

# Independent Auditor's Report on Annual Consolidated Financial Statements

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For the Shareholders of Medicalgorithmics S.A.

## Report on the Annual Consolidated Financial Statements

### *Disclaimer of opinion*

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is Medicalgorithmics S.A. (the Parent) with its registered office in Warsaw, Al. Jerozolimskie 81, which comprise the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Hereby we do not express an opinion on the annual consolidated 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 consolidated 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*

The subsidiary "Medi-Lynx Cardiac Monitoring, LLC" produces some 87% of the sales revenue of the overall Capital Group.

In the period covered by the audit, the Parent Company generated 69% of the revenues from sales disclosed in its separate financial statements (i.e. PLN 32 million) from the sale of products and services to the subsidiary Medi-Lynx.

As of December 31, 2021, the Parent company's receivables from the subsidiary Medi-Lynx amounted to PLN 48 million. In addition, the Parent Company holds 100% of the shares in Medicalgorithmics US Holding

Corporation (MDG HoldCo) with the carrying amount after recognizing impairment losses of PLN 0, which in turn holds 100% of shares in Medi-Lynx.

The Parent Company also granted a loan to MDG HoldCo, the balance of which as of the balance sheet date is PLN 76 million, and the carrying amount in the Parent's separate financial statements, after recognition of the credit risk write-off, is PLN 0.

MDG HoldCo does not conduct any operating activities, therefore, its ability to settle its liabilities depends solely upon the financial situation of Medi-Lynx.

In note 4.1 of the additional explanatory notes to the annual consolidated financial statements prepared as of December 31, 2021, the Management Board of the Parent Company informed us that the annual consolidated financial statements of the Capital Group were prepared on a going concern basis, even though the Management Board perceives a significant threat to the going concern viability resulting from a number of uncertainties.

The key issues for the continuation of the Capital Group's operations are described below.

1. The need to obtain financing for Medi-Lynx in the amount of at least USD 4-6 million within a time 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 other significant assets of the Capital Group.
2. In the case of obtaining financing for Medi-Lynx, the need to achieve the assumed growth rate of revenue generated in Medi-Lynx while maintaining the assumed level of operating costs of the Capital Group. If the assumed forecasts are not met, there is a risk that the financing needs may turn out to be greater than assumed, and thus the financial liquidity of the Capital Group would be at risk.
3. The ability to continue as a going concern of the Parent Company also depends upon the future activities of Millennium as a lender with regard to 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 the operations of the Parent Company (note 4.1 to the consolidated financial statements) and conducting a test for impairment of the carrying amount of intangible assets in the Parent Company (note 4.7), the Management Board assumed that the Parent Company would be able to continue its operations based on cash flows generated from sales outside the Group. The assumptions of the impairment test provide for a 102% increase in revenues from sales outside the Group by 2026. The implementation of plans depends on the future events described above and, as a consequence, is subject to many significant uncertainties.
5. The plans of the Medicalgorithmics Group regarding Medi-Lynx 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 and Supervisory Board of the Parent for the Annual Consolidated Financial Statements*

The Management Board of the Parent is responsible for the preparation of these annual consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Parent's articles of association. The Management Board of the Parent is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group'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 of the Parent either intends to liquidate the Group 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 Parent are obliged to assure compliance of the annual consolidated financial statements with the requirements of the Accounting Act. The Supervisory Board of the Parent is responsible for overseeing the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Annual Consolidated 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 consolidated financial statements.

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report.

We are independent of the entities comprising the Group 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. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. 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 consolidated 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 Group 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*

### *Responsibility of the Parent's Management Board and Supervisory Board*

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

### *Auditor's Responsibility*

Our opinion on the annual consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual consolidated 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 other information, 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 Group's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, we are obliged to report on whether the Parent prepared the Statement on non-financial information and to express an opinion on whether the Parent included the required information in the Corporate Governance Statement.

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

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 55 clause 2a of the Accounting Act and § 71 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations, except for the possible effects of the matters described in the *Basis for disclaimer of Opinion section*.

### *Opinion on the Corporate Governance Statement*

In our opinion, the Corporate Governance Statement includes the information required by § 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in § 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 consolidated financial statements.

*Opinion on the compliance of marking up of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format*

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform a reasonable assurance engagement to express an opinion on whether the annual consolidated financial statements of the Group as at and for the year ended December 31, 2021, prepared in a single electronic reporting format contained in the file named *medicalgorithmics\_2021-12-31\_pl.zip* (consolidated financial statements in the ESEF format) have been marked up in accordance with the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

### *Identification of the criteria and description of the subject matter of the engagement*

The consolidated financial statements in the ESEF format were prepared by the Management Board of the Parent in order to meet the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation.

