



Interim condensed consolidated financial  
statements  
**of the MEDICALgorithmics  
Capital Group**  
for the 1st quarter of 2022



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	PLN '000		EUR '000	
	31.03.2022 (unaudited)	31.12.2021 (audited)	31.03.2022 (unaudited)	31.12.2021 (audited)
<b>Interim condensed consolidated statement of financial position</b>				
Non-current assets	27 802	77 664	5 976	16 886
Intangible assets	3 847	50 571	827	10 995
Long-term financial assets	59	97	13	21
Current assets	30 040	36 746	6 457	7 989
Short-term receivables	23 968	25 079	5 152	5 453
Cash and cash equivalents	6 072	11 667	1 305	2 537
Long-term liabilities	21 497	26 761	4 621	5 818
Short-term liabilities	44 734	40 255	9 615	8 752
Equity attributable to Shareholders of the Parent Company	(8 398)	47 385	(1 805)	10 302
Share capital	498	498	107	108
Non-controlling interests	9	9	2	2
Number of shares	4 976 385	4 976 385	4 976 385	4 976 385
Book value per ordinary share (PLN/EUR)	(1,69)	9,52	(0,36)	2,07
	<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>	<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>
<b>Interim condensed Consolidated statement of comprehensive income</b>				
Sales revenue	28 782	31 366	6 193	6 860
Profit/(loss) on sales	(11 800)	(5 033)	(2 539)	(1 101)
Operating profit/(loss)	(60 025)	(5 094)	(12 916)	(1 114)
Profit/(loss) before tax	(58 693)	(3 294)	(12 630)	(721)
Net profit/(loss)	(55 434)	(1 013)	(11 929)	(222)
- attributable to Shareholders of the Parent Company	(55 434)	(1 012)	(11 929)	(221)
- attributable to non-controlling interests	-	(1)	-	-
Net profit attributable to Shareholders of the Parent Company per share (in PLN) – basic	(11,14)	(0,23)	(2,40)	(0,05)
	<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>	<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>
<b>Interim condensed consolidated statement of cash flows</b>				
Net cash flows from operating activities	(7 199)	(4 281)	(1 549)	(936)
Net cash flows from investing activities	(1 142)	(2 764)	(246)	(605)
Net cash flows from financing activities	2 746	14 578	591	3 189
Total net cash flows	(5 595)	7 533	(1 204)	1 648

**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 2022, i.e. EUR/PLN 4.6525, and for 31 December 2021, i.e. EUR/PLN 4.5994;
- 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 2022 to 31 March 2022, i.e. EUR/PLN 4.6472, and from 1 January 2021 to 31 March 2021, i.e. EUR/PLN 4.5721.

		<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
		<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Intangible assets	13	3 847	50 571	211 205
Property plant and equipment	14	23 896	26 996	23 175
Financial assets		59	97	200
Deferred income tax assets		-	-	20 633
<b>Non-current assets</b>		<b>27 802</b>	<b>77 664</b>	<b>255 213</b>
Trade and other receivables	15	23 968	25 079	32 875
Cash and cash equivalents	16	6 072	11 667	23 730
<b>Current assets</b>		<b>30 040</b>	<b>36 746</b>	<b>56 605</b>
<b>TOTAL ASSETS</b>		<b>57 842</b>	<b>114 410</b>	<b>311 818</b>
		<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
		<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Share capital		498	498	433
Supplementary capital		148 123	148 123	137 129
Retained earnings		(160 192)	(104 758)	74 868
Foreign exchange differences		3 173	3 522	1 393
<b>Equity attributable to Shareholders of the Parent Company</b>		<b>(8 398)</b>	<b>47 385</b>	<b>213 823</b>
<b>Non-controlling interests</b>		<b>9</b>	<b>9</b>	<b>9</b>
Provisions		160	105	3 621
Deferred tax liabilities		594	4 378	5 972
Credits and loans	19	8 362	8 123	20 720
Liabilities in respect of bonds and other financial liabilities	20	9 010	10 784	16 274
Other liabilities		144	144	-
Accruals and deferred income	21	3 227	3 227	1 703
<b>Long-term liabilities</b>		<b>21 497</b>	<b>26 761</b>	<b>48 290</b>
Credits and loans	19	6 090	1 519	11 477
Provisions		3 207	3 200	-
Other financial liabilities	20	8 560	8 008	7 411
Trade and other liabilities	21	20 442	18 416	16 319
Income tax liabilities		93	113	34
Accruals and deferred income	21	6 342	8 999	14 455
<b>Short-term liabilities</b>		<b>44 734</b>	<b>40 255</b>	<b>49 696</b>
<b>Total liabilities</b>		<b>66 231</b>	<b>67 016</b>	<b>97 986</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>57 842</b>	<b>114 410</b>	<b>311 818</b>

		<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>
<b>Sales revenue</b>	6	<b>28 782</b>	<b>31 366</b>
Raw materials and consumables used		(1 883)	(2 478)
Employee benefits	7	(23 018)	(20 653)
Amortization and depreciation	8	(4 747)	(4 247)
Third-party services	9	(9 844)	(8 127)
Other		(1 090)	(894)
<b>Total costs of sales</b>		<b>(40 582)</b>	<b>(36 399)</b>
<b>Profit/(loss) on sales</b>		<b>(11 800)</b>	<b>(5 033)</b>
Other operating revenue	10	45	13
Other operating expenses	10	(48 270)	(74)
<b>Operating profit/(loss)</b>		<b>(60 025)</b>	<b>(5 094)</b>
Finance income	11	1 541	2 007
Finance costs	11	(209)	(207)
<b>Net finance costs</b>		<b>1 332</b>	<b>1 800</b>
<b>Profit/(loss) before tax</b>		<b>(58 693)</b>	<b>(3 294)</b>
Income tax	12	3 259	2 281
<b>Net profit/(loss) from continuing operations</b>		<b>(55 434)</b>	<b>(1 013)</b>
Net profit for the reporting period attributable to Shareholders of the Parent Company		(55 434)	(1 012)
Net profit for the reporting period attributable to non-controlling interests		-	(1)
		<b>(55 434)</b>	<b>(1 013)</b>
<b>Other comprehensive income</b>			
Currency translation differences		(349)	4 384
Exchange differences on loans constituting a part of net investments in subsidiaries		-	3 822
Deferred tax on valuation of exchange differences on loans		-	(726)
<b>Other comprehensive income that can be reclassified to income statement in the following reporting periods</b>		<b>(349)</b>	<b>7 480</b>
<b>Other comprehensive income</b>		<b>(349)</b>	<b>7 480</b>
Other comprehensive income attributable to Shareholders of the Parent Company		(349)	7 480
Other comprehensive income attributable to non-controlling interests		-	-
<b>Total comprehensive income for the reporting period</b>			
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		(55 783)	6 468
Comprehensive income for the reporting period attributable to non-controlling interests		-	(1)
		<b>(55 783)</b>	<b>6 467</b>
<b>Net profit attributable to Shareholders of the Parent Company per share (in PLN)</b>			
- basic		(11,14)	(0,23)
- diluted		(11,14)	(0,23)

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
<b>Equity as of 1 January 2022 (audited)</b>	<b>498</b>	<b>148 123</b>	<b>(104 758)</b>	<b>3 522</b>	<b>47 385</b>	<b>9</b>	<b>47 394</b>
<b>Comprehensive income for the reporting period</b>							
Net profit for the current reporting period	-	-	(55 434)	-	(55 434)	-	(55 434)
Other comprehensive income	-	-	-	(349)	(349)	-	(349)
	<b>-</b>	<b>-</b>	<b>(55 434)</b>	<b>(349)</b>	<b>(55 783)</b>	<b>-</b>	<b>(55 783)</b>
<b>Transactions recognized directly in equity</b>							
Issue of shares in the Parent Company	-	-	-	-	-	-	-
Share purchase transaction	-	-	-	-	-	-	-
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity as of 31 March 2022 (unaudited)</b>	<b>498</b>	<b>148 123</b>	<b>(160 192)</b>	<b>3 173</b>	<b>(8 398)</b>	<b>9</b>	<b>(8 389)</b>

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
<b>Equity as of 1 January 2022 (audited)</b>	<b>433</b>	<b>137 129</b>	<b>75 880</b>	<b>(6 087)</b>	<b>207 355</b>	<b>10</b>	<b>207 365</b>
<b>Comprehensive income for the reporting period</b>							
Net profit for the current reporting period	-	-	(180 638)	-	(180 638)	-	(180 638)
Other comprehensive income	-	-	-	9 609	9 609	(1)	9 608
	<b>-</b>	<b>-</b>	<b>(180 638)</b>	<b>9 609</b>	<b>(171 029)</b>	<b>(1)</b>	<b>(171 030)</b>
<b>Transactions recognized directly in equity</b>							
Issue of shares in the Parent Company	65	10 994	-	-	11 059	-	11 059
Share purchase transaction	-	-	-	-	-	-	-
<b>Total contributions from and distributions to owners</b>	<b>65</b>	<b>10 994</b>	<b>(180 638)</b>	<b>9 609</b>	<b>(159 970)</b>	<b>(1)</b>	<b>(159 971)</b>
<b>Equity as of 31 December 2021 (audited)</b>	<b>498</b>	<b>148 123</b>	<b>(104 758)</b>	<b>3 522</b>	<b>47 385</b>	<b>9</b>	<b>47 394</b>

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
<b>Equity as of 1 January 2022 (audited)</b>	<b>433</b>	<b>137 129</b>	<b>75 880</b>	<b>(6 087)</b>	<b>207 355</b>	<b>10</b>	<b>207 365</b>
<b>Comprehensive income for the reporting period</b>							
Net profit for the current reporting period	-	-	(1 012)	-	(1 012)	(1)	(1 013)
Other comprehensive income				7 480	7 480	-	7 480
	-	-	<b>(1 012)</b>	<b>7 480</b>	<b>6 468</b>	<b>(1)</b>	<b>6 467</b>
<b>Transactions recognized directly in equity</b>							
Issue of shares in the Parent Company	-	-	-	-	-	-	-
Share purchase transaction	-	-	-	-	-	-	-
<b>Total contributions from and distributions to owners</b>	-	-	-	-	-	-	-
<b>Equity as of 31 December 2021 (audited)</b>	<b>433</b>	<b>137 129</b>	<b>74 868</b>	<b>1 393</b>	<b>213 823</b>	<b>9</b>	<b>213 832</b>

	<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) for the reporting period</b>	<b>(55 434)</b>	<b>(1 013)</b>
Depreciation of property plant and equipment	2 396	2 051
Amortization of intangible assets	2 351	2 196
Income tax	(3 259)	(1 555)
Change in trade and other receivables	633	(8 519)
Change in accruals prepayments and deferred income	(2 657)	867
Change in trade and other liabilities	2 026	2 730
Change in provisions	62	648
Profit on sale of fixed assets	2 293	-
Tax paid	45 788	-
Foreign exchange differences	(1 474)	(1 941)
Interest	150	274
Other	(74)	(19)
	<b>(7 199)</b>	<b>(4 281)</b>
<b>Cash flows from investing activities</b>		
(Acquisition)/sale of intangible assets	(60)	(1 788)
(Acquisition)/sale of property plant and equipment	(1 121)	(976)
(Acquisition)/sale of other investments	39	-
	<b>(1 142)</b>	<b>(2 764)</b>
<b>Cash flows from financing activities</b>		
Proceeds from credits taken out	4 590	8 553
Repayment debt on account of credits taken out with interest	(23)	(204)
Repayment of financial liabilities	(494)	(572)
Payments of finance lease liabilities	(1 327)	(1 391)
Inflows received under US anti-crisis packages	-	7 626
Other inflows from financing activities	-	566
	<b>2 746</b>	<b>14 578</b>
<b>Total net cash flows</b>	<b>(5 595)</b>	<b>7 533</b>
Opening balance of cash and cash equivalents	11 667	16 197
<b>Closing balance of cash</b>	<b>6 072</b>	<b>23 730</b>

## 1. General information

Unless the context requires otherwise, such terms contained herein as the “Company”, “Medicalgorithmics”, the “Parent” or other expressions with a similar meaning and their grammatical inflections refer to Medicalgorithmics S.A., whereas terms such as the “Group”, the “Medicalgorithmics Group” and other expressions with a similar meaning and their grammatical inflections refer to the Group comprising Medicalgorithmics S.A. and its consolidated subsidiaries.

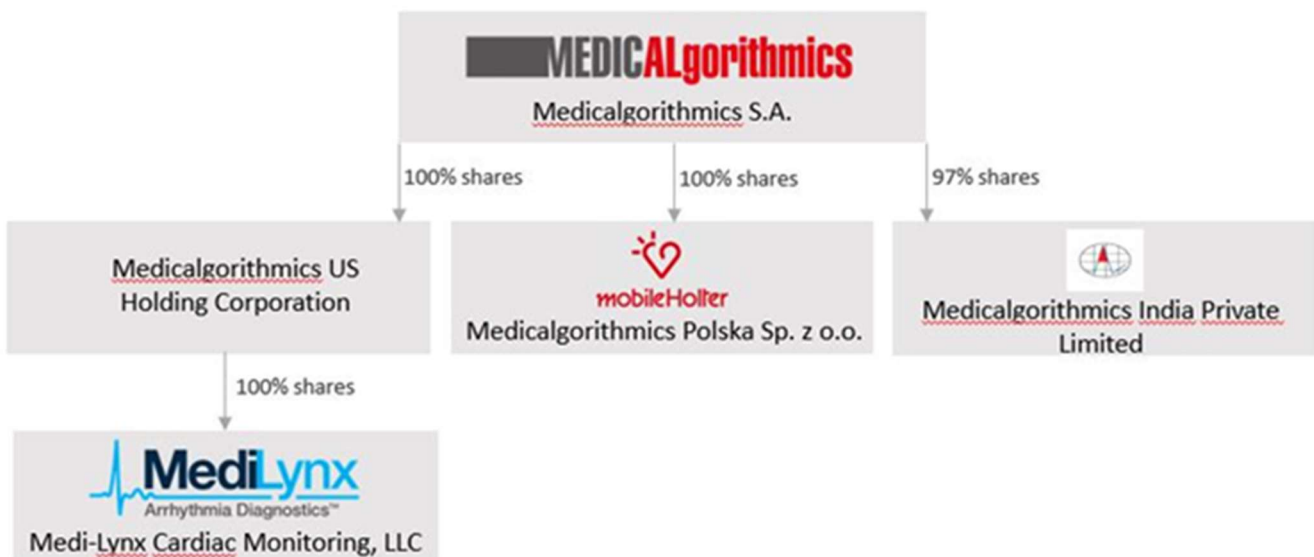
The term “Report” refers to this interim condensed consolidated report for 1<sup>st</sup> quarter of 2022. The term “Consolidated financial statements” means the interim condensed consolidated financial statements of the Medicalgorithmics Group as of 31 March 2022, covering the period 1 January 2022 to 31 March 2022 and including appropriate comparative data as of 31 December 2021, as well as data for the corresponding comparative period of 2021.

## 2. Information about the Capital Group

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

- 100% shares in Medicalgorithmics US Holding Corporation (“MDG HoldCo”), representing 100% votes at the General Meeting;
- 100% shares in Medicalgorithmics Polska Sp. z o.o. (“Medicalgorithmics Polska”, “MDG Polska”);
- 100% shares in Medi-Lynx Cardiac Monitoring, LLC (“Medi-Lynx”) based in Plano, Texas, through MDG HoldCo;
- 97% shares in Medicalgorithmics India Private Limited (“MDG India”) based in Bengaluru, India.

