4 879)**
Opening balance of cash and cash equivalents	16 197	11 150
Closing balance of cash	**23 730**	**6 271**

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.

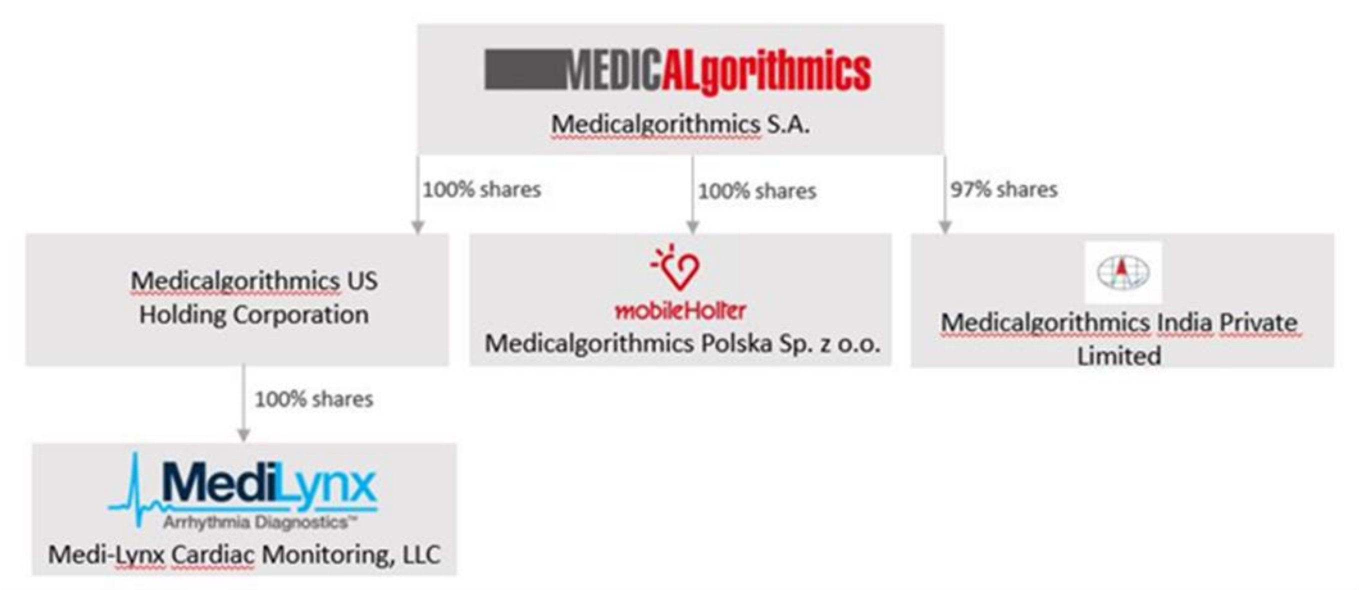
The term "Report" refers to this interim condensed consolidated report for 1st quarter of 2021. The term "Consolidated financial statements" means the interim condensed consolidated financial statements of the Medicalgorithmics Group as of 31 March 2021, covering the period 1 January 2021 to 31 March 2021 and including appropriate comparative data as of 31 December 2020, as well as data for the corresponding comparative period of 2020.

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");
- 100% 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 31 March 2021 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, 12th Commercial Division of the National Court Register, under KRS number 0000372848.

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

Management Board

Marek Dziubiński – President of the Management Board
Maksymilian Sztandera – Member of the Management Board, Chief Financial Officer
Peter G. Pellerito – Member of the Management Board

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 2021 to 31 March 2021 there were no changes in the composition of the Parent Company's Management Board and Supervisory Board. On 11 May 2021, the Supervisory Board adopted a resolution appointing, on 16 June 2021, Mr. Marcin Gołębicki as the President of the Management Board of Medicalgorithmics S.A. In connection with the appointment to the Management Board, Mr. Marcin Gołębicki resigned from the position of a Member of the Supervisory Board with effect on 15 June 2021.

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 2020, as well as the Directors' Report on activities of the Medicalgorithmics Capital Group and Medicalgorithmics S.A. in 2020.

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 COVID-19 pandemic and its negative impact on the Group's results.

In the first half of 2020, due to the difficult epidemic situation, the number of services provided decreased significantly. Although the volumes started to gradually increase in the second half of the year, the Group's 2020 financial results were strongly affected by COVID-19. Thanks to the financial support obtained in the USA, initiatives undertaken to promote remote diagnostics and cost savings achieved, the Group remained at a safe level of financial liquidity.

In the first quarter of 2021, the situation related to the number of new COVID-19 cases in the USA gradually stabilized. The Management Board expects that the situation on the US medical services market will improve with the increasing rate of vaccination - this trend is already noticeable in the growing number of tests carried out in the following months of 2021. Additionally, a positive impact of changing the business model on the financial results is also expected. In the opinion of the Management Board, the combination of these elements will translate into an improvement in the financial and liquidity position of the Group in 2021.

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.

The basic assumptions relating to the future and other grounds for estimation uncertainty as at the balance sheet date, having a significant impact on the risk of material adjustments to the carrying amounts of assets and liabilities in the next financial year, are presented below.

Judgements

In the process of applying the accounting principles (policy) in the areas listed below, the most important, apart from accounting estimates, were the judgments of the Management:

- the estimated duration of the pandemic and its impact on financial liquidity (Note 4.1);
- determination of the moment of fulfillment of performance obligations and recognition of revenue (Note 6);
- determination of the moment of acceptance of the development projects for use and determination of the economic useful live of the introduced products (Note 12);
- allowance for inventories and the use of components necessary to support products based on CDMA technology (Note 13).

Estimates and assumptions

The list of accounting estimates is presented below, together with an indication of the note in which the description of the applied principle is included. Material estimates relate to:

- intangible assets (estimates of the applied depreciation rates for intangible assets) - Note 12;
- tangible fixed assets (estimates of the depreciation rates applied) - Note 13;
- rights to use and obligations in respect of financial leases recognized as a result of the application of IFRS 16 (estimates of the lease term, use and discount rate applied) - Note 19;
- impairment of goodwill and client bases (estimated cash flows to measure value in use, estimated discount rate) - Note 12;
- trade receivables and other financial assets, including loans granted (as of the balance sheet date, the Company assesses whether there is any objective evidence of impairment of an item of receivables or a group of receivables; if the recoverable amount of an asset is lower than its carrying amount, the Company makes a write-off to the level of the current value of planned cash flows) - Note 14;
- transaction price - the estimated transaction price reflects a reliable estimate of the expected contract revenue based on the entity's past experience and capabilities in providing such benefits (Note 6);
- current income tax, deferred tax assets and provisions, other taxes (Notes 11).

The Group is subject to income tax in several jurisdictions, and tax regulations are subject to frequent changes, causing significant differences in their interpretation and significant doubts in their application. In the ordinary course of business, there are transactions and calculations for which the final determination of tax is uncertain.

Tax authorities have control instruments that enable them to verify the tax bases (in most cases in the previous 5 financial years) and to impose penalties and fines. Beginning 15 July 2016, the Tax Ordinance also includes the provisions of the General Anti-Abuse Clause (GAAR), which is to prevent the creation and use of artificial legal structures created to avoid taxation. The GAAR clause should be applied both to transactions made after its entry into force, and to transactions that were carried out before the entry into force of the GAAR clause, but for which benefits were or are still achieved after the date of entry into force of the clause.

Consequently, the determination of tax liabilities, deferred tax assets and liabilities may require significant judgment, including those relating to past transactions, and the amounts presented and disclosed in the financial statements may change in the future as a result of tax authorities' audits.

The Group recognizes tax liabilities based on estimates of the necessity to pay additional tax and interest. The probability of settling the deferred tax asset with future tax profits is based on the Company's budget approved by the Company's Management Board. If the forecasted financial results indicate that the Company will achieve sufficient taxable income, the deferred tax assets are recognized in their full amount.

<u>The impact of COVID-19 on important accounting judgments and estimates</u>

In connection with the prevailing COVID-19 pandemic, the Management Board of the Company has reviewed the key areas requiring the application of accounting judgments and estimates. In particular, the financial budgets and forecasts, assumptions regarding going concern as well as assumptions on which the test for impairment of financial assets and shares in subsidiaries are based were analyzed (Notes 4.1 and 12).

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 2020, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ‘Interest Rate Benchmark Reform – Phase 2’ – amendments to these standards were published on 27 August 2020 and supplement the first phase of changes resulting from the reform of interbank reference rates of September 2019. The amendments apply to annual periods beginning on or after 1 January 2021. Changes in the second phase focus on the impact that it will have on the valuation of, for example, financial instruments, lease liabilities, and the replacement of the existing reference rate with a new rate resulting from the reform.