The subject matter of our assurance engagement is to verify the compliance of marking up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and we believe that the requirements set out in the regulations form appropriate criteria for expressing our opinion.

### *Responsibility of the Parent's Management Board and Supervisory Board*

The preparation of consolidated financial statements in the ESEF format in accordance with the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation, is the responsibility of the Parent's Management Board. The responsibility includes the selection and application of appropriate XBRL markups with the use of the taxonomy defined in those regulations.

The responsibility of the Parent's Management Board also includes the design, implementation and maintenance of an internal control system to ensure the preparation of consolidated financial statements in the ESEF format free from material non-conformities with the requirements of the ESEF Regulation.

Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the format resulting from applicable laws.

### *Auditor's Responsibility*

Our objective was to express an opinion, on the basis of a reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We performed the engagement in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3001PL *Audit of Financial Statements Prepared in a Single Electronic Reporting Format*, which was adopted by resolution of the National Council of Statutory Auditors No. 1975/32a/2021 of December 17, 2021 (NSAE 3001PL) and, where relevant, in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3000 (R) in the wording of International Standard on Assurance Engagements (ISAE) 3000 (revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which was adopted by resolution of the National Council of Statutory Auditors No. 3436/52e/2019 of 8 April 8, 2019, as amended (NSAE 3000 (R)).

The standard imposes on a statutory auditor an obligation to plan and perform procedures in such a manner as to obtain reasonable assurance that consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria. Reasonable assurance means a high level of assurance, but it does not guarantee that an engagement performed in accordance with NSAE 3001PL and, where relevant, in accordance with NSAE 3000 (R), would always detect an existing material misstatement.

The selection of the procedure depends on the statutory auditor's judgement, including their estimation of the risks of material misstatement, whether due to fraud or error. When assessing the risk, the statutory auditor considers internal control associated with the preparation of consolidated financial statements in the ESEF

format in order to plan the relevant procedures which are to provide the auditor with sufficient and appropriate evidence. The assessment of the functioning of the internal control system was not conducted for the purpose of expressing an opinion on the effectiveness of its functioning.

### *Summary of the work performed*

The procedures planned and performed by us included, among others:

- obtaining an understanding of the process of preparation of consolidated financial statements in the ESEF format, covering the process of the Parent's Management Board's selection and application of XBRL markups and ensuring compliance with the ESEF Regulation, including understanding of the internal control system mechanisms related to the process;
- obtaining sufficient appropriate evidence about the operational effectiveness of the controls related to XBRL marking up when we have determined, as part of the risk assessment process, that procedures other than testing of controls would not provide sufficient audit evidence;
- reconciliation of the marked up information contained in the consolidated financial statements in the ESEF format with the audited annual consolidated financial statements;
- assessment of compliance with technical standards on the specification of a single electronic reporting format, including the application of the XHTML format, using specialist IT tools;
- assessment of the completeness of marking of information in the consolidated financial statements in the ESEF format with XBRL markups;
- assessment whether the XBRL markups from the taxonomy defined in the ESEF Regulation have been properly applied and whether extension taxonomies have been used in situations where the core taxonomy specified in the ESEF Regulation has not identified the relevant elements;
- assessment whether the applied extension taxonomies have been properly anchored in the core taxonomy defined in the ESEF Regulation.

We believe that the evidence we have obtained provides sufficient and appropriate basis for us to express an opinion on the compliance of marking up with the requirements of ESEF Regulation.

### *Ethical requirements, including independence*

In performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on fundamental principles relating to integrity, objectivity, professional competencies and due diligence, confidentiality and professional conduct. We also complied with other independence and ethics requirements that apply to this assurance engagement in Poland.

### *Quality control requirements*

The audit firm applies national quality control standards in the wording of the International Quality Control Standard 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services*, adopted by resolution of the National Council of Statutory Auditors No 2040/37a/2018 of March 3, 2018, as amended (NQCS).

In accordance with the NQCS requirements, the audit firm maintains a comprehensive quality control system that includes documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Opinion on the compliance with the requirements of ESEF Regulation*

The statutory auditor's opinion is based on the matters described above, therefore, the opinion should be read in consideration of these matters.

In our opinion, the consolidated financial statements in the ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

### *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 consolidated financial statements of the Group for the years 2021 and 2022 by the Parent's Supervisory Board's resolution of May 18, 2021. The consolidated financial statements for the year 2021 are the first annual consolidated financial statements of the Parent 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.