The composition of Medicalgorithmics Capital Group and its organizational/equity links as of March 31, 2022 were as follows:



## Business profile

Medicalgorithmics Capital Group operates in the sector of advanced telemetry for medicine. The Group provides solutions for cardiac diagnostics, especially in ECG signal analysis.

The primary business areas of the Group are:

- ECG monitoring services;
- information technology services;
- scientific research and development;
- manufacturing electrical equipment for medicine.

The Group's services are available in several countries and continents of the world, including North America, Europe, Asia and Australia. Currently, the largest market is U.S.A. Its sales growth there has been driven by the US market's openness to medical innovation and high reimbursement by private and public insurers offered for cardiac diagnostic services.

The Group's main competitive advantages are:

- advanced technology in mobile cardiac telemetry;
- a flexible business model adapted to the intrinsic specificity of a given market;
- a team of high-level professionals in the area of IT systems, programming, medical devices, digital signal processing, and project management.

The primary stream of revenue for the Group is its diagnostic services that are provided to US patients using a proprietary solution – the PocketECG system for remote monitoring of cardiac disorders. PocketECG is a complete diagnostic technology for cardiac arrhythmia detection that gives physicians real-time access to the ECG signal and market's best diagnostic reports, including statistical analysis of recorded data. PocketECG stands out among its competition thanks to its full ECG signal transmission, among other features. The system is approved for the US market by the Food and Drug Administration (FDA), and bears the CE mark of compliance with European Union directives.

In addition to cardiac telemetry, the Group's products and solutions are used in clinical trials which assess cardiac safety. The Group also closely collaborates with various cardiac diagnostics / vigilance centers.

### 3. Information about the Parent Company

Medicalgorithmics S.A. is a joint-stock company registered in Poland. The Parent Company was established on the basis of a notarial deed registered in Repertory A No 1327/2005 of 23 June 2005. In 2011, the Company's shares made their debut on the NewConnect market, an alternative system of trading outside a regulated market operated by the Warsaw Stock Exchange. Since 3 February 2014, the shares of Medicalgorithmics S.A. have been listed on the regulated market of the Warsaw Stock Exchange.

The Parent Company is entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw in Warsaw, 12<sup>th</sup> Commercial Division of the National Court Register, under KRS number 0000372848.

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

#### Management Board

Maciej Gamrot - Member of Management Board and Chief Financial Officer

Jarosław Jerzakowski – Member of Management Board

Peter G. Pellerito – Member of Management Board (until January 14, 2022)

On January 14, 2022, the Supervisory Board passed a resolution dismissing Mr. Peter G. Pellerito from the position of the Member of the Management Board. His dismissal was due to his employment agreement having been terminated with subsidiary Medi-Lynx Cardiac Monitoring, LCC

#### Supervisory Board

Marek Dziubiński - Chairman of Supervisory Board

Michał Wnorowski - Vice Chairman of Supervisory Board, Chairman of Audit Committee

Anna Sobocka - Member of Supervisory Board, Member of Audit Committee

Stanisław Borkowski - Member of Supervisory Board

Brandon von Tobel - Member of Supervisory Board, Member of Nomination and Remuneration Committee (until March 22, 2022)

Martin Jasinski - Member of Supervisory Board, Member of Nomination and Remuneration Committee

Andrzej Gładysz - Member of Supervisory Board, Chairman of Nomination and Remuneration Committee (since October 26, 2021)

Grzegorz Janas - Member of Supervisory Board (since October 26, 2021)

Werner Engelhardt - Member of Supervisory Board (from October 26, 2021 to March 21, 2022)

On March 21, 2022, the Company was informed that Mr. Werner Engelhardt resigned from his position in the Supervisory Board, effective on the date of the submitted notice. On March 22, 2022, the General Meeting dismissed Mr. Brandon von Tobel from the Supervisory Board, Resolution 4/03/2022 effective upon adoption

On April 26, 2022, the Company was informed that Mr. Grzegorz Janas resigned from his position in the Supervisory Board, as of April 30, 2022.

#### **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 2021, as well as the Directors' Report on activities of the Medicalgorithmics Capital Group and Medicalgorithmics S.A. in 2021.

##### **Going Concern assumption**

In the Parent's separate and consolidated financial statements for 2021, approved on April 28, 2022, the Management Board indicated a number of factors which cause significant uncertainty as to the Parent's and the Group's continuation as a going concern over the next 12 months counted from the balance sheet date. The uncertainties were related primarily to the ability to secure financing in the expected amount or the ability to sell the Group's assets.

As described in Note 4.1 to the 2021 consolidated financial statements, in order to obtain the debt financing or sell the assets, as part of the review of its strategic options, the Management Board (assisted by the Supervisory Board) carried out intensive discussions with advisors on bridge financing and the potential sale of the Group's assets. Agreements have been signed with two US advisors to find finance, with one of them also seeking an investor or the sale of the Group's assets.

On May 7, 2022, in Current Report 24/2022, the Management Board of Medicalgorithmics S.A. announced that on May 7, 2022, a Letter of Intent ("LoI") was signed between the Purchaser – Medi-Lynx Cardiac Monitoring, LLC, which is a U.S. medical sector player, and Medicalgorithmics US Holding Corporation regarding a transaction providing financing and an option to acquire selected assets of Medi-Lynx.

Next, on May 10, 2022, the Extraordinary General Meeting of Medicalgorithmics S.A. approved the Company's divestiture of material assets of the Group.

On May 18, 2022, the Purchaser (Medi-Lynx Cardiac Monitoring, LLC) and Medicalgorithmics US Holding Corporation concluded an agreement for the option to acquire selected assets of Medi-Lynx ("Purchase Option"), and the Purchaser (as the lender) and Medi-Lynx (as the borrower) concluded a loan agreement ("Loan").

According to the Purchase Option, the Purchaser may acquire selected assets of Medi-Lynx for the Purchase Price which is: (i) USD 3.5 million, (ii) liabilities under service and product supply contracts of Medi-Lynx, which are covered by the acquisition, and (iii) the outstanding balance of the Loan plus interest and fees ("Purchase Price"). The price for the Purchase Option is USD 25,000 and will be payable to Medi-Lynx. The Purchase Option will be exercisable within 60 days of the date of the Purchase Option agreement. The subject matter of the Purchase Option will be selected assets of Medi-Lynx, including but not limited to: contracts to be designated by the Purchaser at its sole discretion, including contracts with insurers and healthcare facilities, contracts with selected employees, domain names, operating assets, including intangible assets, telephone numbers, inventories, non-current assets ("Purchased Assets"). The Purchased Assets will not include receivables of Medi-Lynx, among others.

For the sake of clarity, the Company informs that the assets to be acquired do not include the intellectual property of the Company that would be necessary to provide services to the Purchaser under the Support Agreement (as defined below), and at the same time the Purchaser expressed its willingness in the Letter of Intent to negotiate purchase of such intellectual property and the other assets of the Company.

The Purchase Option can be exercised within 60 days of the date on which the bank account of the Company and Medi-Lynx is credited with the initial tranche under the Loan. The Purchaser cannot exercise the Purchase Option unless it transfers the Loan tranches in line with the Loan agreement. The subject matter of the Purchase Option will be the Purchased Assets. The Purchased Assets will be identified in the agreement which will transfer the ownership title in them onto the Purchaser.

The Purchase Option agreement provides that if the Buyer exercises the Purchase Option, the Company will enter into an agreement with the Buyer for support services and sale of equipment ("Support Agreement"). According to the Letter of Intent, the support services will be provided at a price of USD 666,000 per month in the first six months and USD 500,000 per month thereafter, and Pocket ECG devices will be sold at USD 400 (the current price according to the contract between the Company and Medi-Lynx is USD 300) per device purchased, in line with the current purchase schedule made between Medi-Lynx and the Company, in an average quantity of 500 units per month, plus associated repairs until December 31, 2022, and thereafter in a quantity to be agreed on, at the sole discretion of the Purchaser. The Purchaser will assume all outstanding Medi-Lynx orders for device purchases, servicing and repairs related to a month in which the agreement for the sale of the Purchased Assets to the Buyer will be executed. The Support Agreement will be to provide for a six-month period of notice in favor of the Buyer.

In addition, the Company will be required to observe a non-compete clause in the U.S. throughout the effective term of the Support Agreement. The non-compete obligation of MDG Group will include marketing and sale of cardiac monitoring devices. Holding and Medi-Lynx will agree on a U.S. non-compete clause to be binding for no more than 2 years in relation to the marketing and sale of cardiac monitoring devices.

Based on the Loan agreement, the Purchaser will provide Medi-Lynx with the USD 2.5 million Loan maximum, to be transferred as follows: USD 300 thousand under the Loan to be transferred to Medi-Lynx on the date of the Loan agreement, and USD 800 thousand to be transferred directly to the Company as payment for services and equipment supplied by the Company to Medi-Lynx in the previous month. Further tranches under the Loan, USD 800 thousand and USD 600 thousand, will be transferred to the Company as payment for services and equipment supplied by the Company to Medi-Lynx in the previous month – after another 30 and 60 days. The Loan will be available until the date when the Purchase Option is exercised and on the condition of no violations of any terms and conditions of the Loan agreement, which will be customary for this type of an agreement, and no violations of any representations and warranties made by Medi-Lynx. The Loan maturity date will be November 30, 2022, however subject to earlier immediate maturity upon certain events of default. The Loan will bear an interest rate of 10% per annum plus 2% fee charged on any amounts drawn.

The Purchase Option agreement may be terminated by Medi-Lynx in exchange for a consideration of USD 1.0 million, if prior to the Purchaser's exercise of the Option Medi-Lynx receives an offer to acquire all or substantially all of its equity interest or assets in exchange for a consideration greater than the Purchase Price. This fee is secured by Medi-Lynx assets. The Purchaser may terminate the Purchase Option agreement at any time.

The Option Purchase agreement gives the Purchaser the exclusive right to acquire the Purchased Assets by the earlier of (i) the expiry of the time limit to exercise the Option, (ii) the filing of a bankruptcy petition against Medi-Lynx, or (iii) the termination of the Purchase Option agreement in line with its clauses.

At the same time, with reference to Current Reports 31/2021 and 35/2021 which concerned the Company's review of strategic options, the Management Board informs that the above Transaction does not cause the review to be ended and the Management Board is going to continue to seek financing options and development opportunities for the capital group.

In the opinion of the Management Board, the implementation of the Transaction may bring certain benefits to the Company making its liquidity secured during the period of its implementation, including in 2022, assuming that the Purchaser meets its obligations, especially those related to the Loan and the execution of the Support Agreement as well as the fulfillment of other financial plan assumptions.

In the context of the above, the Management Board prepared the interim financial statements on a going concern basis, taking into account the significant uncertainty as to the Parent's and the Group's continuation as a going concern over the next 12 months counted from the balance sheet date. This uncertainty is driven by certain factors which were described in the 2021 consolidated financial statements and, in addition, there is also the uncertainty related to the Buyer's exercise of the option to acquire Medi-Lynx, including as a consequence the Group's future revenues related to the Loan and the execution of the Support Agreement.

#### **4.2. Presentation and functional currency**

Data in the consolidated financial statements are presented in Polish zloty ("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 United States dollar ("USD"), and in the case of Medicalgorithmics India Pvt. Ltd it is the Indian rupee ("INR").

**a. Translation of non-PLN subsidiary statements**

At the balance sheet date, assets and liabilities of subsidiaries which have a functional currency other than PLN were translated into the Group's presentation currency (i.e. PLN) at the exchange rate of the balance sheet date, and their statements of comprehensive income were translated at the exchange rate which is the arithmetic mean of the average exchange rates set by the National Bank of Poland as of the last day of each month in the financial period. Equity is translated using the average exchange rate published by the National Bank of Poland as of the date when the Parent has taken control of a given entity. In the case of a new issue of additional shares, the rate applied is the average exchange rate of a given currency published by the National Bank of Poland as of the date when the capital increase is entered in the relevant official register. Exchange differences resulting from such translation are recognized in other comprehensive income and accumulated in a separate item of equity. When an entity is alienated, the deferred exchange differences accumulated in equity relating to that entity are recognized in profit or loss.

**b. Conversion of items denominated in currencies other than the functional currency**

Transactions expressed in currencies other than a company's functional currency are translated into its functional currency using the exchange rate as of the date of the transaction. At the balance sheet date, monetary assets and liabilities expressed in currencies other than the functional currency of a given company are translated into its functional currency using the average exchange rate of the currency published by the central bank of a given country in which the company is headquartered, as applicable at the end of the reporting period. Exchange differences arising from translation are recognized as financial income (expenses) or, in certain cases defined in the accounting policies, capitalized in assets. Non-monetary assets and liabilities recognized at historical cost expressed in a currency other than the functional currency are stated at the historical exchange rate as of the date of the transaction. Non-monetary assets and liabilities recognized at fair value expressed in a currency other than the functional currency are translated at the exchange rate as of the fair value measurement date. Gains or losses arising from the translation of non-monetary assets and liabilities recognized at fair value are recognized following the method of recognizing gain or loss on the changed fair value (namely, in other comprehensive income or in profit or loss, as appropriate, depending on where the change in fair value is recognized).

**4.3. Judgments and estimations**

The financial statements of the Parent and all its subsidiaries have been included in the consolidated financial statements based on the full consolidation method. The preparation of financial statements in conformity with IFRS EU requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, with actual amounts potentially differing from those estimated.

Estimations and the related assumptions are subject to ongoing verification.

A change in accounting estimate is recognized in the period in which the estimate is changed or in current and future periods if the change in estimate affects both current and future periods.

The following are the key assumptions about the future as well as other bases of estimation uncertainty as of the balance sheet date that have a significant impact on the risk of material adjustments to the carrying amounts of assets and liabilities within the next financial year.

In the process of applying the accounting policies to the below issues, the management's professional judgment (in addition to the accounting estimates) was most significant in:

- estimated duration of the pandemic and its impact on liquidity (more details in this note);
- determination of the time of fulfilment of obligations and of revenue recognition (Note 6);
- determination of the time of the commissioning of development work and determination of the economic utility of products introduced (Note 13);
- methods of impairment testing and estimation of the recoverable amount of tested cash generating units (Note 13).

**Estimates and assumptions:**

A list of the Company's estimates is presented below, along with reference to specific notes that contain the description of principles applied. Significant estimates were applied to:

- intangible assets (estimates of amortization rates used for intangible assets) - Note 13;
- property, plant and equipment (estimates of depreciation rates used) - Note 14;
- rights to use and finance lease liabilities recognized under IFRS 16 (estimates of the lease term, useful life and the discount rate used) - Note 20;

- impairment of goodwill and customer pool (estimate of projected cash flows for value in use, estimate of discount rate) - Note 13;
- trade receivables and other financial assets, including loans granted (as of the balance sheet date, the Group assesses whether there is any objective evidence of impairment of a receivable or a group of receivables; if the recoverable amount of an asset is lower than its carrying amount, the Company recognizes an impairment loss up to the present value of the planned cash flows); as a result of the application of IFRS 9, the approach used to estimate impairment of financial assets is based on measurement at amortized cost or at fair value through other comprehensive income;
- transaction price - the estimated transaction price reflects a reliable estimate of the expected remuneration under the contract based on the Company's past experience and ability to perform such services (Note 6);
- current income taxes, deferred tax assets and liabilities, other taxes (Note 12).

The Group is subject to income taxes in several jurisdictions and tax laws are subject to frequent changes, resulting in significant differences in interpretation and significant uncertainty in their application. In the ordinary course of business, there are transactions and calculations for which the ultimate determination of tax is subject to uncertainty.