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 2020.

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 25 May 2021.

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 2020.

5. Segment reporting

The core business of the Capital Group comprises:

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

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

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

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

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

6. Sales revenue structure

By type	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Revenue from sales of services	30 055	35 033
Revenue from sales of devices	1 311	1 039
Total revenue	**31 366**	**36 072**

By territory	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Domestic sales	544	146
Export sales	30 822	35 926
Total revenue	**31 366**	**36 072**

7. Employee benefits

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Remuneration	(20 479)	(26 898)
Social security and other employee benefits	(174)	(353)
	(20 653)	**(27 251)**

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 1.5 million and decreased by PLN 0.1 million as compared to the same period of the previous year. The entire change results from a decrease 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 0.4 million (in the comparative period PLN 0.5 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 the first quarter of 2021 amounted to PLN 1.1 million (in the comparative period PLN 1.2 million).

9. Third-party services

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Lease and rental	(61)	(140)
Telecommunication and Internet services	(2 057)	(2 037)
IT services	(796)	(757)
Accounting and financial audit services	(527)	(531)
Advisory services	(924)	(953)
Transport and courier services	(2 219)	(1 876)
Monitoring services	(724)	(569)
Leasing	(10)	(4)
Maintenance services	(96)	(391)
Marketing services	(80)	(431)
Other third-party services	(633)	(1 048)
	(8 127)	**(8 733)**

Explanations of the main changes in individual categories of third-party services, see Note 27.

10. Financial revenues and costs

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Interest income	2	4
Foreign exchange differences	2 005	845
Finance income	**2 007**	**849**
Interest	(117)	(155)
Interest on finance leases	(89)	(130)
Other	-	(28)
Finance costs	**(207)**	**(313)**
Net finance income	**1 800**	**536**

11. Effective tax rate

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Loss before tax	(3 294)	(8 082)
Tax at the tax rate applicable in Poland	626	1 536
Non-tax-deductible costs	(69)	(196)
Difference between the tax rate in Poland and USA	135	(529)
Amortization of goodwill for tax purposes	416	436
Non-taxable revenue	0	0
Tax benefit due to the application of the IP BOX relief	539	-
Other	634	(99)
Tax reported in the statement of comprehensive income	**2 281**	**1 147**

12. Intangible assets

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value as at 1 January 2021	**84 365**	**118 867**	**16 301**	**13 595**	**2 729**	**235 857**
Increases	-	-	-	1 727	52	**1 779**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	4 618	6 616	-	-	37	**11 271**
Gross value as at 31 March 2021	**88 983**	**125 483**	**16 301**	**15 322**	**2 818**	**248 907**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2021	**-**	**23 773**	**8 090**	**-**	**2 227**	**34 090**
Amortization	-	1 568	648	-	40	**2 256**
Foreign exchange differences	-	1 323	-	-	33	**1 356**
Accumulated amortization and impairment losses as at 31 March 2021	**-**	**26 664**	**8 738**	**-**	**2 300**	**37 702**
Net value						
As at 1 January 2021	**84 365**	**95 094**	**8 211**	**13 595**	**502**	**201 767**
As at 31 March 2021	**88 983**	**98 819**	**7 563**	**15 322**	**518**	**211 205**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value as at 1 January 2020	**85 232**	**120 110**	**9 768**	**18 712**	**2 669**	**236 491**
Increases	-	-	6 533	4 524	66	**11 123**
Decreases	-	-	-	(9 641)	-	**(9 641)**
Foreign exchange differences	(867)	(1 243)	-	-	(6)	**(2 116)**
Gross value as at 31 December 2020	**84 365**	**118 867**	**16 301**	**13 595**	**2 729**	**235 857**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2020	**-**	**18 016**	**6 735**	**-**	**2 022**	**26 773**
Amortization	-	5 943	1 355	-	212	**7 510**
Foreign exchange differences	-	(186)	-	-	(6)	**(193)**
Accumulated amortization and impairment losses as at 31 December 2020	**-**	**23 773**	**8 090**	**-**	**2 227**	**34 090**
Net value						
As at 1 January 2020	**85 232**	**102 094**	**3 033**	**18 712**	**647**	**209 717**
As at 31 December 2020	**84 365**	**95 094**	**8 211**	**13 595**	**502**	**201 767**

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

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 (PLN 88,184 thousand).

On 31 December 2020 MDG Holdco concluded an agreement concerning the purchase of the remaining 25% of units in Medi-Lynx. The parties agreed on the purchase price for 25% of shares in Medi-Lynx at USD 0.5 million (PLN 1.879 million). In the opinion of the Management Board, the acquisition of indirect control over 100% of the units in Medi-Lynx is in the best interest of the Company, giving the Company an opportunity to maximise the effects of changing its business model implemented in the last 24 months, and planning for 2021 commercialization of new products and solutions. The Management Board believes that the total price paid for 100% of the units in Medi-Lynx is attractive in relation to the business opportunities obtained so far and in relation to the market shares in the USA and the revenues realised it is attractive on the basis of comparable transactions in the USA market. The transaction did not result in the gain or loss of control over Medi-Lynx, therefore under IFRS 10 it is an equity transaction and does not affect goodwill.

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 31 December 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 31 March 2021, the remaining tax value of goodwill to be amortized amounts to USD 22,351 thousand (PLN 88.680 thousand).

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

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

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

b. Medicalgorithmics Polska Sp. z o.o.

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

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

The acquisition of the subsidiary resulted in the creation of a positive goodwill on acquisition of Medicalgorithmics Polska Sp. z o.o. in the consolidated financial statements of the Medicalgorithmics Capital Group. A goodwill is the excess of the consideration paid, value of shares in the subsidiary and fair value as 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 PLN 766 thousand.

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

c. Medicalgorithmics India Private Limited

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

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

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

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

Client bases

a. Medi-Lynx's client base (net value at the balance sheet date: USD 9,947 thousand, PLN 39,466 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 14,959 thousand, PLN 59,351 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.

Every year, the Group tests customer bases for impairment and amortises their value for a period of 20 years from the acquisition.

Impairment tests

As of December 31, 2020, the Group performed impairment tests for a group of assets within the identified cash-generating unit (CGU) and allocated goodwill recognized as a result of the acquisition of Medi-Lynx. The tests performed did not show the need to recognize an impairment loss. The recoverable amount of the assets was estimated by independent appraisers with recognized professional qualifications and experience in valuation of US technology and Medtech companies.

The impairment test was carried out on the basis of calculation of expected cash flows, estimated based on historical performance and expectations concerning the future growth of the market. Cash flow projections for identified cash generating units have been prepared on the basis of assumptions derived from historical experience adjusted to the plans in progress. The data presents the best estimate of the Management Board over the next three years and takes into account the assumptions regarding the average growth of the remote ECG diagnostics market in terms of normalizing the revenue growth rate and the company's margin in the following years. Details of the conducted test are presented in Note 15 to the annual consolidated financial statements for 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 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.

In 2020, the Company completed its development work and began to amortize the costs capitalised on several important projects. In the second quarter of 2020 Company implemented, i.a. changes in the software aimed at enabling the use of the PocketECG system to provide the Extended Holter service, which from 2020 has become an official medical procedure and is reimbursed by both public and private insurers. In addition, significant improvements in the area of security were introduced and a version of the software was developed to support clinical trials of patients with COVID-19 and drugs supporting the fight against COVID-19 that can cause arrhythmias.

In the fourth quarter of 2020, work on PocketECG IV - the fourth generation of the PocketECG system was completed. PocketECG IV is a multi-channel, the most diagnostically advanced device for arrhythmia monitoring. The fourth generation allows, above all, to connect the PocketECG device over the LTE network, enabling more efficient transmission of a continuous ECG signal. Work on PocketECG Connect, i.e. software enabling comprehensive integration of servers with the hospital's network infrastructure, was also completed. PocketECG Connect allows to eliminate errors in filling in patient data and significantly facilitates access to the report by doctors because it automatically places reports in the hospital system.

