

# Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of Medicalgorithmics S.A.

## Report on the Annual Financial Statements

### *Disclaimer of opinion*

We have audited the annual financial statements of Medicalgorithmics S.A. (the Company) with its registered office in Warsaw, Al. Jerozolimskie 81, which comprise the introduction to the annual financial statements, balance sheet as of December 31, 2021, the profit and loss account, statement of changes in equity, cash flow statement for the financial year then ended, additional notes and explanations.

Hereby we do not express an opinion on the financial statements. Despite obtaining the sufficient and relevant evidence regarding to each of uncertainties described in the *Basis for Disclaimer of Opinion* paragraph it is not possible to express an opinion on the accompanying annual financial statements due to the potential interaction of these uncertainties and their possible cumulative effect on those annual financial statements.

Basis for disclaimer of opinion is consistent with the additional report for the Audit Committee submitted on the same day as this audit report.

### *Basis for disclaimer of opinion*

For the period covered by the audit, the company generated 69% of its sales revenues (ie PLN 32 million) from the sale of products and services to its subsidiary Medi-Lynx Cardiac Monitoring, LLC (Medi-Lynx). The balance of receivables from Medi-Lynx as at December 31, 2021 is PLN 48 million.

Additionally, the Company holds 100% of the shares in Medicalgorithmics US Holding Corporation (MDG HoldCo) with a balance sheet value after the recognition of impairment losses of PLN 0, which in turn holds 100% of shares in Medi-Lynx.

The company also granted a loan to MDG HoldCo, the balance of which - as at the balance sheet date - is PLN 76 million, and the carrying amount after recognition of credit risk is PLN 0. MDG HoldCo does not conduct any

operating activities, therefore the ability to settle its liabilities depends solely upon the financial situation of Medi-Lynx.

Drawing attention to note 2.1 of the annual financial statements in which the Company's Management Board presented the following conditions and the resulting material uncertainty. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. In the aforementioned note, the Management Board also presented activities undertaken in order to eliminate such threats. In the opinion of the Management Board, these activities will be successful, however, there is no such certainty. Our opinion is remains unchanged with respect to this matter.

1. There is an urgent need to obtain financing for Medi-Lynx in the amount of at least USD 4-6 million within a horizon of approximately two months from the date of signing the financial statements. The Capital Group is looking for debt financing or, alternatively, the possibility of finding an investor for the Capital Group or selling Medi-Lynx or significant assets of the Capital Group.
2. In the case of obtaining financing for Medi-Lynx, it is essential to achieve the assumed growth rate of revenues generated by Medi-Lynx while maintaining the assumed level of operating costs of the Capital Group. If the presumed forecasts are not met, there is a risk that the financing needs may turn out to be greater than currently assumed, and thus the financial liquidity of the Capital Group is at risk.
3. The Company's ability to continue as a going concern also depends upon Millennium's future actions as a lender in terms of further financing. In the event of the borrower's deterioration or loss of creditworthiness, the bank may terminate the contract. In the event of incurring additional debt, the agreement imposes the obligation to provide the bank with the same security as for the lenders, which may not be possible in some of the scenarios considered.
4. When assessing the possibility of continuing as a going concern and conducting a test for impairment of the carrying value of intangible assets (note 2.7 to the financial statements), the Management Board assumed that the Company would be able to continue its operations based on cash flows from sales outside the Capital Group. The assumptions of the impairment test provide for a 102% increase in sales revenues outside the Capital Group by 2026. The implementation of the plans depends on the future events described above and, as a consequence, is subject to many significant uncertainties.
5. As far as the company Medi-Lynx is concerned, the Medicalgorithmics Group's principles include either obtaining funding and continuing the company's operations, or its sale. At the moment, no specific offers from potential buyers are known

Due to the potential interaction of the above uncertainties and their possible cumulative effect on the annual financial statements, it is not possible to express an opinion on the accompanying annual financial statements.

### *Key Audit Matters*

Apart from the matters described in the Basis for Disclaimer of Opinion section, there are no other key audit matters, including the most significant assessed risk of material misstatement, that require communication in our audit report.

### *Responsibilities of Management Board for the Annual Financial Statements*

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, of these annual financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Act, regulations issued on the basis thereof, adopted accounting principles (policy), other legal regulations, and the Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2021, item 217, as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Annual Financial Statements*

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2020, item 1415) (the Act on Statutory Auditors) and
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended.
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April, 16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Because of matters described in the Basis for disclaimer of opinion section of our report, we have not been able to express of our audit opinion on these annual financial statements.

We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists.

The scope of the audit does not include the assurance as to the future profitability of the Company or the effectiveness or efficiency of conducting its affairs by the Management Board of the Company now or in the future.

## Report on Other Legal and Regulatory Requirements

### *Report on the Company's operations and opinion on the Corporate Governance Statement*

#### *Responsibilities of the Management Board and the Supervisory Board*

The Management Board of the Company is responsible for the preparation of the Report on the Company's operations in accordance with the Accounting Act and other legal regulations. The Management Board of the Company is obliged to assure compliance of the Report on the Company's operations with the requirements of the Accounting Act.

Our opinion on the annual financial statements does not cover the Report on the Company's operations and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual financial statements, our responsibility is to read the Report on the Company's operations and, in doing so, consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Report on the Company's operations, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Company's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual financial statements.

#### *Opinion on the Report on the Company's operations*

In our opinion the Report on the Company's operations has been prepared in accordance with applicable regulations, that is pursuant to the provisions of Art. 49 of the Accounting Act and is consistent with the information included in the attached annual financial statements. Moreover, we declare that base on our knowledge about the Company and its environment obtained during the audit of the financial statements, we have not identified any material misstatements in the Report on the Company's operations except for the possible effects of matters described in the *Basis for disclaimer of Opinion*.

#### *Opinion on the Corporate Governance Statement*

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual financial statements.

#### *Statement on non-audit services*

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

#### *Appointment of the Audit Firm*

We were appointed to audit the annual financial statements of the Company for the years 2021 and 2022 by the Supervisory Board's resolution of 18 May 2021. The financial statements for the year 2021 are the first annual financial statements of the Company that we audit

Marcin Diakonowicz

Statutory Auditor No. 10524

Key Audit Partner performing the audit on behalf of

Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością sp. k.,  
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 3654

Warszawa, April 28 2022.

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.