Tax authorities have controlling instruments that enable them to verify base tax amounts (in most cases from the previous five financial years), and to impose penalties and fines. Beginning on July 15, 2016, the Polish Tax Regulation also incorporates the General Anti-Abuse Clause (GAAR) which has been designed to prevent the creation and use of artificial legal structures to avoid taxation. The GAAR clause needs to be used in the case of transactions made after it entered into force as well as transactions completed beforehand which provided or still provide benefits after the clause's entry into force.

As a result, the determination of deferred tax liabilities, assets and liabilities may require significant judgment, including with respect to transactions that have already occurred, and the amounts presented and disclosed in the financial statements may change in the future as a result of audits by tax authorities.

The Group recognizes tax liabilities based on the estimated need to pay additional tax and interest. For deferred taxes, the probability that a deferred tax asset will be settled against future taxable profits is based on the Company's budget as approved by its Management Board. If the projected financial result implies that the Company will generate sufficient taxable income, then deferred tax assets will be recognized fully.

#### COVID-19 impact on material accounting judgments and estimates

In the context of the ongoing COVID-19 pandemic, the Management Board has reviewed key areas that demand accounting judgments and estimates. In particular, financial budgets and forecasts, going concern assumptions, and the assumptions underlying the goodwill / intangible asset impairment test were analyzed (Note 13). It has been resolved that the coming quarters will see the impact of the global pandemic not to be so significant any more on the Group's operations. After a major decline in the medical test turnover observed in April 2020, the Group observed a slow increase in the number of tests starting from May 2020 onwards as a result of the gradual melting of the economy and certain efforts taken by Medi-Lynx. In 2021, despite another wave of pandemic arriving, the number of reimbursement claims filed remained stable. Therefore, in the opinion of the Management Board and given the progressing vaccinations as well as no further restrictions planned, the impact of the pandemic will no longer be significant on the volume of reimbursement claims filed in the U.S. and the development of the Group's business in other markets.

#### **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 main accounting policies**

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those already used towards the annual consolidated financial statements of the Group for the year ended on December 31, 2021, except for new or revised standards and interpretations that have been effective for annual periods that started on or after January 1, 2022:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements to IFRSs 2018 - 2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41) - approved August 31, 2021 and applicable to periods beginning on or after January 1, 2022.

The changes were reviewed by the Management Board of the Parent. In the opinion of the Management Board, the changes introduced do not have a material impact on the financial position, results of the Group's operations or the scope of information presented in these interim consolidated financial statements.

The Group has not opted for early adoption of any standard, interpretation or amendment that has been published but is not yet effective. The Management Board is currently reviewing the impact of such standards on the financial position, results of the Group's operations or the scope of information presented in consolidated financial statements, however it is expecting no material changes.

For a description of the accounting principles applied, see the 2021 published consolidated financial statements of the Medicalgorithmics Group.

#### **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 30 May 2022.

#### **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 2021.

### **5. Business segment reporting**

The principal object of the Group's activity is:

- ECG monitoring services;
- scientific research and development;
- manufacturing electrical equipment for medicine.
- information technology services;

The Group's operations are conducted mainly outside Poland, especially in USA. The business is classified in a single segment, which includes both sale of diagnostic and IT services as well as equipment (products associated with the services).

The Group did not discontinue any operations during the period covered by this report. The existing going concern risk in the next period is described in Note 4.1.

For the purpose of identifying its operating segments, the Group applies IFRS 8 "Operating Segments". As required under IFRS 8, operating segments need to be identified based on internal reports that cover those elements of the Group that are subject regular review performed by those who decide resource allocations to a respective segment and who evaluate its financial performance. On this basis, the Group identifies only one operating segment that involves the supply of systemic and algorithmic solutions in cardiology diagnostics, particularly in the area of ECG signal analysis. This segment includes the sale of services and the supply of equipment in the area of cardiac diagnostics with a view to fulfilment of the above objectives.

As there is only one operating segment, the Capital Group does not present financial data separately for different segments. All of its assets and liabilities as well as revenues and expenses are allocated to this single segment. At the Group level, the Management Board does not review the results of operations in division to any other types of business activities nor does it have any distinct financial data.

**6. Structure of sales revenues**

<b>By type</b>	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Revenue from sales of services	28 536	30 055
Revenue from sales of devices	246	1 311
<b>Total revenue</b>	<b>28 782</b>	<b>31 366</b>

<b>By territory</b>	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Domestic sales	576	544
Export sales	28 206	30 822
<b>Total revenue</b>	<b>28 782</b>	<b>31 366</b>

**7. Employee benefits**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Remuneration	(22 399)	(20 479)
Social security and other employee benefits	(619)	(174)
	<b>(23 018)</b>	<b>(20 653)</b>

**8. Amortisation and depreciation**

This expense was PLN 4.7 million in the first quarter of 2022. A significant part of this is the amortization of the Group's customer pool (recognized after the final reconciliation of the purchase price for the interest in Medi-Lynx customer base, and in AMI/Spectacor customer base that was acquired upon a settlement negotiated in December 28, 2016). The amortization of the customer bases was PLN 1.6 million in the reporting period.

As from the Group's point of view the PocketECG devices that are used to provide diagnostic services by the Group companies are non-current assets, the value of such equipment is depreciated over a period of 3 years. The total expense in the first quarter of 2022 was PLN 0.8 million (PLN 0.4 million in the similar period of 2021).

As a result of IFRS 16, the Group recognized right-of-use assets. ROU is depreciated over a period of a lease contract, and the expense in the first quarter of 2022 was PLN 1.2 million (PLN 1.1 million in the comparable period).

**9. Third-party services**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Lease and rental	(128)	(61)
Telecommunication and Internet services	(2 863)	(2 057)
IT services	(882)	(796)
Accounting and financial audit services	(474)	(527)
Advisory services	(1 339)	(924)
Transport and courier services	(2 315)	(2 219)
Monitoring services	(827)	(724)
Leases	(12)	(10)
Maintenance services	(60)	(96)
Marketing services	(132)	(80)
Other third-party services	(812)	(633)
	<b>(9 844)</b>	<b>(8 127)</b>

For an explanation of major changes in each category of the third-party services, see Note 29 of this report.

**10. Other operating income and expenses**

	<b>01.01.2022- 31.01.2022</b>	<b>01.01.2021- 31.01.2021</b>
Other	45	13
<b>Other operating revenue</b>	<b>45</b>	<b>13</b>
Impairment losses on CGU Medi-Lynx	(48 083)	-
Other	(187)	(74)
<b>Other operating expenses</b>	<b>(48 270)</b>	<b>(74)</b>

The execution of the Medi-Lynx asset purchase option agreement and the loan agreement, which are described in Note 4.1 of this report, alters the assumptions as to the recoverable value of the Medi-Lynx CGU which were used in the tests performed as of December 31, 2021. As a result of review of the Medi-Lynx CGU recoverable value versus the value expected to be recovered should the transaction be committed, the write-down was increased by PLN 48.1 million. Such additional write-down was charged to the Group's financial result in the first quarter of 2022 and was recognized in other operating expenses in the consolidated financial statements

**11. Finance income and costs**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Interest income	-	2
Foreign exchange differences	1 541	2 005
<b>Finance income</b>	<b>1 541</b>	<b>2 007</b>
Interest	(145)	(117)
Interest on finance leases	(64)	(89)
<b>Finance costs</b>	<b>(209)</b>	<b>(207)</b>
<b>Net finance costs</b>	<b>1 332</b>	<b>1 800</b>

**12. Effective tax rate**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Loss before tax	(58 693)	(3 294)
Tax at the tax rate applicable in Poland	11 152	626
Non-tax-deductible costs	(39)	(69)
Difference between the tax rate in Poland and USA	300	135
Amortization of goodwill for tax purposes	455	416
Non-taxable revenue	(9 285)	0
Tax benefit due to the application of the IP BOX relief	-	539
Other	676	634
<b>Tax reported in the statement of comprehensive income</b>	<b>3 259</b>	<b>2 281</b>

**13. Intangible assets**

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
<b>Gross value of intangible assets</b>						
Gross value as of 1 January 2022	91 022	128 406	16 301	19 468	2 879	258 076
Increases	-	-	-	-	60	60
Decreases	-	-	-	-	-	-
Foreign exchange differences	2 651	3 798	-	-	-	6 449
<b>Gross value as of 31 March 2022</b>	<b>93 673</b>	<b>132 204</b>	<b>16 301</b>	<b>19 468</b>	<b>2 939</b>	<b>264 585</b>
<b>Accumulated amortization and impairment losses</b>						
Accumulated amortization and impairment losses as of 1 January 2022	90 256	82 391	12 950	19 468	2 440	207 505
Amortization	-	1 652	686	-	19	2 357
Decreases - impairment loss	-	45 724	-	-	64	45 788
Foreign exchange differences	2 651	2 437	-	-	-	5 088
<b>Accumulated amortization and impairment losses as of 31 March 2022</b>	<b>92 907</b>	<b>132 204</b>	<b>13 636</b>	<b>19 468</b>	<b>2 523</b>	<b>260 738</b>
<b>Net value</b>						
As of 1 January 2022	766	46 015	3 351	-	439	50 571
As of 31 March 2022	766	-	2 665	-	416	3 847

	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
<b>Gross value of intangible assets</b>						
Gross value as of 1 January 2021	84 365	118 867	16 301	13 595	2 729	235 857
Increases	-	-	-	5 873	96	5 969
Decreases	-	-	-	-	-	-
Foreign exchange differences	6 657	9 539	-	-	54	16 250
<b>Gross value as of 31 December 2021</b>	<b>91 022</b>	<b>128 406</b>	<b>16 301</b>	<b>19 468</b>	<b>2 879</b>	<b>258 076</b>
<b>Accumulated amortization and impairment losses</b>						
Accumulated amortization and impairment losses as of 1 January 2021	-	23 773	8 090	-	2 227	34 090
Amortization	-	6 420	2 591	-	160	9 171
Decreases - impairment loss	90 256	50 290	2 269	19 468	-	162 283
Foreign exchange differences	-	1 908	-	-	53	1 961
<b>Accumulated amortization and impairment losses as of 31 December 2021</b>	<b>90 256</b>	<b>82 391</b>	<b>12 950</b>	<b>19 468</b>	<b>2 440</b>	<b>207 505</b>
<b>Net value</b>						
As of 1 January 2021	84 365	95 094	8 211	13 595	502	201 767
As of 31 December 2021	766	46 015	3 351	(0)	439	50 571

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

## Goodwill

### a. Medi-Lynx Cardiac Monitoring, LLC

Spółka	Acquisition date	Acquired share in net assets	Acquisition price (USD '000)	Fair value of acquired net assets (USD '000)	Goodwill (USD '000)	Impairment loss (USD '000)
Medi-Lynx Cardiac Monitoring, LLC	30.03.2016	75%	34 210	11 984	22 226	(22 226)

On March 30, 2016, through its subsidiary MDG HoldCo, Medicalgorithmics S.A. acquired a 75% stake in Medi-Lynx, based in Plano, Texas, USA.

The acquisition of the subsidiary resulted in positive goodwill derived from the acquisition of Medi-Lynx, in the consolidated financial statements of Medicalgorithmics Group. Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets of the subsidiary which has been acquired. Goodwill measured as of December 31, 2016 was USD 22,226 thousand (PLN 84,365 thousand).

On December 31, 2020, MDG HoldCo entered into an agreement to acquire the remaining 25% interest in Medi-Lynx. By negotiations the Parties determined the purchase price for 25% interest in Medi-Lynx at USD 0.5 million (PLN 1,879 thousand). The transaction did not result in change (gain / loss) of control of Medi-Lynx, and as such under IFRS 10 it is an equity transaction that does not affect goodwill.

Goodwill is tested for impairment annually (or more frequently if there are indications of possible impairment). Goodwill impairment losses are recognized as an expense in the period and are not reversed in a subsequent period. As a result of the test at December 31, 2021, the Parent's Management Board determined that goodwill was impaired and recorded a total adjustment of USD 22,226 thousand.

Goodwill is amortized against tax at the level of subsidiary MDG HoldCo (which is included in the consolidated financial statements). As of March 31, 2022, the remaining portion of goodwill that is tax amortized was USD 19,064 thousand.

**b. Medicalgorithmics Polska Sp. z o.o.**

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

On July 2, 2018, the Company acquired all shares in Kardiosystem Monitoring Sp. z o.o. (currently Medicalgorithmics Polska Sp. z o.o.). The price of the shares was PLN 167 thousand, with the agreement providing for additional consideration up to PLN 350 thousand to be paid in 2019-2023 but contingent upon achievement of annual sales targets.

The acquisition of the subsidiary resulted in positive goodwill derived from the acquisition of Medicalgorithmics Polska Sp. z o.o. in the consolidated financial statements of Medicalgorithmics Group. The value of goodwill reflects the excess of the consideration transferred, the value of the interest in the subsidiary, and the fair value at the date of acquisition of the interest in the subsidiary, over the fair value of the identifiable net assets of the subsidiary which has been acquired.

The financial effect of the acquisition of the interest in Medicalgorithmics Polska Sp. z o.o. were settled in the interim consolidated financial statements for the third quarter of 2018, based on fair value estimates. As of December 31, 2018, the Group adjusted the provisional values recognized from the acquisition of Medicalgorithmics Polska Sp. z o.o. The value of goodwill measured as of December 31, 2018 is PLN 766 thousand.

Goodwill is tested for impairment annually (or more frequently if there are indications of possible impairment). Goodwill impairment losses are recognized as an expense in the period and are not reversed in a subsequent period. The test performed as of December 31, 2021 did not indicate any need for an impairment loss to be adjusted for.

The main objective of the Medicalgorithmics Polska acquisition was to combine the sales forces of both companies and create a joint offer of arrhythmia diagnostics / cardiac telemedicine systems addressed to hospitals and clinics in Poland. It should enable increasing sales of the Group's products and services on the Polish market.

Medicalgorithmics Poland's competitive advantage is its qualified and experienced staff of physicians and electrocardiology technicians who are in charge of ECG signal analyses and preparation of diagnostic test reports. In addition, Medicalgorithmics Poland has lasting relationships with representatives of many healthcare institutions in Poland. Medicalgorithmics Polska will provide cardiac telemetry analysis and monitoring services in the heart monitoring center, while the Company's commercial department will handle new customer acquisition processes and after-sales support.

**c. Medicalgorithmics India Private Limited**

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

On January 22, 2019, the Company subscribed for 97% newly issued shares in Algotel Solutions Private Limited, a company based in India. The Company covered the new shares with a cash contribution of USD 48,550. The remaining shares (3%) were held by the founders of Algotel Solutions Private Limited, namely Mr Ravi Chandran and Mr Kailas Kumar Sringeri. On June 25, 2019, the company renamed to Medicalgorithmics India Private Limited.

Once the transaction was settled, a gain on a bargain purchase was recognized (PLN 139 thousand) in the first quarter of 2019, which was included in other operating income in the statement of comprehensive income. The reason for recognizing such gain

on the bargain acquisition was that MDG India is at a very early stage of development and requires operational support from the Parent to be able to achieve business growth.

The business of the acquired entity includes distribution of PocketECG systems in India. Through MDG India, Medicalgorithmics S.A. has begun expanding into the promising market of India, which features high sales potential (large population, dynamic economic growth).

## Customer pools

### a. Medi-Lynx customer base

As a result of Medi-Lynx acquisition, in the process of allocating the purchase price a customer base was distinguished which can be divided by:

- customers;
- types of services provided to them (tests conducted);
- primary payers - insurers who reimburse the cost of the tests conducted.

The valuation of such customer base was performed using the comparable method (fair value hierarchy Level 2). The Group's acquisition of a similar customer base from AMI/Spectocor (unrelated party) back in December 2016 was used as the basis for measuring the Medi-Lynx pool.