Development works in progress

The Group conducts a number of development works to improve the existing products and services, and also develops new solutions. Key costs capitalised as development works in progress include the costs of salaries of the R&D staff.
At present, the key development projects are as follows:

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

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

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

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

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

- PocketECG CRS – device and system for cardiac rehabilitation;

The product is in the pilot testing phase in facilities in Poland and abroad. The CRS system is FDA certified and approved for the US market. The Company has also received approval from the Canadian governmental public healthcare institution ("Health Canada"), thanks to which the Company will continue its efforts to commercialize the new system in Canada. The Company is negotiating a pilot agreement with one of Canadian hospitals. With regard to PocketECG CRS, the market potential of the USA, Canada, India and Poland will allow for the commercialization of the product in the coming periods and generate appropriate cash flows to cover the incurred expenditures.

- NextGen – new software version for PocketECG;

As part of the development work, new software for PocketECG (the so-called NextGen) is underway. The delivery of the new generation of PocketECG software is to ensure increased productivity of ECG analysis, increased productivity of further software development and will constitute the basis for adding functionalities for other user groups.

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.

13. Property, plant and equipment

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value of property plant and equipment						
Gross value as at 1 January 2021	**2 442**	**27 454**	**2 143**	**653**	**24 049**	**56 741**
Increases	-	714	-	-	-	**714**
Decreases	-	-	-	-	-	**-**
Change in inventories	-	262	-	-	-	**262**
Foreign exchange differences	115	1 073	114	-	1 122	**2 424**
Gross value as at 31 March 2021	**2 557**	**29 503**	**2 256**	**653**	**25 171**	**60 141**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2021	**1 140**	**18 582**	**2 218**	**331**	**10 935**	**33 206**
Depreciation	72	814	62	16	1 224	**2 188**
Foreign exchange differences	56	897	82	-	537	**1 572**
Accumulated depreciation and impairment losses as at 31 March 2021	**1 268**	**20 293**	**2 362**	**347**	**12 696**	**36 966**
Net value						
As at 1 January 2021	**1 302**	**8 872**	**(75)**	**322**	**13 114**	**23 535**
As at 31 March 2021	**1 289**	**9 210**	**(105)**	**306**	**12 475**	**23 175**

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value of property plant and equipment						
Gross value as at 1 January 2020	**2 470**	**27 280**	**2 188**	**653**	**24 374**	**56 965**
Increases	-	1 869	6	-	-	**1 875**
Decreases	(6)	(57)	(30)	-	(114)	**(207)**
Change in inventories	-	(1 453)	-	-	-	**(1 453)**
Foreign exchange differences	(22)	(185)	(21)	-	(211)	**(439)**
Gross value as at 31 December 2020	**2 442**	**27 454**	**2 143**	**653**	24 049	**56 741**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2020	**877**	**15 819**	**1 992**	**266**	**6 305**	**25 259**
Depreciation	273	2 948	267	65	4 692	**8 245**
Decreases	(2)	(40)	(28)	-	-	**(70)**
Foreign exchange differences	(8)	(145)	(14)	-	(62)	**(229)**
Accumulated depreciation and impairment losses as at 31 December 2020	**1 140**	**18 582**	**2 218**	**331**	**10 935**	**33 206**
Net value						
As at 1 January 2020	**1 593**	**11 460**	**196**	**387**	**18 069**	**31 705**
As at 31 December 2020	**1 302**	**8 872**	**(75)**	**322**	**13 114**	**23 535**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value as at 1 January 2020	**2 470**	**27 280**	**2 188**	**653**	**24 374**	**56 965**
Increases	-	89	-	-	-	**89**
Decreases	(7)	(62)	(33)	-	(114)	**(216)**
Change in inventories	-	(971)	-	-	-	**(971)**
Foreign exchange differences	193	1 646	189	-	1 872	**3 900**
Gross value as at 31 March 2020	**2 656**	**27 982**	**2 344**	**653**	**26 132**	**59 767**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2020	**877**	**15 819**	**1 992**	**266**	**6 305**	**25 259**
Depreciation	75	880	78	16	1 270	**2 319**
Decreases	(2)	(44)	(31)	-	-	**(77)**
Foreign exchange differences	68	1 286	126	-	551	**2 031**
Accumulated depreciation and impairment losses as at 31 March 2020	**1 018**	**17 941**	**2 165**	**282**	**8 126**	**29 532**
Net value						
As at 1 January 2020	**1 593**	**11 460**	**196**	**387**	**18 069**	**31 705**
As at 31 March 2020	**1 638**	**10 041**	**179**	**371**	**18 006**	**30 235**

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 4,567 thousand as of 31 March 2021.

Right-of-use (IFRS 16)

The Company has implemented IFRS 16 "Leasing" from 1 January 2019. As a result of the application of this standard, as of 1 January 2019, an asset in the form of the right to use was recognized in the statement of financial position. The Group identifies two main categories of leasing contracts: real estate (rented offices) and other rentals (cars). The Group's leasing agreements were not modified as a result of the COVID-19 pandemic.

14. Trade and other receivables

	31.03.2021	31.12.2020	31.03.2020
Trade receivables	23 798	16 161	23 498
Budgetary receivables	3 611	6 043	764
Other receivables	1	105	126
Prepayments and deferred expenses	5 465	2 235	3 225
	32 875	**24 544**	**27 613**
Long-term	-	-	-
Short-term	32 875	24 544	27 613

The fair value of receivables approximates their book value. As of 31 March 2021, the total value of past due trade receivables for which no impairment losses were recognized amounts to PLN 10,163 thousand.

Receivables recognized by the Group in the US in relation to insurers who reimburse service fees are estimated based on the Group's actual cash inflow. Historical analyses of payments for services enabled the estimation that the average payment period for services provided is up to 9 months. After this period, impairment losses are recognised for all outstanding receivables. According to the accounting policy, the impairment loss on estimated payments from insurers is deducted directly from the amount of revenue from sales of medical services.

15. Cash and cash equivalents

	31.03.2021	31.12.2020	31.03.2020
Cash in hand	7	7	8
Cash at banks	23 299	15 767	5 843
Cash in transit	-	-	9
Short-term deposits	424	423	421
	23 730	**16 197**	**6 271**

16. Shareholding structure of the Parent Company

Shareholder	Number of shares as at 25 May 2021	% ownership interest	Number of votes	% of total voting rights	Change in the period from 30 March 2021 to 25 May 2021
Funds managed by NN PTE, including NN OFE	540 586	12,49%	540 586	12,49%	unchanged
Marek Dziubiński (President of the Management Board)	480 000	11,09%	480 000	11,09%	unchanged
OFE PZU	500 000	11,55%	500 000	11,55%	unchanged
MIRI Capital	492 938	11,39%	492 938	11,39%	unchanged
Other shareholders	2 314 305	53,47%	2 314 305	53,47%	unchanged
Number of shares	**4 327 829**	**100,00%**	**4 327 829**	**100,00%**	

17. Basic and diluted earnings per share

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Profit/(loss) for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	(1 012)	(3 265)
Weighted average number of ordinary shares (in thousands of shares)	4 328	3 607
Basic profit/(loss) per share in PLN (net profit/(loss) /weighted average number of shares)	**(0,23)**	**(0,91)**
Diluted profit/(loss) per share in PLN (net profit/(loss) /weighted average number of diluted shares)	**(0,23)**	**(0,91)**

18. Credits and loans

	31.03.2021	31.12.2020	31.03.2020
Credit card debt	30	27	(10)
Loan received under "Cares Act"	20 612	12 009	-
Liabilities in respect of credits and loans	11 555	3 020	11 686
	32 197	**15 056**	**11 676**
of which long-term	20 720	12 128	8 576
of which short-term	11 477	2 928	3 100

Due to the expected decrease in revenues Medi-Lynx applied for a 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 (PLN 12.5 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 or all of the loan, spent under certain conditions is non-returnable. In the opinion of the Management Board, the funds received were spent solely on eligible expenses, and therefore an application was submitted for the forgiveness of the entire loan. At the time of signing the report, the application has not yet been approved by the Small Business Administration (SBA).

On March 23, 2021, the subsidiary Medi-Lynx received a second loan under the PPP in the amount of USD 2.0 million (PLN 7.9 million). The funds from this loan were received by the Group at the end of March 2021 and will be used to finance certain operating activities, including the financing of salaries. Under the CARES Act, part or all of a loan is non-returnable if used for eligible costs under the CARES Act. The remaining part of the loan, if it is to be returned, will be repaid within 60 months and bears an interest rate of 1% per annum

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 1 December 2020, the Company repaid the loan in full before the date specified in the contract.

On 4 December 2020, the Company signed a loan in the current account at Bank Millennium S.A. in the amount of PLN 16.0 million. According to the loan agreement, the limit of the available loan will be gradually reduced in the next 24 months. The interest rate will be the sum of the WIBOR 1M reference rate and the bank's margin. As of the balance sheet date, the balance of the loan was PLN 11.4 million. Pursuant the signing of the loan agreement, a collateral in the form of a notarized declaration of the Company on submission to the Bank of enforcement pursuant to Art. 777 §1 point 5 of the Code of Civil Procedure from all property as to the obligation to pay to the Bank any sums of money due to obligations under the Agreement, up to the maximum amount of PLN 25,600 thousand was established. Partial collateral for the loan repayment is a guarantee in the amount of PLN 12,800 thousand with a deadline of 28 February 2023, granted by Bank Gospodarstwa Krajowego under the portfolio agreement of the PLG-FGP Liquidity Guarantee Fund. The guarantee covers 80% of the loan amount.

In the opinion of the Management Board the loan agreement in question will enable the Company to optimize, make it more flexible and adapt the financing structure to the current operating situation of the Company.

19. Other financial liabilities

	31.03.2021	31.12.2020	31.03.2020
Liabilities arising from acquisition of shares in Medi-Lynx	9 826	9 881	8 580
Finance lease liabilities	13 859	14 445	19 859
Financial liabilities	**23 685**	**24 326**	**28 439**
of which long-term	16 274	17 182	14 373
of which short-term	7 411	7 144	14 066

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.

On 31 December 2020, Medicalgorithmics US Holding Corporation, through which the Company owned 75% of Medi-Lynx shares, entered into an agreement to acquire the remaining 25% of shares in Medi-Lynx, which had so far been beyond the Company's control. The seller of the shares was Medi-Lynx Monitoring Inc., wholly owned by Mr. Andrew Bogdan. The parties agreed on the purchase price for 25% of shares in Medi-Lynx at USD 0.5 million (PLN 1.9 million).

A part of the concluded agreement concerns the terms of repayment of Medicalgorithmics US Holding Corporation’s liability from promissory note towards the Seller in virtue of the acquisition of 75% of units in Medi-Lynx on 30 March 2016, the value of which as of 30 September 2020 was approximately USD 2.0 million (PLN 7.5 million) plus accrued interest. During the negotiations, the parties agreed that the promissory note liability, together with the purchase price, will be paid by the Group in 48 monthly instalments. The liabilities bear a fixed interest rate. As at 31 March 2021 the outstanding balance amounted to USD 2.5 million (PLN 9.8 million).

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

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

20. Trade and other liabilities, accruals and deferred income

	31.03.2021	31.12.2020	31.03.2020
Trade liabilities to other entities	4 464	3 445	3 821
Salaries and wages payable	10 421	8 440	7 512
Budgetary liabilities	1 344	1 535	1 323
Other liabilities	90	168	85
	16 319	**13 588**	**12 741**
Income tax liabilities	34	40	24

	31.03.2021	31.12.2020	31.03.2020
Subsidies	1 703	1 593	1 076
Medicare Advance Payment	10 898	10 323	-
Other	3 557	2 809	2 789
	16 158	**14 725**	**3 865**
of which long-term	1 703	1 279	1 076
of which short-term	14 455	13 446	2 789

21. 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 18 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.

On 4 December 2020, the Company signed a loan in the current account at Bank Millennium S.A. in the amount of PLN 16.0 million. According to the loan agreement, the limit of the available loan will be gradually reduced in the next 24 months. The interest rate will be the sum of the WIBOR 1M reference rate and the bank's margin. As of the balance sheet date, the balance of the loan was PLN 2.8 million. Pursuant the signing of the loan agreement, a collateral in the form of a notarized declaration of the Company on submission to the Bank of enforcement pursuant to Art. 777 §1 point 5 of the Code of Civil Procedure from all property as to the obligation to pay to the Bank any sums of money due to obligations under the Agreement, up to the maximum amount of PLN 25,600 thousand was established. Partial collateral for the loan repayment is a guarantee in the amount of PLN 12,800 thousand with a deadline of 28 February 2023, granted by Bank Gospodarstwa Krajowego under the portfolio agreement of the PLG-FGP Liquidity Guarantee Fund. The guarantee covers 80% of the loan amount.

On 21 January 2021, Medi-Lynx was named as a defendant in a lawsuit pending before the Circuit Court of Tennessee for the Thirteenth Judicial District at Cookeville alleging improper care relating to the monitoring of a patient's heart condition. After the initial review of the documentary evidence, the Management Board is of the opinion that due diligence in the arrhythmia monitoring process was performed by Medi-Lynx and therefore the risk that the company will be required to pay damages is low. Additionally, Medi-Lynx is secured by an insurance policy that would cover these damages up to USD 5 million. The value of the damage was not specified in the lawsuit and due to the early stage of the process, it is difficult to precisely determine its value. According to the information of the lawyer representing Medi-Lynx, customarily such cases may exceed USD 1 million plus litigation costs of approximately USD 150-175 thousand.

In February 2021, a lawsuit was filed with the Collin County District Court, Texas, alleging that Medi-Lynx had not paid in full for the goods and services provided. The claim concerns compensation in the amount of USD 262.4 thousand plus unpaid interest and attorney fees. The Management Board of Medi-Lynx is of the opinion that the delivered product was not in accordance with the order and, on this basis, considers the complaint to be unfounded.

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.

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 (PLN 7,1 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; PLN 5,6 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 (PLN 1,5 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.

22. Seasonal and cyclical changes

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

23. Issue of securities

In the reporting period, the Company did not issue any securities.

24. 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[1]	Change in the period from 30 March 2021 to 25 May 2021
Marek Dziubiński	President of the Management Board	480 000	-	Unchanged
Maksymilian Sztandera	Member of the Management Board, Chief Financial Officer	-	-	Unchanged
Peter G. Pellerito	Member of the Management Board	-	-	Unchanged
Michał Wnorowski	Chairperson of the Supervisory Board	-	-	Unchanged
Artur Małek	Member of the Supervisory Board	-	-	Unchanged
Krzysztof Urbanowicz	Member of the Supervisory Board	-	-	Unchanged
Marek Tatar	Member of the Supervisory Board	-	-	Unchanged
Mariusz Matuszewski	Member of the Supervisory Board	-	-	Unchanged
Marcin Gołębicki	Member of the Supervisory Board	-	-	Unchanged

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

25. Dividends paid or declared

During the reporting and the comparative period, no decision was made to pay the dividend.

26. Transactions with executives

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

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Remuneration of the Management Board Members	255	240
Remuneration of the Supervisory Board	111	112

27. 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 for the first quarter of 2021 and 2020.

Table 1. Key items of the statement of comprehensive income in the period from 1 January to 31 March for 2021 and 2020, and changes year over year.

	01.01.2021-31.03.2021	01.01.2020-31.03.2020	Change	Change %
Sales revenue	31 366	36 072	(4 706)	(13%)
Operating expenses	36 399	44 630	(8 231)	(18%)
Loss on sales	(5 033)	(8 558)	3 524	(41%)
Other operating expenses, net	(61)	(60)	(1)	1%
Operating loss	(5 094)	(8 618)	3 524	(41%)
Net finance income	1 800	536	1 264	236%
Loss before tax	(3 294)	(8 082)	4 788	(59%)
Net loss, *of which*:	**(1 013)**	**(6 935)**	**5 922**	**(85%)**
Net loss attributable to Shareholders of the Parent Company	(1 012)	(3 265)	2 253	(69%)
Net loss attributable to non-controlling interests	(1)	(3 670)	3 669	(100%)
EBITDA	(847)	(4 569)	3 722	(81%)