As of December 31, 2021, the net value before adjusting for impairment loss was USD 9,473 thousand (PLN 38,460 thousand). The impairment test resulted in application of an impairment loss at USD 4,947 thousand (PLN 20,085 thousand). As of December 31, 2021, the net value after adjusting for the impairment loss was USD 4,525 thousand (PLN 18,375 thousand). As of the balance sheet date, a full write-down of the customer base was committed for a sum of USD 4,525 (more in *Impairment testing* section in this report).

### b. AMI customer base

In December 2016, the Capital Group acquired a customer base from AMI and Spectocor, which contains a similar structure of the same major payers and the same types of tests as identified in the case of the Medi-Lynx customer base. The purchase price of the AMI/Spectocor customer base was USD 18,995 thousand (PLN 71,390 thousand).

As of December 31, 2021, the net value before adjusting for impairment loss was USD 14,246 thousand (PLN 57,839 thousand). The impairment test resulted in application of an impairment loss at USD 7,440 thousand (PLN 30,205 thousand). As of December 31, 2021, the net value after adjusting for the impairment loss was USD 6,806 thousand (PLN 27,634 thousand). As of the balance sheet date, a full write-down of the customer base was committed for a sum of USD 6,806 (more in *Impairment testing* section in this report).

## Costs of completed development works

As of the balance sheet date, the Group capitalized as intangible assets the development expenditures incurred for the PocketECG system. It is currently the most advanced technology solution offered by the Group. Its key technological advantage lies in the integration (from previous two separate components) into one unique-design smartphone recorder that operates based on the Android platform. The Company is constantly developing and introducing new functionalities for the PocketECG system which allow maintaining a technological cutting edge to keep standing out among the competition.

The above development work was co-financed from European Union resources, already fully amortized in 2019. According to the Group policy, the value of received subsidies is recognized as accrued expenses and settled over time based on the amortization period of incurred development work expenditures.

In 2020, the Company completed the development work and began amortizing expenses incurred towards several major projects. Among other things, software upgrades were applied in the second quarter of 2020 to enable the PocketECG system to support the Extended Holter service, which became an official medical procedure starting in 2020 and is now reimbursed by both public and private insurers. In addition, significant security improvements have been made and a new software version was developed to support clinical trials of COVID-19 patients and drugs that help combat COVID-19 but may cause arrhythmia.

PocketECG IV, the fourth generation of the system, was launched in the fourth quarter of 2020. The PocketECG IV is a multi-channel device for the most advanced diagnostics and monitoring arrhythmias and ECG irregularities. The fourth generation primarily enables the PocketECG device to connect over LTE for more efficient transmission of a continuous ECG signal. PocketECG Connect was also completed - a software solution for end-to-end integration of servers in a hospital's network infrastructure. PocketECG Connect eliminates errors in patient data uploads and significantly facilitates a physician's access to reports which are now available in a hospital's own system.

### Development works in progress

The Group is currently carrying out a number of development efforts to improve its present products and services as well as works on very new solutions. The main costs capitalized from the open development work are salary of the research and development staff.

Today, the key new development projects are:

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

In the ECG TechBot project, the research team continues to work on a set of algorithms for the automatic analysis and interpretation of ECG signal (algorithms dedicated to rhythm analysis, morphology classification, waveform detection). The ECG TechBot project is expected to enable full automation of the ECG analysis and interpretation processes. The algorithm system will allow verifying the heart rate analysis and the morphology classification. It will reduce the risk of human error in the verification process and optimize operations of the monitoring center.

ECG TechBot is co-financed by the Polish National Center for Research and Development (NCBiR) with public funds. The estimated total cost of project implementation as well as the total sum of expenses eligible for the funding is PLN 11,188 thousand, with the maximum value of co-financing allowed at the level of PLN 6,335 thousand.

- PatchECG - a device that enables single-channel offline monitoring.

In response to the demand of the U.S. market, the Company decided to supplement its offer with the PatchECG device. It is limited to one ECG channel and its functionally focuses on the ease of use, while providing good quantitative data over a period of 7-14 days. The most common application of such device is expected in diagnostics of atrial fibrillation and arrhythmias, for which ongoing monitoring is not required and having an intervention during the monitoring period is not essential. The other key application is testing that does not require several ECG channels. The PatchECG device will provide solutions that are eligible for reimbursement on the US market.

- NextGen - a new software version for PocketECG;

The development work is underway on the new software for PocketECG, called NextGen. The delivery of the next generation PocketECG software is expected to yield enhanced productivity in ECG analysis and boost further software development, and it will provide a basis for adding functionalities dedicated to other user groups in the future.

In addition to the products described above, ongoing work is in progress on further new functionalities for the current PocketECG system that will maintain its technological cutting edge ahead of competing solutions.

As a result of the test performed as of December 31, 2021, the Parent's Management Board concluded that the projects (MDG CGU) were impaired and an adjustment was written down in the amount of PLN 21.7 million. For a description of the main assumptions and the methodology, see Note 4.7 of the 2021 consolidated financial statements of Medicalgorithmics Group.

### Impairment test

According to IAS 36, the Group is required to assess at each balance sheet date whether there are any indications for asset impairment. At the same time, the standard requires an annual impairment test to be performed on goodwill and intangible assets with indefinite useful life.

The Group has identified two cash-generating units (CGUs):

1. Medy-Lynx, along with the goodwill allocated to it and recognized as a result of the acquisition of Medi-Lynx.
2. The business of MDG S.A., namely the maintenance and development of software technology, and PocketECG device manufacturing, together with services provided to Medi-Lynx in USA and on the global market (outside USA).

In the opinion of the Issuer's Management Board, the Medi-Lynx assets, including the AMI/Spectocor customer pool acquired by it, represent the smallest identifiable set of assets that generates cash inflows, which are largely independent of cash inflows from the other assets or groups of assets, and hence make a single cash-generating unit. Goodwill resulting from the Medi-Lynx acquisition is allocated to this defined unit (Medi-Lynx CGU).

In the opinion of the Management Board, non-current assets of MDG S.A., including IP and R&D (mainly intangible assets: costs of completed development work, development work in progress), property, plant & equipment used for this business, and the PocketECG production make a cash-generating unit that is subject to an impairment review (R&D CGU).

As of December 31, 2021, the Issuer's Management Board identified certain asset impairment indicators under IAS 36. Accordingly, the Group performed impairment tests which implied the need to recognize an impairment loss.

As a result of the tests performed as of June 30, 2021, an impairment of goodwill was identified in the amount of PLN 6.8 million. The impairment test of Medi-Lynx CGU performed as of December 31, 2021 led to increased impairment of goodwill and customer pool of this CGU by PLN 140.5 million. At the same time, MDG CGU was recognized as impaired and an impairment loss in its intangible assets was recognized at PLN 21.7 million. Together with the tests performed as of June 30, 2021, the total amount of adjustments written down in 2021 was PLN 162.3 million. For a description of the main assumptions and the methodology, see Note 4.7 of the 2021 consolidated financial statements of Medicalgorithmics Group.

The execution of the Medi-Lynx asset purchase option agreement and the loan agreement, which are described in Note 4.1 of this report, alters the assumptions as to the recoverable value of the Medi-Lynx CGU which were used in the tests performed as of the balance sheet date versus the Medi-Lynx CGU assumptions as of December 31, 2021. As a result of review of the Medi-Lynx CGU recoverable value versus the value expected to be recovered should the transaction be committed, the write-down was increased by PLN 48.1 million. Such additional write-down was charged to the Group's financial result in the first quarter of 2022 and was recognized in other operating expenses in the consolidated financial statements.

#### 14. Tangible non-current assets (PP&E)

	Buildings and structures	achinery and equipment, including computer hardware	ther fixed assets	Leasehold improvements	ights-of-use (IFRS 16)*	Total
<b>Gross value of property plant and equipment</b>						
<b>Gross value as of 1 January 2022</b>	<b>2 232</b>	<b>38 988</b>	<b>2 917</b>	<b>653</b>	<b>26 180</b>	<b>70 970</b>
Increases	-	1 733	-	-	-	1 733
Decreases	-	-	-	-	-	-
Change in inventories	-	(612)	-	-	-	(612)
Foreign exchange differences	66	853	62	-	645	1 626
<b>Gross value as of 31 MArch 2022</b>	<b>2 298</b>	<b>40 962</b>	<b>2 979</b>	<b>653</b>	<b>26 825</b>	<b>73 717</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Accumulated depreciation and impairment losses as of 1 January 2022</b>	<b>1 373</b>	<b>23 133</b>	<b>2 371</b>	<b>396</b>	<b>16 701</b>	<b>43 974</b>
Depreciation	66	1 027	34	16	1 279	2 422
Decreases	-	2 293	-	-	-	2 293
Foreign exchange differences	40	587	48	-	457	1 132
<b>Accumulated depreciation and impairment losses as of 31 March 2022</b>	<b>1 479</b>	<b>27 040</b>	<b>2 453</b>	<b>412</b>	<b>18 437</b>	<b>49 821</b>
<b>Net value</b>						
<b>As of 1 January 2022</b>	<b>859</b>	<b>15 855</b>	<b>546</b>	<b>257</b>	<b>9 479</b>	<b>26 996</b>
<b>As of 31 March 2022</b>	<b>819</b>	<b>13 922</b>	<b>526</b>	<b>241</b>	<b>8 388</b>	<b>23 896</b>

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
<b>Gross value of property plant and equipment</b>						
<b>Gross value as of 1 January 2021</b>	<b>2 442</b>	<b>27 454</b>	<b>2 143</b>	<b>653</b>	<b>24 049</b>	<b>56 741</b>
Increases	-	8 380	1 021	-	513	9 914
Decreases	(376)	(1 247)	(411)	-	-	(2 034)
Change in inventories	-	2 863	-	-	-	2 863
Foreign exchange differences	166	1 538	165	-	1 618	3 486
<b>Gross value as of 31 December 2021</b>	<b>2 232</b>	<b>38 988</b>	<b>2 917</b>	<b>653</b>	<b>26 180</b>	<b>70 970</b>
<b>Accumulated depreciation and impairment losses</b>	-	-	-	-	-	-
<b>Accumulated depreciation and impairment losses as of 1 January 2021</b>	<b>1 140</b>	<b>18 582</b>	<b>2 218</b>	<b>331</b>	<b>10 935</b>	<b>33 206</b>
Depreciation	294	3 751	334	65	4 993	9 437
Decreases	(141)	(494)	(300)	-	-	(935)
Foreign exchange differences	80	1 294	119	-	773	2 267
<b>Accumulated depreciation and impairment losses as of 31 December 2021</b>	<b>1 373</b>	<b>23 133</b>	<b>2 371</b>	<b>396</b>	<b>16 701</b>	<b>43 974</b>
<b>Net value</b>	-	-	-	-	-	-
<b>As of 1 January 2021</b>	<b>1 302</b>	<b>8 872</b>	<b>(75)</b>	<b>322</b>	<b>13 114</b>	<b>23 535</b>
<b>As of 31 December 2021</b>	<b>859</b>	<b>15 855</b>	<b>546</b>	<b>257</b>	<b>9 479</b>	<b>26 996</b>

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
<b>Gross value of property plant and equipment</b>						
<b>Gross value as of 1 January 2021</b>	<b>2 442</b>	<b>27 454</b>	<b>2 143</b>	<b>653</b>	<b>24 049</b>	<b>56 741</b>
Increases	-	714	-	-	-	714
Decreases	-	-	-	-	-	-
Change in inventories	-	262	-	-	-	262
Foreign exchange differences	115	1 073	114	-	1 122	2 424
<b>Gross value as of 31 March 2021</b>	<b>2 557</b>	<b>29 503</b>	<b>2 257</b>	<b>653</b>	<b>25 171</b>	<b>60 141</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Accumulated depreciation and impairment losses as of 1 January 2021</b>	<b>1 140</b>	<b>18 582</b>	<b>2 218</b>	<b>331</b>	<b>10 935</b>	<b>33 206</b>
Depreciation	72	814	62	16	1 224	2 188
Decreases	-	-	-	-	-	-
Foreign exchange differences	56	897	82	-	537	1 572
<b>Accumulated depreciation and impairment losses as of 31 March 2021</b>	<b>1 268</b>	<b>20 293</b>	<b>2 362</b>	<b>347</b>	<b>12 696</b>	<b>36 966</b>
<b>Net value</b>						
<b>As of 1 January 2021</b>	<b>1 302</b>	<b>8 872</b>	<b>(75)</b>	<b>322</b>	<b>13 114</b>	<b>23 535</b>
<b>As of 31 March 2021</b>	<b>1 289</b>	<b>9 210</b>	<b>(105)</b>	<b>306</b>	<b>12 475</b>	<b>23 175</b>

**Recognition of PocketECG devices at the consolidated level**

From the Group's point of view, the PocketECG devices that are used by the Group Companies to provide medical services meet the non-current asset definition and are reported in the consolidated financial statements in Plant and machinery. Components used to manufacture this equipment, which at the Parent level are recognized as inventories, from the Group's point of view constitute non-current assets under construction and are included in Plant and machinery. The value of non-current assets under construction was PLN 6,525 thousand as of March 31, 2022.

**Right-of-use (IFRS 16)**

The Company implemented IFRS 16 "Leases" effective January 1, 2019. As a result of this standard, a right-of-use asset was recognized in the statement of financial position as of January 1, 2019 (office lease). The Group's leases were not subject to modifications following the impact of COVID-19 pandemic.

**15. Trade and other receivables**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Trade receivables	18 583	19 238	23 798
Budgetary receivables	2 690	3 839	3 611
Other receivables	159	110	1
Prepayments and deferred expenses	2 536	1 893	5 465
	<b>23 968</b>	<b>25 079</b>	<b>32 875</b>
Long-term	-	-	-
Short-term	23 968	25 079	32 875

The fair value of accounts receivable approximates their book value. As of March 31, 2022, the total value of trade receivables past the due date, which have not been included in an impairment loss adjusted for, was PLN 6,942 thousand.

The receivables recognized by the Group in USA from insurers that reimburse services are estimated based on actual cash inflows to the Group. Based on historical analysis of payments for services, the average period of reimbursement for services performed was assessed as up to 9 months. After this period, any uncollected receivables are written down. According to the accounting policy, the value of the adjustment in the estimated insurer payments is written down directly against the amount of medical sales revenue, hence reducing its value.

**16. Cash and cash equivalents**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Cash in hand	7	8	7
Cash at banks	5 642	11 236	23 299
Short-term deposits	423	423	424
	<b>6 072</b>	<b>11 667</b>	<b>23 730</b>

**17. Shareholding structure of the Parent Company**

Shareholder	Number of shares as of 30 May 2022	% ownership interest	Nuber of votes	% of total voting rights	Change in the period from
					28 April 2022 to 30 May 2022
Funds manager by NN PTE, including NN OFE	608 592	12,23%	608 592	12,23%	unchanged
Marek Dziubiński	485 556	9,76%	485 556	9,76%	unchanged
PZU OFE	721 689	14,50%	721 689	14,50%	unchanged
MIRI Capital	520 238	10,45%	520 238	10,45%	unchanged
Other shareholders	2 640 310	53,06%	2 640 310	53,06%	unchanged
<b>NUMBER OF SHARES</b>	<b>4 976 385</b>	<b>100,00%</b>	<b>4 976 385</b>	<b>100,00%</b>	

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

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Profit for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	(55 434)	(1 012)
Weighted average number of ordinary shares (in thousands of shares)	4 976	4 328
<b>Basic profit per share in PLN (net profit/weighted average number of shares)</b>	<b>(11,14)</b>	<b>(0,23)</b>
<b>Diluted profit per share in PLN (net profit/weighted average number of diluted shares)</b>	<b>(11,14)</b>	<b>(0,23)</b>

**19. Credits and loans**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Credit card debt	24	40	30
Loan received under "Cares Act"	8 360	8 120	20 612
Liabilities in respect of credits and loans	6 068	1 483	11 555
	<b>14 452</b>	<b>15 056</b>	<b>32 197</b>
of which long-term	8 362	8 123	20 720
of which short-term	6 090	1 519	11 477

Due to the anticipated decline in revenue, Medi-Lynx has applied for a preferential loan under CARES Act program of the U.S. Congress. As part of the loan, in April 2020, Medi-Lynx obtained \$3.2 million from JPMorgan Chase Bank, which based on CARES Act can be used to finance select areas of operations (primarily payroll expenses). According to CARES Act, a loan is nonrefundable as long as it utilized towards costs that are eligible under the Act. In the second quarter of 2021, Medi-Lynx was notified that the U.S. Small Business Administration approved full forgiveness of a USD 3.2 million loan, plus accrued interest. As a consequence of this, USD 3.2 million (approximately PLN 12.1 million) was recognized as other operating income on a one-time basis in the 2021 consolidated financial statements.