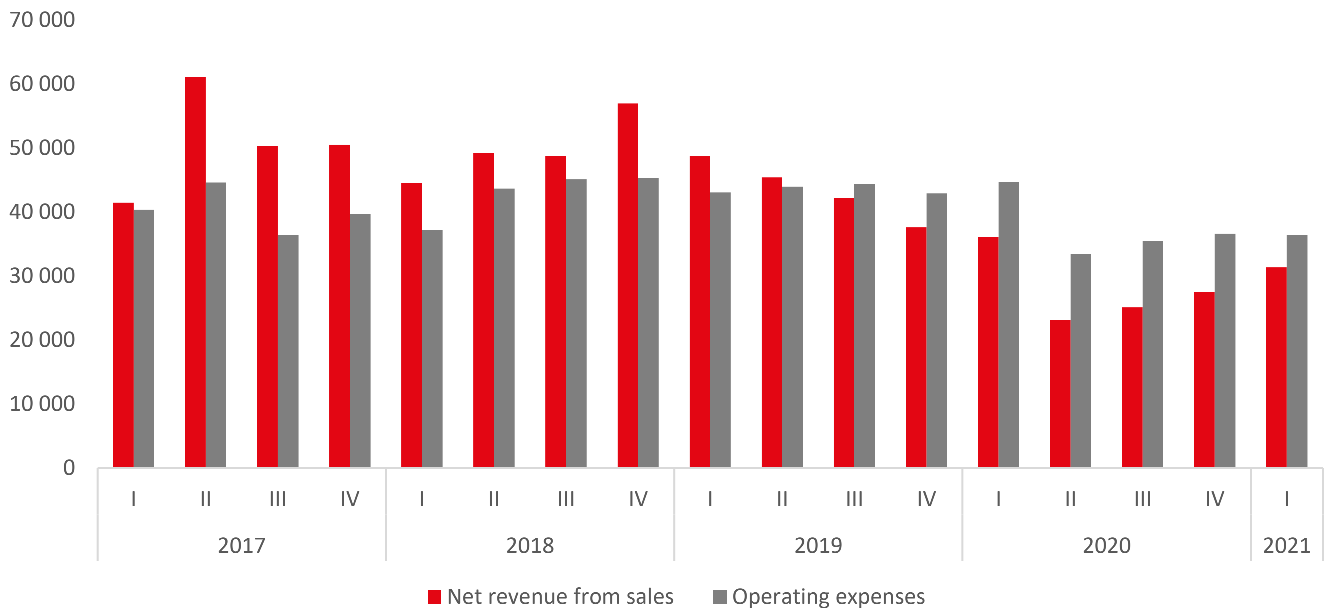
Sales revenue

In the reported period, the Capital Group's revenue amounted to PLN 31.4 million, down by 13% year on year. The decrease in revenue was largely attributable to worse sales results of Medi-Lynx, resulting from the decrease in the average rates for tests performed and their unfavorable structure.

The reduction in average rates compared to the first quarter of 2020 was mainly due to significant progress in the process of changing the business model, under which long-term contracts with insurers are signed and audit rates are contracted. In line with the previous assumptions, the process of changing the business model from "out-of-network" to "in-network" translates into lower audit rates, but it is expected that in the long term it will allow for a significant increase in the volume of research. As a result of unfavorable external factors (limited sales opportunities due to COVID-19 and extreme weather conditions in the southern part of the USA), the increase in volume was still not enough to compensate for the lower average rates for the study.

The combined effect of the above-mentioned factors translated into a decrease in the Group's revenues in real terms (without the impact of the USD / PLN exchange rate) by PLN 4.5 million compared to the first quarter of 2020. As a result of the fall in the average USD / PLN exchange rate, revenues decreased by PLN 1.3 million. The increase in revenues from unrelated entities was recorded in the Parent (+1.1 million PLN) and in Medicalgorithmics Polska Sp. z o.o. (+PLN 0.1 million). Sales of Medicalgorithmics India decreased by PLN 0.1 million compared to the first quarter of 2020.

Chart 1. The Group's revenue from sales and cost of sales in particular quarters of 2017–2021 (PLN '000).



In the reporting period, all of the Group's revenues came from the sale of the PocketECG system, which included revenues from the sale of services in the amount of PLN 30.1 million (PLN 35.0 million in the corresponding period of 2020), representing nearly 96% of total revenues and revenues from the sale of devices to unrelated entities, which amounted to PLN 1.3 million (PLN 1.0 million in the comparative period). The vast majority of revenues, as in the previous year, were denominated in US dollars.

Despite the extreme weather conditions in the USA, on a quarterly basis, Medi-Lynx maintained the level of the volume of services provided at a similar level compared to the fourth quarter of 2020. At the same time, in the analyzed period, a more favorable structure of the conducted research was noted. The volume of highly paid telemetry research increased at the expense of research with a lower reimbursement level, which consequently had a positive impact on the level of revenues in Medi-Lynx. The increase in the revenues of the entire Group (PLN +3.9 million) was also influenced by the increase in the level of revenues obtained from external partners unrelated by the Parent Entity (PLN 1.6 million).

Operating expenses

	01.01.2021-31.03.2021	01.01.2020-31.03.2020	Change	Change %
Raw materials and consumables used	2 478	3 154	(676)	(0)
Employee benefits	20 653	27 251	(6 598)	(24%)
Amortization and depreciation	4 247	4 049	198	5%
External services	8 127	8 733	(606)	(7%)
Other	894	1 443	(549)	(38%)
TOTAL:	**36 399**	**44 630**	**(8 231)**	**(18%)**

Raw materials and consumables used

The cost of raw materials and consumables used decreased (-21%) compared to the first quarter of the previous year. At the level of the Parent Entity, there was a decrease in costs not subject to elimination in consolidation by approx. PLN 0.3 million, and savings of PLN 0.4 million were achieved in Medi-Lynx. The costs of consumption of raw materials and consumables of other Group companies remained at a similar level compared to the corresponding period of the previous year.

Employee benefits

Costs of employee benefits decreased by approximately PLN 6.6 million (-24%) as compared to the same period last year. The changes in the cost of employee benefits in the first quarter of 2021 were primarily attributable to the following factors:

(1) decrease in employee related costs in Medi-Lynx (PLN -5.3 million) resulting from lower headcount. Because of COVID-19 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. Due to the stabilization of the pandemic situation, it was decided to gradually restore the basic working time in the following quarters but still headcount is lower than pre-pandemic level. In the first quarter of 2021 average number of employees was 80% of the pre pandemic levels (first quarter of 2020).

(2) a change in the average USD exchange rate which translated into an decrease in costs by approximately PLN 0.8 million.

(3) decrease is costs of employee benefits at the Parent Company by PLN 0.5 million.

The costs of employee benefits represent the most significant item in the structure of the Group's operating expenses (57%). 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 first quarter of 2021 depreciation and amortization expenses increased by PLN 0.2 million (5%) as compared to the same period of 2020. Currently they represent nearly 12% of total operating expenses. Increase of the depreciation is primarily the result of the introduction of the next, fourth version of the PocketECG system and the Connect system to the market in December 2020, as well as the system update to enable the provision of the Extended Holter test in the second quarter of 2020.

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 1.5 million and decreased by about PLN 0.1 million year on year. The change is attributable exclusively to a decrease in the average USD exchange rate.

In addition, due to the fact that the Group classifies the PocketECG devices as fixed assets, the manufacturing cost of PocketECG sold to Medi-Lynx is not charged on a one-off basis to costs of raw materials and consumables used, but it is amortized over a period of 3 years, corresponding to the expected life cycle of the devices. The total cost in first quarter of 2021 amounted to PLN 0.4 million (PLN 0.5 million in the same period of 2020).

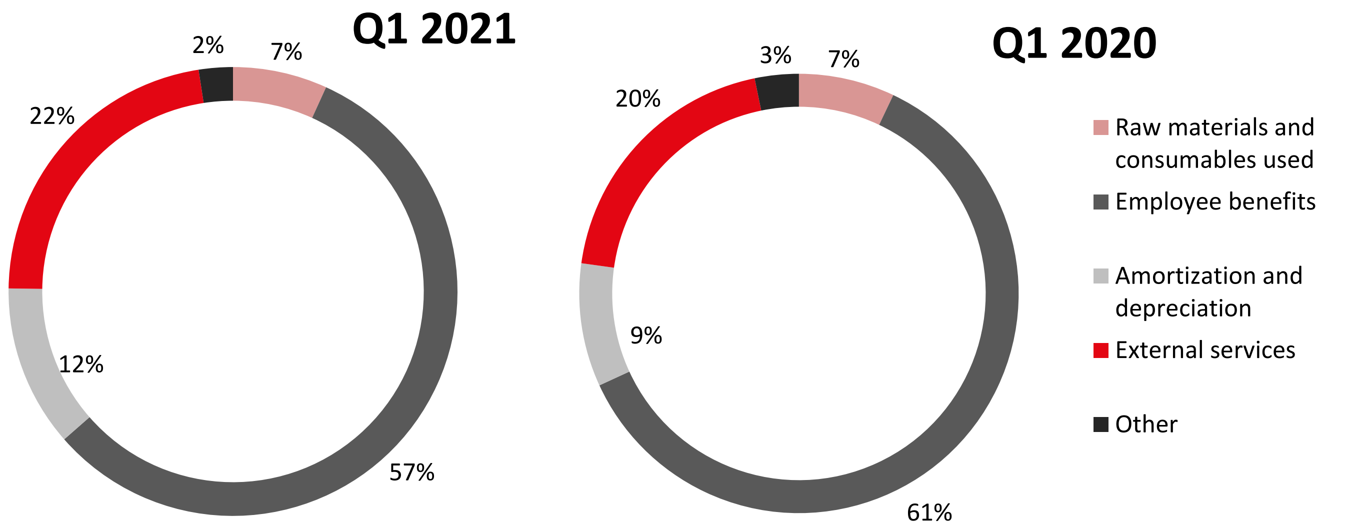
Following the application of IFRS 16, the Group recognised right-of-use assets. Right-of-use assets are depreciated over the lease term, and the depreciation expense in the first quarter of 2021 amounted to PLN 1.1 million (PLN 1.2 million in the same period of 2020).