On 23 March 2021, Medi-Lynx was notified of the second loan under the Paycheck Protection Program (USD 2.0 million). The Group received the loaned funds in late March 2021 and is going to use them towards certain operating activities, including payroll expenses. According to CARES Act, the entire loan or its part is nonrefundable as long as it utilized towards costs that are eligible under the Act. Any remaining part of the loan (if refundable, as well) will be repaid within 60 months and subject to 1% interest rate per annum.

On December 4, 2020, the Company opened an overdraft with Bank Millennium S.A. (PLN 16 million). According to the credit facility agreement, the overdraft will be gradually reduced over a period of 24 months. The interest rate will be a sum of WIBOR 1M reference rate and the bank's mark-up. As of the balance sheet date, the available credit line was PLN 6.9 million (May 27, 2022: PLN 6.0 million), including consumed PLN 6.0 million as of March 31, 2022 and PLN 3.7 million as of May 27, 2022. According to the credit facility agreement, the limit will be gradually reduced at a rate of PLN 860 thousand per month until the end of November 2022. In connection with the credit facility, a collateral was established – a deed of the Company's submission to statutory enforcement of debts in favor of the bank (according to Article 777 §1.5 of the Polish Civil Procedure Code), against all of the Company's assets, to secure its obligation to repay any and all monetary claims to the Bank as it may seek under the credit facility up to PLN 25.6 million. The credit facility is partly secured with a bank guarantee of PLN 12.8 million, valid until 28 February 2023, issued by Bank Gospodarstwa Krajowego based on a line of guarantee agreement with PLG-FGP Liquidity Guarantee Fund under the Polish government's Anti-Crisis Shield program. The guarantee secures 80% of the loan amount.

As described in Note 4.1 to the 2021 consolidated financial statements, there is a risk of early repayment required that stems from the agreement itself which allows the Bank to terminate the agreement in the event of a material deterioration of the borrower's position or a loss of its creditworthiness, which the bank could recognize in the case of the Company's situation. Furthermore, in the event of any additional debt finance taken out by the Company the credit facility agreement requires that the bank be provided with the same security as the one given to the party providing such debt finance, and in certain transactions towards the potential financing which are currently being considered this could be impossible. The Group is

negotiating with the bank options and conditions for deferred repayment without termination of the credit facility agreement and premature triggering of the due date.

## 20. Other financial liabilities

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Liabilities arising from acquisition of shares in Medi-Lynx	8 238	8 404	9 826
Finance lease liabilities	9 332	10 388	13 859
<b>Financial liabilities</b>	<b>17 570</b>	<b>18 792</b>	<b>23 685</b>
of which long-term	9 010	10 784	16 274
of which short-term	8 560	8 008	7 411

### Liabilities arising from acquisition of shares in Medi-Lynx

Other financial liabilities include a promissory note that is payable to the seller of the shares of Medi-Lynx Cardiac Monitoring, LLC, namely Medi-Lynx Monitoring. The outstanding balance as of March 31, 2022 is USD 2.0 million (PLN 8.2 million).

On December 31, 2020, Medicalgorithmics US Holding Corporation (through which the Company owned 75% interest in Medi-Lynx) entered into an agreement to acquire the remaining 25% stake in Medi-Lynx which had been previously outside of the Company's control. The seller of those shares was Medi-Lynx Monitoring Inc., a company wholly owned by Mr. Andrew Bogdan. By negotiations the Parties determined the purchase price for the 25% interest in Medi-Lynx at USD 0.5 million (PLN 1.9 million). Part of the executed agreement is an understanding signed on December 24, 2020, which concerns the repayment of the current liability of Medicalgorithmics US Holding Corporation under which exists under the promissory note towards the Seller on account of the acquisition of the 75% interest in Medi-Lynx on March 30, 2016 – as of December 31, 2020 its value was approximately USD 2.0 million (PLN 7.5 million) plus accrued interest. During negotiations the parties agreed that the earlier promissory note liability together with the purchase price for the remaining shares would be paid by the Company in 48 monthly instalments. The liabilities bear interest at a fixed rate. In 2016, the Parent guaranteed an interest-bearing promissory note of its subsidiary, MDG HoldCo, which was issued to Medi-Lynx Monitoring, Inc. In addition, until the price for those shares is paid in full, MDG HoldCo's shares in Medi-Lynx have been pledged in favor of Medi-Lynx Monitoring, Inc).

### Liabilities under leases of recognized ROU (IFRS 16)

As a result of IFRS 16, the Group (as a lessee) recognizes lease liabilities measured at the present value of the remaining lease payments, and right-of-use assets measured at an amount equal to the lease liabilities.

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

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Trade liabilities to other entities	6 232	5 776	4 464
Salaries and wages payable	12 630	10 873	10 421
Budgetary liabilities	1 488	1 677	1 344
Other liabilities	92	90	90
	<b>20 442</b>	<b>18 416</b>	<b>16 319</b>
Income tax liabilities	93	113	34

### Prepayments and deferred expenses

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Subsidies	3 440	3 440	1 703
Medicare Advance Payment	2 589	5 113	10 898
Other	3 540	3 673	3 557
	<b>9 569</b>	<b>12 226</b>	<b>16 158</b>
of which long-term	3 227	3 227	1 703
of which short-term	6 342	8 999	14 455

## 22. Contingent liabilities

The Parent is a party to EU agreements for joint financing of investment projects that are aimed at development of its products and services. If the conditions of a development work project are not met, there may occur a risk that the subsidies will need to be returned. Subsidies received are secured by promissory notes. As of the balance sheet date, the risk described above was assessed as doubtful. The Parent is implementing the development work timely as scheduled.

On July 16, 2018, Medicalgorithmics S.A. issued an irrevocable and unconditional bank guarantee to secure PLN 404 thousand of the Company's liabilities under a commercial lease of premises at Al. Jerozolimskie 81 in Warsaw, Poland. The beneficiary under this guarantee is Central Tower 81 Sp. z o.o. (as lessor). The guarantee remains valid from the date of its issue to August 30, 2024.

On December 4, 2020, Medicalgorithmics S.A. activated an overdraft with Bank Millennium S.A. for PLN 16.0 million. According to the credit facility agreement, the overdraft will be gradually reduced over a period of 24 months. The interest rate will be a sum of WIBOR 1M reference rate and the bank's mark-up. As of the balance sheet date, the available credit line was PLN 6.9 million (May 27, 2022: PLN 6.0 million), including consumed PLN 6.0 million as of March 31, 2022 and PLN 3.7 million as of May 27, 2022. According to the credit facility agreement, the limit will be gradually reduced at a rate of PLN 860 thousand per month until the end of November 2022. In connection with the credit facility, a collateral was established – a deed of the Company's submission to statutory enforcement of debts in favor of the bank (according to Article 777 §1.5 of the Polish Civil Procedure Code), against all of the Company's assets, to secure its obligation to repay any and all monetary claims to the Bank as it may seek under the credit facility up to PLN 25.6 million. The credit facility is partly secured with a bank guarantee of PLN 12.8 million, valid until 28 February 2023, issued by Bank Gospodarstwa Krajowego based on a line of guarantee agreement with PLG-FGP Liquidity Guarantee Fund under the Polish government's Anti-Crisis Shield program. The guarantee secures 80% of the loan amount.

On January 21, 2021, Medi-Lynx was designated as one of the defending parties in a lawsuit pending in the Tennessee District Court, 13th Judicial Circuit, Cookeville, in connection with allegations of inadequate health care and monitoring of a patient's heart condition. After an initial review of the evidence in the case, the Management Board believes that Medi-Lynx exercised due diligence in its arrhythmia monitoring processes and, as such, there is little risk it would be forced to pay out damages. Additionally, Medi-Lynx is secured under an insurance policy that would cover potential damages, if any are awarded, up to USD 5 million. The value of claims sought has not been specified in the statement of claims and as the lawsuit is still in an early stage it is difficult to determine their precise value. According to a counsel representing Medi-Lynx, it is customary for such legal cases to exceed USD 1 million plus litigation costs around USD 150-175 thousand.

In February 2021, a lawsuit was filed in District Court in Collin County, Texas, alleging that Medi-Lynx failed to fully pay for goods and services provided to it. The damages claimed are USD 262.4 thousand plus unpaid interest and legal fees. The parties in action entered into a settlement under which Medi-Lynx will pay the plaintiff USD 100,000 over an eight-month period beginning March 2022.

In February 2022, a lawsuit was filed in the American Arbitration Association against Medicalgorithmics S.A., Medi-Lynx Cardiac Monitoring LLC and Mr. Marek Dziubiński for USD 3.1 million in bonus and severance payments under a contract with Medi-Lynx Cardiac Monitoring LLC, lodged by the former CEO of the Medi-Lynx Cardiac Monitoring LLC, Mr. Peter Pellerito.

On March 29, 2022, a statement was submitted by a law firm on behalf of MDG S.A. and Mr. Mark Dziubiński clarifying that these entities are not parties to the contract signed with Mr. Peter Pellerito and, as such, the arbitration clause incorporated in the contract between Mr. Pellerito and Medi-Lynx Cardiac Monitoring LLC does not apply to them. At the same time, in the statement Medicalgorithmics S.A. refused to participate in the arbitration proceedings. The Management Board believes that the claims against MDG S.A. are groundless. Also, subsidiary Medi-Lynx recognized a provision of USD 1.5 million towards board's bonus payments. The remaining portion of the claim (USD 1.6 million) is, in the opinion of the Management Board and its law firms, not legitimate. Medi-Lynx is currently waiting for an arbitration date to be set.

In December 2020, a discrimination and harassment action was filed in California State Supreme Court by four Medi-Lynx employees. The Management Board believes that the allegations to be unfounded and therefore the risk of damages to be paid is low. Additionally, Medi-Lynx is secured under an insurance policy that would cover potential damages, should any be awarded, up to USD 5 million. The value of claims sought has not been specified in the statement of claims and as the lawsuit is still in an early stage it is difficult to determine their precise value.

Goods and service tax, corporate income tax, natural income tax, social insurance regulations are subject to frequent changes and therefore there is often lack of reference to stable regulations or legal precedence. Current regulations also contain unclear provisions resulting in different legal interpretation of tax regulations between state authorities themselves as well as between state authorities and businesses. Tax settlements and others (i.e. customs duties or foreign currency settlements) may be

inspected by state agencies authorized to charge significant penalties, and additional amounts liabilities determined during an inspection must be paid with interest. These factors cause the tax risk in Poland to be higher than in countries with a more developed tax system. Tax settlements may become subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities. The Capital Group was subject to audits by the tax authorities. The authorities are entitled to audit ledgers and accounting records. At any time during five years of the year when a tax return form was filed, they can charge additional tax liabilities, including interest on tax defaults and other penalties.

As described in the 2018 consolidated financial statements of Medicalgorithmics Capital Group, a tax audit by the Texas Comptroller of Public Accounts took place in 2018 resulting in a potential liability on the part of Medi-Lynx for sales and excise taxes related to the period of July 1, 2014 to December 31, 2017, in the amount of USD 2.1 million (amount includes accrued interest).

The Group received an opinion from its tax advisors that claimed presence of material misstatements in the authority's determinations of a significant portion of such tax liability (USD 1.7 million). Based on the opinion of its tax advisors, the Company's Management Board decided to recognize an expense in the 2018 financial result in the amount of the undisputed portion of the tax liability (USD 0.4 million). This liability was settled by Medi-Lynx in the third quarter of 2018. Due to major doubts as to the legitimacy of the authority's determinations, the Management Board decided to file a petition to reexamine the disputed part of the liability and has not opened a provision for this part (more details in Current Reports 30/2018 and 31/2018 of August 21, 2018).

According to Current Report 24/2021, in the second quarter of 2021, the proceedings before the Texas Comptroller have been concluded and the authority successfully defended its standpoint in the case. Following the adverse conclusion for the Company, Medi-Lynx exercised its right to appeal to a court in Travis County, Texas. This course of action is consistent with its tax advisor's opinion regarding the determinations of the Texas Comptroller. The court is going to examine the legitimacy of the authority's claims. The appeal is not expected to be heard until December 2022 at the earliest.

In the event of an adverse ruling for the Company, Medi-Lynx will be required to pay the disputed tax liability of approximately USD 1.7 million, with such amount relating only to the period audited by the authority, namely from July 1, 2014 to December 31, 2017. The next period (years 2018 - 2020) has not been audited yet. It is likely to begin after a possible loss in the above case. Any potential additional tax liability of the Group related to 2018 - 2020, assuming the legitimacy of the Authority's position, was estimated at approx. USD 2.1 million.

In July 2021, Medi-Lynx received a notice from the Texas Comptroller that a USD 1.5 million lien had been established on its assets in order to protect the public interest of the State.

According to the Company's tax advisors, the likelihood that case would be won exceeded 50% and therefore the Company has not so far established a provision for the disputed sum, neither for the period already audited nor for the following years.

Lifting of the pledge is a condition of the Medi-Lynx asset sale transaction described in Note 4.1 of this report. To this end (before the court issues a ruling), Medi-Lynx needs to propose a legal settlement to the Authority. Given the conditions of the tax system, in order to eliminate the risk of the Authority seeking claims for later years (against the party acquiring the assets, Medi-Lynx and personally against members of its board), Medi-Lynx will make a settlement proposal concerning all the disputable years. The amount of the potential settlement sum is not known. The tax consultant to Medi-Lynx estimated that the total liability payable under the settlement for 2014 - 2020 as approx. USD 2.3 - 2.9 million. The conclusion of such settlement and the related financial liability depends on the decision to exercise the Medi-Lynx asset purchase option in line with the terms of the transaction described in Note 4.1 – or else Medi-Lynx will be continue to wait for the court ruling. Therefore, the Management Board still classifies this liability as contingent, as its materialization depends on the exercise of the above option. If the option is exercised, the amount to be paid will be recognized as a liability which must be incurred to cause the transaction that is expected to reduce the Group's going concern risk.

In the opinion of the Management Board, there were no other circumstances that could lead to material tax liabilities.

### 23. Contingent assets

Medi-Lynx applied for a partial tax refund of personal taxes paid under the Employee Retention Credit (ERC) program to U.S. Internal Revenue Service (IRS). According to AUTOMATIC DATA PROCESSING, INC. (ADP provides the payroll process support to Medi-Lynx), based on the new regulations of the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act, Medi-Lynx is eligible for such public aid with respect to quarters 1-3 of 2021. The Group has not verified this information through other third-party advisors other than ADP. ADP filed tax refund applications on behalf of Medi-Lynx for a total of USD 4.5 million.