Third-party services

Third-party services account for 22% of the Group's operating expenses, and their amount decreased by 7% year on year to PLN 8.1 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 first quarter of 2021 with the corresponding period of 2020, a significant decrease in service and marketing costs is visible. On the other hand higher costs of transport and courier services were recorded due to the adaptation of operational activities to pandemic conditions and extreme weather conditions (in particular the need to use overnight deliveries of equipment to maintain sales and operational continuity).

In the first quarter of 2021, 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 period from 1 January to 31 March 2021 and 2020 (in %)



Profit and profitability

As a result of the factors described above, in the first quarter of 2021 the Capital Group incurred a net loss of PLN 1.0 million. The Group recorded a negative margin on sales -16% (-24% in the first quarter of 2020) and a negative EBITDA margin -3% (-13% in the first quarter of 2020).

Assets and financial position of the Capital Group

As of March 31, 2021, the balance sheet total amounted to PLN 311.8 million, which means an increase by PLN 28.4 million (+10%) compared to December 31, 2020. The significant increase in the balance sheet total is largely due to the higher dollar exchange rate compared to December 31, 2020 (+6%), as well as the recognition of funds received under the Cares Act support (+2.5%).

As of the balance sheet date, the total fixed assets amounted to PLN 255.2 million, and their share in total assets was 82%. The most important item of non-current assets were intangible assets, including customer bases (PLN 89.0 million), goodwill recognized on the acquisition of shares in Medi-Lynx (PLN 98.8 million) and expenditure on development works (PLN 22.9 million). The value of non-current assets increased by PLN 12.5 million (+5%) compared to December 31, 2020, which was mainly caused by the increase in the level of intangible assets as a result of the change in the dollar exchange rate and the valuation of goodwill and customer bases at the new rate (+PLN 9.9 million), as well as activating as intangible assets some expenditure on development works (PLN 1.7 million).

The value of current assets as of March 31, 2021 amounted to PLN 56.6 million, which constituted an increase by PLN 15.9 million (+39%) compared to the balance as of December 31, 2020. The share of current assets in total assets reached 18%. Trade receivables and cash and cash equivalents represented 58% and 42% of current assets, respectively.

As of March 31, 2021, the equity attributable to the Shareholders of the Parent Entity amounted to PLN 213.8 million, which means an increase by PLN 6.5 million (+3%) compared to December 31, 2020. The share of this group of liabilities in the balance sheet total reached 69%. The change in equity attributable to the Shareholders of the Parent Entity included the loss incurred in the first quarter of 2021 (PLN -1.0 million) and foreign exchange differences resulting from the increase in the USD exchange rate (PLN +7.5 million).

Long-term liabilities as of the balance sheet date amounted to PLN 48.3 million (15% of the balance sheet total), and the main item in this group of liabilities was the long-term part of loans and borrowings (PLN 20.7 million) and financial liabilities (PLN

16.3 million). Long-term liabilities increased by PLN 9.4 million (+24.2%) compared to December 31, 2020. As regards credits and loans, the increase (+ PLN 8.6 million) was mainly due to the loan received under the Cares Act support for the Paycheck Protection Program. Compared to December 31, 2020, financial liabilities decreased (-0.6 million PLN) as a result of the repayment of some liabilities under finance lease.

Short-term liabilities as at the balance sheet date amounted to PLN 49.7 million (16% of the balance sheet total). The most essential item in this group of liabilities were accruals (PLN 14.5 million), which included the advance payment received from the public insurer Medicare in the amount of PLN 10.9 million in order to support the current liquidity of Medi-Lynx. The short-term part of financial liabilities included liabilities due to the acquisition of Medi-Lynx shares (PLN 2.3 million) and liabilities due to financial leasing (PLN 5.1 million). Short-term liabilities increased by PLN 12.5 million (+33.8%) compared to December 31, 2020, mainly due to the use of an overdraft by the Parent Entity - as at the balance sheet date, the balance of the loan used was PLN 11.4 million.

28. 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.

29. 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.

30. 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.

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. Details on the security are described in note 18 of this report.

31. 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 meeting the obligations related to the fulfillment of obligations by the Capital Group. In line with the assumptions, following a temporary decline in sales revenues and operating cash flows caused by the change in the US business model and the global pandemic situation, the Group expects a gradual increase in the volume of research and improvement in cash flow. It is expected that with the increasing rate of vaccination, the situation on the medical services market will improve rapidly, which will translate into an increase in the number of tests performed by Medi-Lynx. This will also be favored by the likely increase in the number of patients with cardiovascular diseases after COVID-19 and the fact that some patients postponed diagnosis until vaccination. In the opinion of the Management Board, the above will allow to improve cash flow in the second half of 2021.

The Group's liquidity position during the pandemic was affected by the support received under the aid programs in the USA 2020 (for details, see Note 4 to the Consolidated Financial Statements of the Medicalgorithmics Group for 2020) and additional financial support received under the CARES Act in Q1 2021. On March 23, 2021, the subsidiary Medi-Lynx received a loan under the Paycheck Protection Program in the amount of USD 2.0 million. The funds from this loan were received by the Group at the end of March 2021 and will be used to finance certain operating activities, including the financing of salaries. Under the CARES Act, part or all of a loan is non-returnable if used for eligible costs under the CARES Act. The remainder of the loan, if it is to be repaid, will be repaid within 60 months and bears an interest rate of 1% per annum.

Additionally, in order to optimize, make it more flexible and adjust the financing structure to the current operating situation of the Company, on December 4, 2020, the Company launched an overdraft facility at Bank Millennium S.A. in the amount of PLN 16.0 million. Pursuant to the concluded loan agreement, the available loan limit will be gradually reduced within 24 months. The interest rate will be the sum of the WIBOR 1M reference rate and the Bank's margin. As at the balance sheet date, the balance of the loan used was PLN 11.4 million.

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 operations of the Company and the Group, as well as the currently implemented and planned remedial actions, show that the Group will have sufficient liquidity to settle its due liabilities on time. The Management Board of the Company emphasizes 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 Company and the entire Capital Group, as well as their financial results and situation for a period of at least 12 months from the balance sheet date.

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

The COVID-19 pandemic remains the main factor affecting most spheres of life in Poland and around the world, including the activities of the Company and the Group. In the opinion of the Management Board, in the coming quarters, the impact of the global COVID-19 pandemic will not have such a significant impact on the Group's operating activities as it did in 2020. In the first quarter of 2021, the situation related to the number of infected people in the USA gradually stabilized. In the opinion of the Management Board, taking into account the currently downward trend in the daily number of new cases in the USA, the progressing vaccination process and the lack of plans to introduce restrictions, the impact of the pandemic on the Group's financial results should not be as significant as in 2020.

In the opinion of the Management Board, an important factor that will have an impact on the Group's results in the next year is the implementation of the business model. The Group is currently finalizing the process of changing the business model. As previously assumed, this process translated into lower average research rates and lower revenues for the Group. However, in the long term, assuming the fulfillment of the assumptions regarding the development of the pandemic, the Group expects a positive impact of the new model on the financial results. The new model means lower rates for services, but allows to increase the volume of research, as it makes it much easier for clients to cooperate with the Group. However, it should be emphasized that there is a risk that, despite the actions taken, the forecasts of the Management Board will not come true and the sales volume will not increase.

Another important factor that will affect the Group's results later in the year will be the introduction of the PatchECG device to the product offer, which is planned for the end of Q2 2021. In the opinion of the Management Board, adding it to the portfolio will make it possible to offer a complete set of diagnostic services and generate additional demand for them, which will provide space for a significant increase in revenues. Currently, the Group is waiting for certification from the FDA so that it can start commercializing the device within a few months. The Management Board of the Company expects the impact of introducing a new product - on the increase in the volume of tests (in particular Extended Holter) and, consequently, on the Group's operating results. There is a risk that the Management Board's assumptions regarding the possibility of commercializing a new product will not be met, or that the launch of the product will not result in an increase in volume.

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:

- changes in reimbursement rates for tests and payments for the given procedure received from insurers with which the Medi-Lynx subsidiary has signed contracts ("in-network");
- 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.

In addition, the Capital Group is exposed to various types of risk related to its operations and environment, which may affect the implementation of its strategic tasks and goals. These risks are described in detail in the Consolidated Annual Report for 2020, in the Management Board Report on the operations of the Medicalgorithmics Group and Medicalgorithmics S.A., in point VI. Description of significant factors and methods of risk management, as well as in Note 24 to the consolidated financial statements.

33. 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.

34. Events after the balance sheet date

On May 11, 2021, the Supervisory Board adopted a resolution appointing, on June 16, 2021, Mr. Marcin Gołębicki as the President of the Management Board of Medicalgorithmics S.A. In connection with the appointment to the Management Board, Mr. Marcin Gołębicki resigned from the position of a Member of the Supervisory Board with effect as of June 15, 2021.

The Supervisory Board appointed the President of the Management Board for a new term of office, taking into account that the mandate of the current President of the Management Board, Mr. Marek Dziubiński, will expire on the date of the Annual General Meeting approving the Company's financial statements for 2020 convened on June 15, 2021. Mr. Marek Dziubiński informed the Company that he intended to run for the Supervisory Board of the Company.

On April 29, 2021, MDG Holdco received a tax refund of USD 0.6 million. The CARES-Act introduced in 2020 by the US Congress allowed taxpayers to offset the net operating loss incurred against the tax paid in previous years ("Net operating loss tax carryback").

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.

Statement of financial position	PLN '000 31.03.2021 (unaudited)	PLN '000 31.12.2020 (audited)	EUR '000 31.03.2021 (unaudited)	EUR '000 31.12.2020 (audited)
Non-current assets	196 377	189 431	42 138	41 049
Current assets	53 097	42 403	11 393	9 188
Intangible assets	23 317	22 224	5 003	4 816
Long-term financial assets	71 780	65 727	15 403	14 243
Short-term receivables	47 147	37 269	10 117	8 076
Cash and cash equivalents	1 383	829	297	180
Equity	226 556	217 458	48 614	47 122
Share capital	433	433	93	94
Short-term liabilities	14 498	6 939	3 111	1 504
Long-term liabilities	8 420	7 437	1 807	1 612
Number of shares	4 327 829	4 327 829	4 327 829	4 327 829
Book value per ordinary share (PLN/EUR)	52,35	50,25	11,23	10,89

Statement of comprehensive income	01.01.2021-31.03.2021 (unaudited)	01.01.2020-31.03.2020 (unaudited)	01.01.2021-31.03.2021 (unaudited)	01.01.2020-31.03.2020 (unaudited)
Sales revenue	11 135	13 449	2 435	3 059
Profit on sales	3 519	6 073	770	1 381
Operating profit	3 483	6 060	762	1 378
Profit before tax	10 006	13 467	2 188	3 063
Net profit	9 098	11 003	1 990	2 503
Earnings per ordinary share (PLN/EUR)	2,10	3,05	0,46	0,69

Statement of cash flows	01.01.2021-31.03.2021 (unaudited)	01.01.2020-31.03.2020 (unaudited)	01.01.2021-31.03.2021 (unaudited)	01.01.2020-31.03.2020 (unaudited)
Net cash flows from operating activities	(4 809)	1 091	(1 052)	248
Net cash flows from investing activities	(3 333)	(372)	(729)	(85)
Net cash flows from financing activities	8 696	(1 470)	1 902	(334)
Total net cash flows	554	(751)	121	(171)

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 31 March 2021, i.e. EUR/PLN 4.6603, and for 31 December 2020, i.e. EUR/PLN 4.6148;
- 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 2021 to 31 March 2021, i.e. EUR/PLN 4.5721, and from 1 January 2020 to 31 March 2020, i.e. EUR/PLN 4.3963.

		31.03.2021 *(unaudited)*	31.12.2020 *(audited)*	31.03.2020 *(unaudited)*
Intangible assets		23 317	22 224	23 029
Property plant and equipment		3 585	3 939	4 879
Financial assets	36	71 780	65 727	69 973
Shares in subsidiaries	37	96 221	96 221	96 221
Deferred income tax assets		1 474	1 320	616
Non-current assets		**196 377**	**189 431**	**194 718**
Inventories		4 567	4 305	4 787
Trade and other receivables	38	47 147	37 269	16 480
Cash and cash equivalents		1 383	829	1 236
Current assets		**53 097**	**42 403**	**22 503**
TOTAL ASSETS		**249 474**	**231 834**	**217 221**

		31.03.2021 *(unaudited)*	31.12.2020 *(audited)*	31.03.2020 *(unaudited)*
Share capital		433	433	361
Supplementary capital		195 820	195 820	166 719
Retained earnings		30 303	21 205	27 597
Equity		**226 556**	**217 458**	**194 677**
Credits and loans	40	-	-	8 444
Provisions		1 227	899	744
Deferred tax liabilities		3 636	2 992	3 562
Other financial liabilities		1 854	1 953	2 745
Accruals and deferred income	41	1 703	1 593	1 076
Long-term liabilities		**8 420**	**7 437**	**16 571**
Credits and loans	40	11 390	2 834	3 025
Other financial liabilities		879	875	831
Trade and other liabilities	41	2 229	2 988	2 117
Accruals and deferred income		-	242	-
Short-term liabilities		**14 498**	**6 939**	**5 973**
Total liabilities		**22 918**	**14 376**	**22 544**
TOTAL EQUITY AND LIABILITIES		**249 474**	**231 834**	**217 221**

		01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*
Sales revenue	35	**11 135**	**13 449**
Raw materials and consumables used		(2 287)	(1 980)
Employee benefits		(2 427)	(2 942)
Amortization and depreciation		(1 022)	(616)
Third-party services		(1 819)	(1 725)
Other		(61)	(113)
Total costs of sales		**(7 616)**	**(7 376)**
Profit on sales		**3 519**	**6 073**
Other operating revenue		13	1
Other operating expenses		(49)	(14)
Operating profit		**3 483**	**6 060**
Finance income		6 559	7 530
Finance costs		(36)	(123)
Net finance income		**6 523**	**7 407**
Profit before tax		**10 006**	**13 467**
Income tax		(908)	(2 464)
Net profit from continuing operations		**9 098**	**11 003**
Other net comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		**9 098**	**11 003**
Basic profit per share in PLN		2,10	3,05
Diluted profit per share in PLN		2,10	3,05

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2021 (*audited)*	**433**	**195 820**	**21 205**	**217 458**
Comprehensive income for the reporting period				
Net profit for the current reporting period	-	-	9 098	9 098
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as at 31 March 2021 *(unaudited)*	**433**	**195 820**	**30 303**	**226 556**

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2020 (*audited)*	**361**	**166 719**	**16 594**	**183 674**
Comprehensive income for the reporting period				
Net profit for the previous reporting period	-	16 594	(16 594)	-
Net profit for the current reporting period	-	-	21 205	21 205
	361	**183 313**	**21 205**	**204 879**
Transactions recognized directly in equity				
Issue of shares	72	12 507	-	12 579
Total contributions from and distributions to owners	**72**	**12 507**	**-**	**12 579**
Equity as at 31 December 2020 *(audited)*	**433**	**195 820**	**21 205**	**217 458**

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

	01.01.2021-31.03.2021 *(unaudited)*	01.01.2020-31.03.2020 *(unaudited)*
Cash flows from operating activities		
Net profit for the reporting period	**9 098**	**11 003**
Depreciation of property, plant and equipment	335	315
Amortization of intangible assets	687	301
Income tax	908	2 464
Change in inventories	(262)	971
Change in trade and other receivables	(10 204)	(7 020)
Change in accruals, prepayments and deferred income	(1 241)	1
Change in trade and other liabilities	(216)	(8)
Change in provisions	328	28
Tax paid	-	(661)
Foreign exchange differences	(3 690)	(5 728)
Interest	(532)	(642)
Other	(20)	67
	(4 809)	**1 091**
Cash flows from investing activities		
Interest received	-	730
Expenditure of property plant and equipment and intangible assets	(1 833)	(1 102)
Loans granted	(1 500)	-
	(3 333)	**(372)**
Cash flows from financing activities		
Repayment of credit card debt	3	(23)
Repayment debt on account of credits taken out with interest	(184)	(1 263)
Proceeds from credits taken out	8 553	-
Payments of finance lease liabilities	(226)	(211)
Interest on finance leases	(17)	(23)
Other inflows from financing activities	567	50
	8 696	**(1 470)**
Total net cash flows	**554**	**(751)**
Opening balance of cash and cash equivalents	829	1 987
Closing balance of cash	**1 383**	**1 236**