Also, ADP informed Medi-Lynx that its eligibility for the tax refund and the actual amount are subject to IRS approval, and until then neither the refund nor its final amount is certain (ADP is aware of some refund applications having been rejected). Confirmation of the tax refund applications is expected within approximately two months of their submission. Additionally, according to ADP, a refund, if any, will be paid only within 9 months following the date of submission because of the high turnout of public aid applications pending with IRS and current delays in their processing by IRS. There is no formal procedure to make IRS expedite the processing of the tax refund application or the follow-up payment.

### 24. Seasonal and cyclical changes

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

### 25. Issue of securities

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

### 26. Number of shares in the Parent Company held by managers and supervisors of the issuer

The table below presents shares in the Parent Company held, directly or indirectly, by members of its Management and Supervisory Boards as of the issue date of this report, and changes in the holdings after the issue date of the previous annual report of the Parent Company. The information contained in the table is based on notifications received from shareholders in accordance with Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

Person	Function held in the Issuer's governing bodies	Number of directly held shares	Number of shares held indirectly <sup>1</sup>	Change in the period from 28 April 2022 to 30 May 2022
<b>Maciej Gamrot</b>	Member of Management Board and Chief Financial Officer	-	-	Unchanged
<b>Jarosław Jerzakowski</b>	Member of Management Board	-	-	Unchanged
<b>Marek Dziubiński</b>	Chairman of Supervisory Board	485 556	-	Unchanged
<b>Michał Wnorowski</b>	Vice Chairman of Supervisory Board	-	-	Unchanged
<b>Anna Sobocka</b>	Member of Supervisory Board	-	-	Unchanged
<b>Stanisław Borkowski</b>	Member of Supervisory Board	-	-	Unchanged
<b>Martin Jasinski</b>	Member of Supervisory Board	-	-	Unchanged
<b>Andrzej Gładysz</b>	Member of 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.

## 27. Dividends paid or declared

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

## 28. Transactions with executives

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

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Remuneration of the Management Board Members	314	680
Remuneration of the Supervisory Board	156	93

## 29. Summary of significant achievements or failures, including description of related key events

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 below table shows the key items in the Group's statement of comprehensive income for the first quarter of 2022 and of 2021.

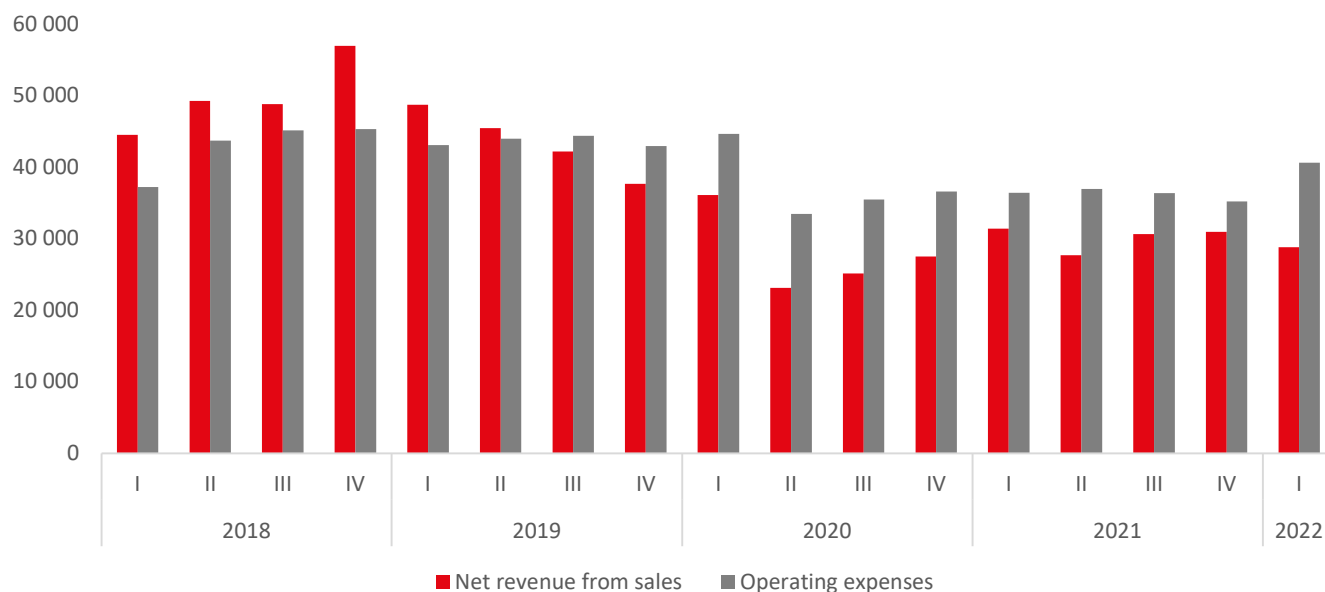
**Table 1. Key items of the statement of comprehensive income in the period from 1 January to 31 March for 2022 and 2021, and changes year over year.**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>	<b>Change</b>	<b>Change %</b>
<b>Sales revenue</b>	28 782	31 366	(2 584)	(8%)
<b>Operating expenses</b>	40 582	36 399	4 183	11%
<b>Loss on sales</b>	(11 800)	(5 033)	(6 767)	134%
<b>Other operating expenses, net</b>	(48 225)	(61)	(48 164)	78 958%
<b>Operating loss</b>	(60 025)	(5 094)	(54 931)	1 078%
<b>Net finance income</b>	1 332	1 800	(468)	(26%)
<b>Loss before tax</b>	(58 693)	(3 294)	(55 399)	1 682%
<b>Net loss, of which:</b>	<b>(55 434)</b>	<b>(1 013)</b>	<b>(54 421)</b>	<b>5 370%</b>
<b>Net loss attributable to Shareholders of the Parent Company</b>	(55 434)	(1 012)	(54 422)	5 376%
<b>Net loss attributable to non-controlling interests</b>	0	(1)	1	(143%)
<b>EBITDA</b>	(55 279)	(847)	(54 432)	6 430%

## Revenue from sales

In the first quarter of 2022, the Group's revenue amounted to PLN 28.8 million and decreased by 8% compared to the same period in 2021. The decrease is attributable to lower sales performance of Medi-Lynx, mainly caused by 9% decline in the overall number of tests performed compared to the first quarter of 2021 (MCT, Event, Extended Holter and Holter tests).

The lower revenue from unrelated parties was recorded by the Parent (-0.4 million) mainly as a result of lower device sales in the first quarter of 2022. Medicalgorithmics Polska Sp. z o.o. and Medicalgorithmics India reported PLN 0.1 mln increase (jointly) compared to the first quarter of 2021.

**Chart 1. The Group's revenue from sales and cost of sales in particular quarters of 2018–2022 (PLN '000).**


In the reporting period, all of the Group's revenue came from sales of PocketECG system, including revenue from sales of services: PLN 28.5 million (PLN 30.1 million in the same period of 2021), i.e. 99% of total revenue, and revenue from sales of equipment to unrelated parties: PLN 0.2 million (PLN 1.3 million in the comparative period). The great majority of revenue, just like in the previous year, was denominated in U.S. dollars.

### Operating expenses

**Table 2. Structure of operating expenses in the first quarter of 2022 and of 2021**

	01.01.2022- 31.03.2022	01.01.2021- 31.03.2021	Change	Change %
Raw materials and consumables used	1 883	2 478	(595)	(24%)
Employee benefits	23 018	20 653	2 365	11%
Amortization and depreciation	4 747	4 247	500	12%
External services	9 844	8 127	1 717	21%
Other	1 090	894	196	22%
<b>TOTAL:</b>	<b>40 582</b>	<b>36 399</b>	<b>4 183</b>	<b>11%</b>

### Consumed raw materials and supplies

The Group's cost of raw materials and consumable supplies decreased by -24% compared to the first quarter of the previous year. At the Parent level, there was also a decrease of approx. PLN 0.4 million in 'non-eliminating entries' in the consolidated expense account, attributable to the lower volume of devices sold. There were PLN 0.2 million savings achieved at Medi-Lynx. The cost of raw materials and consumable supplies of other Group companies remained at similar levels compared to the same period last year.

### Employee benefits

Employee benefit costs increased by approx. PLN 2.4 million (+11%) compared to the same period in 2021. The change in employee benefit costs in the first quarter of 2022 was mainly influenced by the following factors:

(1) decrease in Medi-Lynx payroll costs (PLN 1.2 million) as a result of a reduction in Medi-Lynx headcount. In the first quarter of 2022, the average number of FTEs dropped by 23% compared to the first quarter of 2021.

(2) a change in the average USD exchange rate, translating into cost increase by approx. PLN 1.5 million;

(3) in the Parent, the employee benefit costs increased by approx. PLN 1.9 million as a result of, among other factors, upward pressure on wages observed in Poland, and in the IT sector in particular, caused by wider increases of salaries and the inflation. At the same time, due to impairment testing and estimation of the recoverable value of ongoing development projects, the Group did not capitalize salary costs as intangible assets in the first quarter of 2022.

Employee benefit costs represent the most significant item in the Group's operating expense structure (57%). The high share of the employee benefit cost is caused by the nature of the Group's business, whose main asset is people. Both at the Parent level, where the majority of employees are IT specialists and production engineers, as well as of the subsidiary level, where employees include ECG technicians and customer service / sales specialists, the business is based largely on human capital.

#### Depreciation/amortization

An increase of PLN 0.5 million (12%) in depreciation/amortization expense was visible in the first quarter of 2022 compared to the same period last year. Depreciation/amortization now accounts for 12% of total operating expenses.

The most significant part of this continues to be the amortization of the Group's customer pool (recognized after the final reconciliation of the purchase price for the interest in Medi-Lynx customer base, and in AMI/Spectocor customer base that was acquired upon a settlement negotiated in December 28, 2016). The total amortization expense for the two customer bases in the first quarter of 2022 was PLN 1.6 million and increased by approx. PLN 0.1 million compared to the same period last year due to the increase in the average USD exchange rate.

In addition, from the Group's point of view, the PocketECG devices that are used to provide diagnostic services by the Group companies are non-current assets, and the value of such equipment is depreciated over a period of 3 years. The total expense in the first quarter of 2022 was PLN 0.8 million (PLN 0.4 million in the compared period).

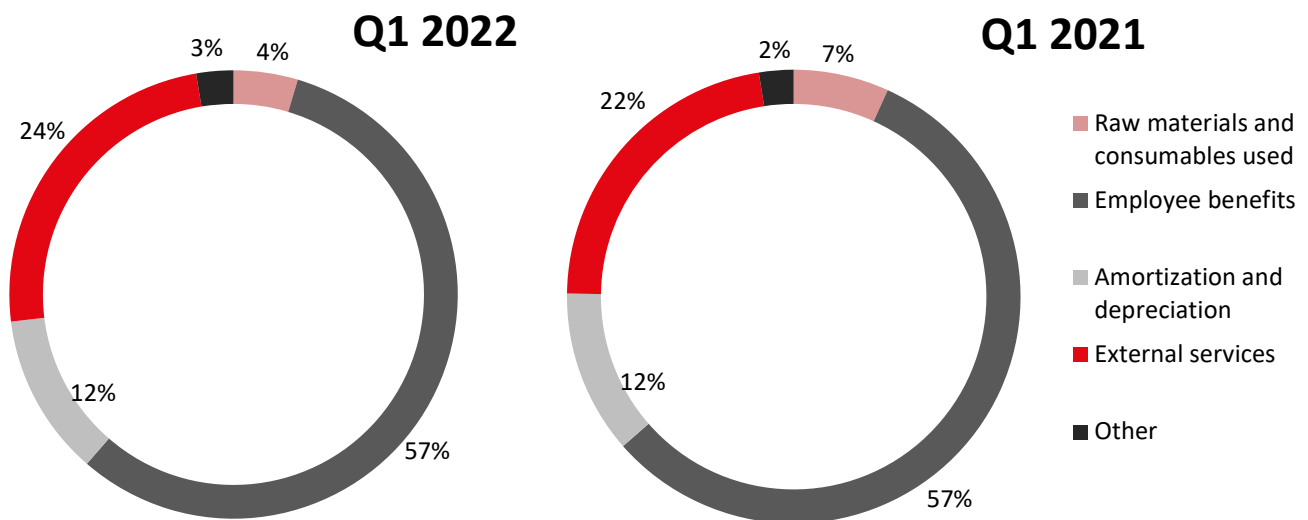
As a result of IFRS 16, the Group recognized right-of-use assets. ROU is depreciated over a period of a lease contract, and the expense in the first quarter of 2022 was PLN 1.2 million (PLN 1.1 million in the comparable period).

#### Third-party services

Third-party services account for 24% of the Group's operating expenses, and they increased by 21% compared to the comparative period, amounting to PLN 9.8 million. Among the expenses for third-party services, the key items are telecommunications and Internet services, transportation and courier services, and consulting services. The structure of the third-party service expense in the reporting period and the comparative period is presented in Note 9 of this report. When comparing the first quarter of 2022 and of 2021, there was a significant increase mainly in consulting and legal expenses, telecommunications and internet services, and marketing services. Since 2021, the Group has been incurring significant costs towards external consultants and law firms with whom it worked on, among other things, strategic options, the issue of potential sales and excise tax sums due from Medi-Lynx. The Group committed more resources to marketing activities compared to the first quarter of 2021 when due to the pandemic and the lockdown the Group did not participate in industry scientific conferences, leading to lower marketing costs for the Group then.

In the first quarter of 2022 as well as in the comparable period, a major part of rental and lease expenses was cloud storage services, which are not subject to reclassification under IFRS 16. In addition, the rent and lease items described in Note 9 include operating expenses related to office space rental and the cost of leasing low-value office equipment.

Chart 3. Structure of operating expenses in the first quarter of 2022 and of 2021 (in %)



### Profit and profitability

As a result of the factors described above as well as the recognition of additional impairment loss, which was written down in the amount of PLN 48.1 million (Note 10), the Group incurred a net loss of PLN 55.5 million in the first quarter of 2022. The Group observed a negative sales margin of -41% (-16% in the first quarter of 2021) and negative EBITDA of -192% (-3% in the first quarter of 2021).

### Asset and financial position

As of March 31, 2022, *total assets* position was PLN 57.8 million, i.e. a decrease of PLN 56.6 million (-49%) compared to December 31, 2021. Such significant decrease in the total assets was largely attributable to asset impairment losses related to *Medi-Lynx CGU* and *MDG S.A. CGU* (more details in Note 13).

As of the balance sheet date, total non-current assets were PLN 27.8 million, and their share in all assets reached 48%. The key item in non-current assets was tangible non-current assets (PP&E), and among them *Plant and machinery*, which included computer equipment (PLN 13.9 million) and right of use assets (PLN 8.4 million). The value of non-current assets dropped by PLN 49.9 million (-64%) compared to December 31, 2021, the reason for which was the adjustment of the customer bases (intangible assets), which was written down by an additional PLN 45.7 million.

Current assets were PLN 30.0 million as of March 31, 2022, a decrease of PLN 6.7 million (-18%) compared to December 31, 2021. The share of current assets in all assets reached 52%. Trade receivables and cash / cash equivalents accounted for 80% and 20% of current assets, respectively.

As of March 31, 2022, equity attributable to Shareholders of the Parent was PLN -8.4 million, i.e. decrease by PLN 55.8 million (-118%) compared to December 31, 2021. The change in equity attributable to Shareholders of the Parent involved mainly the loss incurred in the first quarter of 2022 (PLN -55.4 million).

As of the balance sheet date, long-term liabilities were PLN 21.5 million (37% of total assets in the balance sheet), and the key item in this group of liabilities was the long-term portion of borrowings (PLN 9.0 million) and financial liabilities (PLN 8.4 million). The value of long-term liabilities dropped by PLN 5.3 million (-20%) compared to December 31, 2021. Financial liabilities decreased (PLN -1.8 million) compared to December 31, 2021, following the repayment of a portion of the finance lease.

As of the balance sheet date, short term liabilities were PLN 44.7 million (77% of total assets in the balance sheet). The most significant item in this group of liabilities was trade payables (PLN 20.5 million). The short-term portion of financial liabilities included liabilities outstanding towards the acquired interest in Medi-Lynx (PLN 3.0 million) and liabilities to finance leases (PLN 5.6 million).

Short term liabilities increased by PLN 4.5 million (+11%) compared to December 31, 2021, chiefly as a result of the Parent's overdraft – as of the balance sheet date, the outstanding balance was PLN 6.0 million. The remaining change was affected by an increase in trade payables (+2.0 million).

**30. Factors and events, also extraordinary, of material impact on interim financial statements**

In the first quarter of 2022, there were no factors or events other than those described above that would have a material impact on the interim financial statements.

**31. Management Board position on financial forecast viability**

The Group has not published financial forecasts for the period covered by this report or future periods.

**32. Information on sureties or guarantees issued by Group**

Medicalgorithmics is a party to EU agreements for joint financing of investment projects that are aimed at development of its products and services. If the conditions of a development work project are not met, there may occur a risk that the subsidies will need to be returned. The received funding is secured by promissory notes.

As the reporting date description above risks has been assessed as questionable. The Company is implementing the development work timely as scheduled.

In 2016, the Parent guaranteed an interest-bearing promissory note of its subsidiary, MDG HoldCo based in USA, which was issued to Medi-Lynx Monitoring, Inc. as payment for the acquisition of shares in Medi-Lynx. More details of this security are described in Note 45 of this report.

**33. Other information relevant for the assessment of Group's position and its ability to pay liabilities**

The Management Board monitors the risk of the Group experiencing difficulty in meeting its obligations that are associated with financial liabilities. In the Parent's separate and consolidated financial statements for 2021, approved on April 28, 2022, the Management Board indicated a number of factors which cause significant uncertainty as to the Parent's and the Group's continuation as a going concern over the next 12 months counted from the balance sheet date. The uncertainties were related primarily to the ability to secure financing in the expected amount or the ability to sell the Group's assets.

As described in Note 4.1, on May 18, 2022, the Purchaser (Medi-Lynx Cardiac Monitoring, LLC) and Medicalgorithmics US Holding Corporation signed an option to acquire selected assets of Medi-Lynx ("Purchase Option), and the Purchaser (as the lender) and Medi-Lynx (as the borrower) concluded a loan agreement ("Loan").

In the opinion of the Management Board, the implementation of the Transaction may bring certain benefits to the Company making its liquidity secured during the period of its implementation, including in 2022, assuming that the Purchaser meets its obligations, especially those related to the Loan and the execution of the Support Agreement as well as the fulfillment of other financial plan assumptions.

In the context of the above, the Management Board prepared the interim financial statements on a going concern basis, taking into account the significant uncertainty as to the Parent's and the Group's continuation as a going concern over the next 12 months counted from the balance sheet date. This uncertainty is driven by certain factors which were described in the 2021 consolidated financial statements and, in addition, there is also the uncertainty related to the Buyer's exercise of the option to acquire Medi-Lynx, including as a consequence the Group's future proceeds and revenues related to the Loan and the execution of the Support Agreement.

**34. Factors in the Issuer's opinion that will affect its results in the next quarter**

Without a doubt, the most important factor for the going concern is to secure the finance for the continued operation of the Parent and the Group. In the opinion of the Management Board, the implementation of the Transaction described in Note 4.1 of this report may bring certain benefits to the Company making its liquidity secured during the period of its implementation, including in 2022, assuming that the Purchaser meets its obligations, especially those related to the Loan and the execution of the Support Agreement as well as the fulfillment of other financial plan assumptions. However, the Management Board continues to pay attention to the uncertainty situation of the Company and of the Group. This uncertainty is driven by certain factors which were described in the 2021 consolidated financial statements and, in addition, there is also the uncertainty related to the Buyer's exercise of the option to acquire Medi-Lynx, including as a consequence the Group's future proceeds and revenues related to the Loan and the execution of the Support Agreement.

Another important factor that will affect the Group's results later in the year will be the new PatchECG device introduced in its product portfolio. According to the Management Board, the expanded portfolio will enable it to offer a comprehensive set of diagnostic services and generate additional demand for them, leading to greater potential of significant revenue growth. The Group is currently awaiting FDA's approval to begin commercializing the device within just a few months.

However, there is a risk that the Management Board's assumptions as to the potential commercialization of the new product will not materialize or that its introduction will not improve the results.

In addition, there are other factors, both internal and external, that will directly or indirectly affect financial results achieved in the next year. Among the most important ones, there are:

- possible changes in test reimbursement rates offered by insurers with whom Medi-Lynx signed 'in-network' contracts;
- decrease in average service payments to Medi-Lynx covered by out-of-network collaborations with insurers with whom Medi-Lynx does not have contracts;
- changes on the US medical services market where the Group derives most of its revenue;
- increases in sales to partners with whom the Parent has contracts – it will contribute to further diversification and increase in revenue;
- development of the cardiac diagnostics sector in countries where the Group offers products, and the level of reimbursement available for PocketECG services;
- fluctuations of exchange rates in countries where the Group operates;
- availability and potential increase in prices of production components, as a result of supply shortages or delays observed in the market.

Furthermore, the Group is exposed to various risks related to its operations and environment and they may affect achievement of its strategic commitments and goals. These risks are described in greater detail in the 2021 Consolidated Annual Report, the Management Report of the Group and of Medicalgorithmics S.A., in section VI. Description of significant factors and risk management methods can be found in Note 24 of the consolidated financial statements.

### **35. Information about significant legal proceedings**

In the reporting period, there were no proceedings pending before any court, arbitration authority or public administration that would concern amounts payable or receivable of the Parent for a sum (individual or aggregate) of 10% of its equity or more.

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

In April 2022, Medi-Lynx applied for a partial tax refund of personal taxes paid under the Employee Retention Credit (ERC) program to U.S. Internal Revenue Service (IRS). According to AUTOMATIC DATA PROCESSING, INC. (ADP provides the payroll process support to Medi-Lynx), based on the new regulations of Consolidated Appropriations Act of 2021 and American Rescue Plan Act, Medi-Lynx is eligible for such public aid with respect to quarters 1-3 of 2021. The Group has not verified this information through other third-party advisors other than ADP. ADP filed tax refund applications on behalf of Medi-Lynx for a total of USD 4.5 million.

Also, ADP informed Medi-Lynx that its eligibility for the tax refund and the actual amount are subject to IRS approval, and until then neither the refund nor its final amount is certain (ADP is aware of some refund applications having been rejected). Confirmation of the tax refund applications is expected within approximately two months of their submission. Additionally, according to ADP, a refund, if any, will be paid only within 9 months following the date of submission because of the high turnout of public aid applications pending with IRS and IRS delays in processing these applications. There is no formal procedure to make IRS expedite the processing of the tax refund application or the follow-up payment.

On March 26, 2022, the Company was informed that Mr. Grzegorz Janas resigned from his position in the Supervisory Board, effective from April 30, 2022.

On May 7, 2022, in Current Report 24/2022, the Management Board of Medicalgorithmics S.A. announced that on May 7, 2022, a Letter of Intent ("LoI") was signed between the Purchaser – Medi-Lynx Cardiac Monitoring, LLC, which is a U.S. medical sector player, and Medicalgorithmics US Holding Corporation regarding a transaction providing financing and an option to acquire selected assets of Medi-Lynx.

Next, on May 10, 2022, the Extraordinary General Meeting of Medicalgorithmics S.A. approved the Company's divestiture of material assets of the Group.

On May 18, 2022, the Purchaser (Medi-Lynx Cardiac Monitoring, LLC) and Medicalgorithmics US Holding Corporation signed an option to acquire selected assets of Medi-Lynx ("Purchase Option"), and the Purchaser (as the lender) and Medi-Lynx (as the borrower) concluded a loan agreement ("Loan").

Details of this potential transaction are described in Note 4.1 of this report as well as in Current Reports 24/2022, 29/2022 and 30/2022.

There were no post-balance sheet events other than those disclosed in these financial statements that would need to be disclosed or otherwise included in these financial statements

	PLN '000		EUR '000	
	31.03.2022 <i>(unaudited)</i>	31.12.2021 <i>(audited)</i>	31.03.2022 <i>(unaudited)</i>	31.12.2021 <i>(audited)</i>
<b>Statement of financial position</b>				
Non-current assets	7 277	8 270	1 564	1 798
Current assets	13 283	61 802	2 855	13 437
Intangible assets	3 081	3 707	662	806
Long-term financial assets	59	97	13	21
Short-term receivables	5 104	53 958	1 097	11 732
Cash and cash equivalents	1 654	706	356	153
Equity	1 647	56 148	354	12 208
Share capital	498	498	107	108
Short-term liabilities	11 610	7 667	2 495	1 667
Long-term liabilities	7 303	6 257	1 570	1 360
Number of shares	4 976 385	4 976 385	4 976 385	4 327 829
Book value per ordinary share (PLN/EUR)	0,33	11,28	0,07	2,45
<b>Statement of comprehensive income</b>				
Sales revenue	12 294	11 135	2 645	2 435
Profit/(loss) on sales	1 917	3 519	412	770
Operating profit/(loss)	(54 206)	3 483	(11 664)	762
Profit/(loss) before tax	(52 732)	10 006	(11 347)	2 188
Net profit/(loss)	(54 501)	9 098	(11 728)	1 990
Earnings per ordinary share (PLN/EUR)	(10,95)	2,10	(2,36)	0,46
<b>Statement of cash flows</b>				
Net cash flows from operating activities	(3 294)	(4 809)	(709)	(1 052)
Net cash flows from investing activities	(60)	(3 333)	(13)	(729)
Net cash flows from financing activities	4 302	8 696	926	1 902
Total net cash flows	948	554	204	121

**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 December 2022, i.e. EUR/PLN 4.6525, and for 31 December 2021, i.e. EUR/PLN 4.5994;
- 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 2022 to 31 December 2022, i.e. EUR/PLN 4.6472, and from 1 January 2021 to 31 December 2021, i.e. EUR/PLN 4.5721.

		<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
		<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Intangible assets		3 081	3 707	23 317
Property plant and equipment		2 687	3 016	3 585
Financial assets	39	59	97	71 780
Shares in subsidiaries	40	1 450	1 450	96 221
Deferred income tax assets		-	-	1 474
<b>Non-current assets</b>		<b>7 277</b>	<b>8 270</b>	<b>196 377</b>
Inventories		6 525	7 138	4 567
Trade and other receivables	41	5 104	53 958	47 147
Cash and cash equivalents		1 654	706	1 383
<b>Current assets</b>		<b>13 283</b>	<b>61 802</b>	<b>53 097</b>
<b>TOTAL ASSETS</b>		<b>20 560</b>	<b>70 072</b>	<b>249 474</b>

		<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
		<i>(unaudited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Share capital		498	498	433
Supplementary capital		228 019	228 019	195 820
Retained earnings		(226 870)	(172 369)	30 303
<b>Equity</b>		<b>1 647</b>	<b>56 148</b>	<b>226 556</b>
Credits and loans		144	144	-
Provisions		160	105	1 227
Deferred tax liabilities		2 539	1 322	3 636
Other financial liabilities		1 020	1 246	1 854
Accruals and deferred income	44	3 440	3 440	1 703
<b>Long-term liabilities</b>		<b>7 303</b>	<b>6 257</b>	<b>8 420</b>
Rezerwy krótkoterminowe		977	780	-
Credits and loans	43	6 024	1 434	11 390
Other financial liabilities		1 083	1 067	879
Trade and other liabilities	44	3 480	4 340	2 229
Accruals and deferred income		46	46	-
<b>Short-term liabilities</b>		<b>11 610</b>	<b>7 667</b>	<b>14 498</b>
<b>Total liabilities</b>		<b>18 913</b>	<b>13 924</b>	<b>22 918</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20 560</b>	<b>70 072</b>	<b>249 474</b>

		<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>
<b>Sales revenue</b>	37	<b>12 294</b>	<b>11 135</b>
Raw materials and consumables used		(3 071)	(2 287)
Employee benefits		(4 378)	(2 427)
Amortization and depreciation		(1 015)	(1 022)
Third-party services		(1 813)	(1 819)
Other		(100)	(61)
<b>Total costs of sales</b>		<b>(10 377)</b>	<b>(7 616)</b>
<b>Profit on sales</b>		<b>1 917</b>	<b>3 519</b>
Other operating revenue	38	28	13
Other operating expenses	38	(56 151)	(49)
<b>Operating profit</b>		<b>(54 206)</b>	<b>3 483</b>
Finance income		1 540	6 559
Finance costs		(66)	(36)
<b>Net finance costs</b>		<b>1 474</b>	<b>6 523</b>
<b>Profit before tax</b>		<b>(52 732)</b>	<b>10 006</b>
Income tax		(1 769)	(908)
<b>Net profit from continuing operations</b>		<b>(54 501)</b>	<b>9 098</b>
Other net comprehensive income for the reporting period		-	-
<b>Total comprehensive income for the reporting period</b>		<b>(54 501)</b>	<b>9 098</b>
Basic profit per share in PLN		(10,95)	2,10
Diluted profit per share in PLN		(10,95)	2,10

	Share capital	Supplementary capital	Retained earnings	Total equity
<b>Equity as of 1 January 2022 (audited)</b>	<b>498</b>	<b>228 019</b>	<b>(172 369)</b>	<b>56 148</b>
<b>Comprehensive income for the reporting period</b>				
Net profit for the current reporting period	-	-	(54 501)	(54 501)
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity as of 31 March 2022 (unaudited)</b>	<b>498</b>	<b>228 019</b>	<b>(226 870)</b>	<b>1 647</b>

	Share capital	Supplementary capital	Retained earnings	Total equity
<b>Equity as of 1 January 2021 (audited)</b>	<b>433</b>	<b>195 820</b>	<b>21 205</b>	<b>217 458</b>
<b>Comprehensive income for the reporting period</b>				
Net profit for the current reporting period	-	-	(172 369)	(172 369)
	<b>433</b>	<b>195 820</b>	<b>(151 164)</b>	<b>45 089</b>
<b>Transactions recognized directly in equity</b>				
Distribution of profit for the previous year	-	21 205	(21 205)	-
Issue of shares	65	10 994	-	11 059
<b>Total contributions from and distributions to owners</b>	<b>65</b>	<b>32 199</b>	<b>(21 205)</b>	<b>11 059</b>
<b>Equity as of 31 December 2021 (audited)</b>	<b>498</b>	<b>228 019</b>	<b>(172 369)</b>	<b>56 148</b>

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

	<b>01.01.2022- 31.03.2022 (unaudited)</b>	<b>01.01.2021- 31.03.2021 (unaudited)</b>
<b>Cash flows from operating activities</b>		
<b>Net profit/(loss) for the reporting period</b>	<b>(54 501)</b>	<b>9 098</b>
Depreciation of property plant and equipment	331	335
Amortization of intangible assets	686	687
Income tax	1 769	908
Change in inventories	612	(262)
Change in trade and other receivables	(7 517)	(10 204)
Change in accruals prepayments and deferred income	-	(1 241)
Change in trade and other liabilities	(859)	(216)
Change in provisions	252	328
Tax paid	55 893	-
Foreign exchange differences	98	(3 690)
Interest	17	(532)
Other	(74)	(20)
	<b>(3 294)</b>	<b>(4 809)</b>
<b>Cash flows from investing activities</b>		
Expenditure on property plant and equipment	(60)	(1 833)
Loans granted	-	(1 500)
	<b>(60)</b>	<b>(3 333)</b>
<b>Cash flows from financing activities</b>		
Repayment of credit card debt	(16)	3
Repayment debt on account of credits taken out with interest	(3)	(184)
Proceeds from credits taken out	4 606	8 553
Payments of finance lease liabilities	(271)	(226)
Interest on finance leases	(14)	(17)
Other inflows from financing activities	-	567
	<b>4 302</b>	<b>8 696</b>
<b>Total net cash flows</b>	<b>948</b>	<b>554</b>
Opening balance of cash and cash equivalents	706	829
<b>Closing balance of cash</b>	<b>1 654</b>	<b>1 383</b>

**37. Structure of sales revenues**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
<b>By type</b>		
Revenue from sales of services	9 901	8 743
Revenue from sales of devices	2 393	2 392
	<b>12 294</b>	<b>11 135</b>

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
<b>By territory</b>		
Domestic sales	243	349
Export sales	12 051	10 786
	<b>12 294</b>	<b>11 135</b>

**38. Other operating income and expenses**

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Other	28	13
<b>Other operating revenue</b>	<b>28</b>	<b>13</b>
Allowance for receivables	(55 893)	-
Other	(258)	(49)
<b>Other operating expenses</b>	<b>(56 151)</b>	<b>(49)</b>

In relation to the execution of the Medi-Lynx asset purchase option agreement and the loan agreement of May 18, 2021 (which are described in Note 4.7 of this report), following the credit risk estimation under IFRS 9 as of March 31, 2022 the value of receivables due from Medi-Lynx was adjusted down by an additional PLN 56.0 million, thereby writing off the entire sum of Medi-Lynx receivables.