35. Sales revenue structure

By type	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Revenue from sales of services	8 743	12 088
Revenue from sales of devices	2 392	1 361
	11 135	**13 449**

By territory	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Domestic sales	349	164
Export sales	10 786	13 285
	11 135	**13 449**

36. Financial assets

	31.03.2021	31.12.2020	31.03.2021
Loans granted	71 580	65 527	69 773
Shares	200	200	200
	71 780	**65 727**	**69 973**
of which long-term portion	71 780	65 727	69 973
of which short-term portion	-	-	-

Loans granted

	Loan amount (USD '000)	Repayment date	Interest rate
Loan of 30 March 2016	11 300	29.03.2026	Fixed (6%)
Loan of 1 June 2016	200	01.06.2026	Fixed (6%)
Loan of 14 September 2016	200	14.09.2026	Fixed (6%)
Loan of 16 January 2017	1 000	30.12.2026	Fixed (4%)
Loan of 2 March 2017	2 912	30.12.2026	Fixed (4%)
Loan of 28 January 2021	400	30.12.2026	Fixed (4%)

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

In the first quarter of 2021, a loan of USD 400,000 was granted, the purpose of which was to settle the liability to the seller of shares in Medi-Lynx, referred to in Note 19 of this report.

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

37. Shares in subsidiaries

	31.03.2021	31.12.2020	31.03.2020
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771
Medicalgorithmics Polska Sp. z o.o.	1 267	1 267	1 267
Medicalgorithmics India Pvt. Ltd (formerly Algotel Solutions Pvt. Ltd)	183	183	183
	96 221	**96 221**	**96 221**

38. Trade and other receivables

	31.03.2021	31.12.2020	31.03.2020
Trade receivables	43 264	33 293	16 000
Budgetary receivables	3 414	3 395	270
Other receivables	-	105	123
Prepayments and deferred expenses	469	476	87
	47 147	**37 269**	**16 480**
Long-term	-	-	-
Short-term	47 147	37 269	16 480

Trade receivables

	31.03.2021	31.12.2020	31.03.2020
Trade receivables from related entities	40 997	31 944	15 033
Trade receivables from other entities	2 267	1 349	967
Impairment loss on receivables from other entities	-	-	-
Total net trade receivables	**43 264**	**33 293**	**16 000**

39. Basic and diluted earnings per share

	01.01.2021-31.03.2021	01.01.2020-31.12.2020	01.01.2020-31.03.2020
Profit for the period (PLN '000)	9 098	19 910	5 038
Weighted average number of ordinary shares (in thousands of	4 328	4 138	3 607
Effect of dilution of the potential number of ordinary shares (in	-	-	-
Basic profit per share in PLN (net profit weighted average number of shares)	**2,10**	**4,89**	**1,40**
Diluted profit per share in PLN (net profit weighted average number of diluted shares)	**2,10**	**4,89**	**1,40**

40. Credits and loans

	31.03.2021	31.12.2020	31.03.2020
Credit card debt	30	27	(10)
Credits and loans	11 360	2 807	11 479
	11 390	**2 834**	**11 469**
of which long-term	-	-	8 444
of which short-term	11 390	2 834	3 025

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 1 December 2020, the Company repaid the loan in full before the date specified in the contract.

On 4 December 2020, the Company signed a loan in the current account at Bank Millennium S.A. in the amount of PLN 16.0 million. According to the loan agreement, the limit of the available loan will be gradually reduced in the next 24 months. The interest rate will be the sum of the WIBOR 1M reference rate and the bank's margin. As of the balance sheet date, the balance of the loan was PLN 2,806 thousand. Pursuant the signing of the loan agreement, a collateral in the form of a notarized declaration of the Company on submission to the Bank of enforcement pursuant to Art. 777 §1 point 5 of the Code of Civil Procedure from all property as to the obligation to pay to the Bank any sums of money due to obligations under the Agreement, up to the maximum amount of PLN 25,600 thousand was established. Partial collateral for the loan repayment is a guarantee in the amount of PLN 12,800 thousand with a deadline of 28 February 2023, granted by Bank Gospodarstwa Krajowego under the portfolio agreement of the PLG-FGP Liquidity Guarantee Fund. The guarantee covers 80% of the loan amount.

In the opinion of the Management Board the loan agreement in question will enable the Company to optimize, make it more flexible and adapt the financing structure to the current operating situation of the Company.

41. Trade and other liabilities, accruals and deferred income

	31.03.2021	31.12.2020	31.03.2020
Trade liabilities to other entities	1 753	987	1 507
Budgetary liabilities	386	459	400
Salaries and wages payable	-	215	125
Other liabilities	90	250	85
Short-term accruals and deferred income	-	-	-
Long-term accruals and deferred income	1 703	1 026	1 076
	3 932	**2 937**	**3 193**

42. 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 18.

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.

Pursuant the signing of the new loan agreement, a collateral in the form of a notarized declaration of the Company on submission to the Bank of enforcement pursuant to Art. 777 §1 point 5 of the Code of Civil Procedure from all property as to the obligation to pay to the Bank any sums of money due to obligations under the Agreement, up to the maximum amount of PLN 25,600 thousand was established. Partial collateral for the loan repayment is a guarantee in the amount of PLN 12,800 thousand with a deadline of 28 February 2023, granted by Bank Gospodarstwa Krajowego under the portfolio agreement of the PLG-FGP Liquidity Guarantee Fund. The guarantee covers 80% of the loan amount.

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.

43. Transactions with related parties

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

Medicalgorithmics US Holding Corporation

Statement of financial position (in PLN '000) — as at	31.03.2021	31.12.2020	31.03.2020
Loans granted	71 580	65 527	69 773
Contribution to the supplementary capital	94 771	94 771	94 771

Statement of comprehensive income (in PLN '000)	01.01.2021-31.03.2021	01.01.2020-31.12.2020	01.01.2020-31.03.2020
Interest on loans	861	3 381	889

Medi-Lynx Cardiac Monitoring LLC

Statement of financial position (in PLN '000) — as at	31.03.2021	31.12.2020	31.03.2020
Trade receivables	40 618	31 761	14 830

Statement of comprehensive income (in PLN '000)	01.01.2021-31.03.2021	01.01.2020-31.12.2020	01.01.2020-31.03.2020
Revenue from sales of goods and services	6 775	40 889	10 594

Medicalgorithmics Polska Sp. z o.o.

Statement of financial position (in PLN '000) — as at	31.03.2021	31.12.2020	31.03.2020
Trade receivables	255	58	128
Contribution to equity	1 267	1 267	1 267

Statement of comprehensive income (in PLN '000)	01.01.2021-31.03.2021	01.01.2020-31.12.2020	01.01.2020-31.03.2020
Revenue from sales of goods and services	185	49	18

Medicalgorithmics India Pvt. Ltd

Statement of financial position (in PLN '000) — as at	31.03.2021	31.12.2020	31.03.2020
Trade receivables	124	126	75
Contribution to the supplementary capital	183	183	183

Statement of comprehensive income (in PLN '000)	01.01.2021-31.03.2021	01.01.2020-31.12.2020	01.01.2020-31.03.2020
Revenue from sales of goods and services	59	255	89

44. Transactions with executives

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

	01.01.2021-31.03.2021	01.01.2020-31.03.2020
Remuneration of the Management Board Members	255	240
Remuneration of the Supervisory Board	111	112

45. 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.

46. Events after the balance sheet date

On May 11, 2021, the Supervisory Board adopted a resolution appointing, on June 16, 2021, Mr. Marcin Gołębicki as the President of the Management Board of Medicalgorithmics S.A. In connection with the appointment to the Management Board, Mr. Marcin Gołębicki resigned from the position of a Member of the Supervisory Board with effect as of June 15, 2021.

The Supervisory Board appointed the President of the Management Board for a new term of office, taking into account that the mandate of the current President of the Management Board, Mr. Marek Dziubiński, will expire on the date of the Annual General Meeting approving the Company's financial statements for 2020 convened on June 15, 2021. Mr. Marek Dziubiński informed the Company that he intended to run for the Supervisory Board of the Company.

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 May 25, 2021

Marek Dziubiński
President of the Management Board

Maksymilian Sztandera
Chief Financial Officer

Peter G. Pellerito
Member of the Management Board

Warsaw, 25 May 2021

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