**39. Financial assets**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Loans granted	79 037	75 883	71 580
Allowance of loans granted	(79 037)	(75 883)	-
Shares	59	97	200
	<b>59</b>	<b>97</b>	<b>71 780</b>
Long-term portion	59	97	71 780
Short-term portion	-	-	-

**Loans granted**

	<b>Loan amount (USD '000)</b>	<b>Repayment date</b>	<b>Interest rate</b>
Loan of 30 March 2016	11 300	29.03.2026	Fixed (6%)
Loan of 1 June 2016	200	01.06.2026	Fixed (6%)
Loan of 14 September 2016	200	14.09.2026	Fixed (6%)
Loan of 16 January 2017	1 000	30.12.2026	Fixed (4%)
Loan of 2 March 2017	2 912	30.12.2026	Fixed (4%)
Loan of 28 January 2021	400	30.12.2026	Fixed (4%)
Total loans granted	16 012		
Allowance of loans granted	(16 012)		

All such loans were lent to subsidiary MDG HoldCo. Their purpose was to provide finance for the subsidiary's acquisition of 75% interest in Medi-Lynx, to feed capital into its operating activity, and to settle liabilities to AMI/Spectacor for its customer base acquired before. The fair value of financial assets approximates their book value.

In the first quarter of 2021, a loan of USD 400,000 was granted to settle the amount due to the seller of the Medi-Lynx shares, as mentioned in Note 15 of the consolidated financial statements as of December 31, 2021.

Loans are measured at amortized cost using the effective interest rate. Loans assume a one-time repayment of the principal and any accrued interest as of the maturity date of the loan.

As of December 31, 2021, the Management Board recognized an impairment loss on financial assets in the amount of PLN 75.9 million and applied a full adjustment by writing down the value of the loans.

#### 40. Shares in subsidiaries

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771
Medicalgorithmics US Holding Corporation – allowance of shares	(94 771)	(94 771)	-
Medicalgorithmics Polska Sp. z o.o.	1 267	1 267	1 267
Medicalgorithmics India Pvt. Ltd	183	183	183
	<b>1 450</b>	<b>1 450</b>	<b>96 221</b>

As of June 30, 2021, the Management Board identified certain indications of impairment of the interest held in MDG Holdco, thus an impairment test was performed. The conducted test has shown an impairment loss on shares and they were adjusted by PLN 15.7 million. The impairment test of December 31, 2021 lead to increase of the impairment loss by further PLN 79.1 million. Details of impairment tests are presented in Note 2.7 to the 2021 separate financial statements.

#### 41. Trade and other receivables

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Trade receivables	2 265	50 301	43 264
Budgetary receivables	2 486	3 318	3 414
Other receivables	158	108	-
Prepayments and deferred expenses	195	231	469
	<b>5 104</b>	<b>53 958</b>	<b>47 147</b>
Long-term	-	-	-
Short-term	5 104	53 958	47 147

#### Trade receivables

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Trade receivables from related entities	59 710	51 526	40 997
Impairment loss on receivables from related entities	(59 497)	(3 500)	-
Trade receivables from other entities	2 111	2 334	2 267
Impairment loss on receivables from other entities	(59)	(59)	-
<b>Total net trade receivables</b>	<b>2 265</b>	<b>50 301</b>	<b>43 264</b>

On December 31, 2021, the value of receivables from affiliate Medi-Lynx was adjusted by PLN 3.5 million. The amount of receivables from other entities was adjusted by writing down PLN 59 thousand.

In relation to the execution of the Medi-Lynx asset purchase option agreement and the loan agreement of May 18, 2021 (which are described in Note 4.7 of this report), following the credit risk estimation under IFRS 9 as of March 31, 2022 the value of receivables due from Medi-Lynx was adjusted down by an additional PLN 56.0 million, thereby writing off the entire sum of Medi-Lynx receivables.

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

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.12.2021</b>	<b>01.01.2021- 31.03.2021</b>
Profit for the period (PLN '000)	(54 501)	(172 369)	9 098
Weighted average number of ordinary shares (in thousands of shares)	4 976	4 547	4 328
Effect of dilution of the potential number of ordinary shares (in thousands of shares)	-	-	-
<b>Basic profit per share in PLN (net profit weighted average number of shares)</b>	<b>(10,95)</b>	<b>(37,91)</b>	<b>2,10</b>
<b>Diluted profit per share in PLN (net profit weighted average number of diluted shares)</b>	<b>(10,95)</b>	<b>(37,91)</b>	<b>2,10</b>

**43. Credits and loans**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Credit card debt	24	40	30
Credits and loans	6 000	1 394	11 360
	<b>6 024</b>	<b>1 434</b>	<b>11 390</b>
of which long-term	-	-	-
of which short-term	6 024	1 434	11 390

On December 4, 2020, the Company opened an overdraft with Bank Millennium S.A. (PLN 16.0 million). As of the balance sheet date, the available credit line was PLN 6.9 million (May 27, 2022: PLN 6.0 million), including consumed PLN 6.0 million as of March 31, 2022 and PLN 3.7 million as of May 27, 2022. According to the credit facility agreement, the limit will be gradually reduced at a rate of PLN 860 thousand per month until the end of November 2022. The interest rate is a sum of WIBOR 1M reference rate and the bank's mark-up. In connection with the credit facility, a collateral was established – a deed of the Company's submission to statutory enforcement of debts in favor of the bank (according to Article 777 §1.5 of the Polish Civil Procedure Code), against all of the Company's assets, to secure its obligation to repay any and all monetary claims to the Bank as it may seek under the credit facility up to PLN 25.6 million. The credit facility is partly secured with a bank guarantee of PLN 12.8 million, valid until 28 February 2023, issued by Bank Gospodarstwa Krajowego based on a line of guarantee agreement with PLG-FGP Liquidity Guarantee Fund under the Polish government's Anti-Crisis Shield program. The guarantee secures 80% of the loan amount.

As described in Note 2.1 of the 2021 financial statements, there is a risk of early repayment required that stems from the agreement itself which allows the Bank to terminate the agreement in the event of a material deterioration of the borrower's position or a loss of its creditworthiness, which the bank could recognize in the case of the Company's situation. Furthermore, in the event of any additional debt finance taken out by the Company the credit facility agreement requires that the bank be provided with the same security as the one given to the party providing such debt finance, and in certain transactions towards the potential financing which are currently being considered this could be impossible. Due to the uncertainty surrounding the timeframe and amounts of the future financing, the Group is negotiating with the bank options and conditions for deferred repayment without termination of the credit facility agreement and premature triggering of the due date.

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

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Trade liabilities to other entities	2 556	3 185	1 753
Budgetary liabilities	427	678	386
Salaries and wages payable	405	405	-
Other liabilities	92	72	90
Short-term accruals and deferred income	46	46	-
Long-term accruals and deferred income	3 440	3 440	1 703
	<b>6 966</b>	<b>7 826</b>	<b>3 932</b>

**45. Contingent liabilities**

The Company is a party to EU agreements for joint financing of investment projects that are aimed at development of its products and services. If the conditions of a development work project are not met, there may occur a risk that the subsidies will need to be returned. Subsidies received are secured by promissory notes. As the reporting date description above As the reporting date description above risks has been assessed as questionable. The Parent is implementing the development work timely as scheduled.

In 2016, the Parent guaranteed an interest-bearing promissory note of its subsidiary, MDG HoldCo based in USA, which was issued to Medi-Lynx Monitoring, Inc. as payment for the acquisition of shares in Medi-Lynx. In addition, until the price for those shares is paid in full, MDG Holdco's shares in Medi-Lynx have been pledged in favor of Medi-Lynx Monitoring, Inc.

On July 16, 2018, Medicalgorithmics S.A. issued an irrevocable and unconditional bank guarantee to secure PLN 404 thousand of the Company's liabilities under a commercial lease of premises at Al. Jerozolimskie 81 in Warsaw, Poland. The beneficiary under this guarantee is Central Tower 81 Sp. z o.o. (as lessor). The guarantee remains valid from the date of its issue to August 30, 2024.

In connection with the credit facility, a collateral was established – a deed of the Company's submission to statutory enforcement of debts in favor of the bank (according to Article 777 §1.5 of the Polish Civil Procedure Code), against all of the Company's assets, to secure its obligation to repay any and all monetary claims to the Bank as it may seek under the credit facility up to PLN 25.6 million. The credit facility is partly secured with a bank guarantee of PLN 12.8 million, valid until 28 February 2023, issued by Bank Gospodarstwa Krajowego based on a line of guarantee agreement with PLG-FGP Liquidity Guarantee Fund under the Polish government's Anti-Crisis Shield program. The guarantee secures 80% of the loan amount.

In February 2022, a lawsuit was filed in the American Arbitration Association against Medicalgorithmics S.A., Medi-Lynx Cardiac Monitoring LLC and Mr. Marek Dziubiński for USD 3.1 million in bonus and severance payments under a contract with Medi-Lynx Cardiac Monitoring LLC, lodged by the former CEO of the Medi-Lynx Cardiac Monitoring LLC, Mr. Peter Pellerito.

On March 29, 2022, a statement was submitted by a law firm on behalf of MDG S.A. and Mr. Mark Dziubiński clarifying that these entities are not parties to the contract signed with Mr. Peter Pellerito and, as such, the arbitration clause incorporated in the contract between Mr. Pellerito and Medi-Lynx Cardiac Monitoring LLC does not apply to them. At the same time, in the statement Medicalgorithmics S.A. refused to participate in the arbitration proceedings. The Management Board believes that the claims against MDG S.A. are groundless.

Goods and service tax, corporate income tax, natural income tax, social insurance regulations are subject to frequent changes and therefore there is often lack of reference to stable regulations or legal precedence. Current regulations also contain unclear provisions resulting in different legal interpretation of tax regulations between state authorities themselves as well as between state authorities and businesses. Tax settlements and others (i.e. customs duties or foreign currency settlements) may be inspected by state agencies authorized to charge significant penalties, and additional amounts liabilities determined during an inspection must be paid with interest. These factors cause the tax risk in Poland to be higher than in countries with a more developed tax system. Tax settlements may become subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities. The Capital Group was subject to audits by the tax authorities. The authorities are entitled to audit ledgers and accounting records. At any time during five years of the year when a tax return form was filed, they can charge additional tax liabilities, including interest on tax defaults and other penalties. In the opinion of the Management Board, there were no other circumstances that could lead to material tax liabilities other than the issue of liabilities disputed with Texas authorities as described in this report.

#### **46. 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 comprehensive income (in PLN '000) - as of**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
Loans granted	79 037	75 883	71 580
Allowance of loans granted	(79 037)	(75 883)	-
Contribution to the supplementary capital	94 771	94 771	94 771
Allowance of the supplementary capital	(94 771)	(94 771)	-

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.12.2021</b>	<b>01.01.2021- 31.03.2021</b>
<b>Statement of comprehensive income (in PLN '000)</b>			
Interest on loans	-	3 446	861
Allowance of interest on loans	-	(3 446)	-

**Medi-Lynx Cardiac Monitoring LLC**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
<b>Statement of financial position (in PLN '000) – as of</b>			
Trade receivables	59 497	51 365	40 618
Allowance of trade receivables	(59 497)	(3 500)	-

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.12.2021</b>	<b>01.01.2021- 31.03.2021</b>
<b>Statement of comprehensive income (in PLN '000)</b>			
Revenue from sales of goods and services	8 737	32 192	6 775

**Medicalgorithmics Polska Sp. z o.o.**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
<b>Statement of financial position (in PLN '000) - as of</b>			
Trade receivables	53	9	255
Contribution to equity własnego	1 267	1 267	1 267

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.12.2021</b>	<b>01.01.2021- 31.03.2021</b>
<b>Statement of comprehensive income (in PLN '000)</b>			
Revenue from sales of goods and services	115	297	185

**Medicalgorithmics India Pvt. Ltd**

	<b>31.03.2022</b>	<b>31.12.2021</b>	<b>31.03.2021</b>
<b>Statement of financial position (in PLN '000) - as of</b>			
Trade receivables	160	151	124
Contribution to the supplementary capital	183	183	183

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.12.2021</b>	<b>01.01.2021- 31.03.2021</b>
<b>Statement of comprehensive income (in PLN '000)</b>			
Revenue from sales of goods and services	61	283	59

**47. Transactions with executives**

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

	<b>01.01.2022- 31.03.2022</b>	<b>01.01.2021- 31.03.2021</b>
Remuneration of the Management Board Members	242	230
Remuneration of the Supervisory Board	156	93

**48. 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.

**49. Events after balance sheet date**

On March 26, 2022, the Company was informed that Mr. Grzegorz Janas resigned from his position in the Supervisory Board, effective from April 30, 2022.

On May 7, 2022, in Current Report 24/2022, the Management Board of Medicalgorithmics S.A. announced that on May 7, 2022, a Letter of Intent ("LoI") was signed between the Purchaser – Medi-Lynx Cardiac Monitoring, LLC, which is a U.S. medical sector

player, and Medicalgorithmics US Holding Corporation regarding a transaction providing financing and an option to acquire selected assets of Medi-Lynx.

Next, on May 10, 2022, the Extraordinary General Meeting of Medicalgorithmics S.A. approved the Company's divestiture of material assets of the Group.

On May 18, 2022, the Purchaser (Medi-Lynx Cardiac Monitoring, LLC) and Medicalgorithmics US Holding Corporation signed an option to acquire selected assets of Medi-Lynx ("Purchase Option), and the Purchaser (as the lender) and Medi-Lynx (as the borrower) concluded a loan agreement ("Loan").

Details of this potential transaction are described in Note 4.1 of this report as well as in Current Reports 24/2022, 29/2022 and 30/2022.

There were no post-balance sheet events other than those disclosed in these financial statements that would need to be disclosed or otherwise included in these financial statements.

*This report was approved for publication on May 30, 2022*

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Maciej Gamrot  
Chief Financial Officer

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Jarosław Jerzakowski  
Member of Management Board

Warsaw, 30 May 2022



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