

Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of Medicalgorithmics Spółka Akcyjna

Report on the Annual Financial Statements

Opinion

We have audited the annual financial statements of Medicalgorithmics Spółka Akcyjna (the Company) with its registered office in Warsaw, Al. Jerozolimskie 81 which comprise the statement of financial position as of December 31, 2022, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2022 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of properly maintained books of account,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on the same day as this audit report.

Basis for Opinion

We conducted our audit in accordance with:

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2022, item 1302, as amended) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April, 16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the Company in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

ACQUISITION OF SHARES IN KARDIOLYTICS, INC

Description

On 8 November 2022, agreements were concluded between the Company and Biofund Capital Management LLC (Biofund), as a result of which Biofund acquired 4,976,384 newly issued shares of the Company, representing 49.99% of the Company's shares, in exchange for a contribution of 1,500 shares in the share capital of Kardiolytics Inc (Kardiolytics), representing 100% of the share capital of Kardiolytics, and a cash contribution in the total amount of PLN 13,808 thousand.

As a result of this transaction, the Company became the sole owner of Kardiolytics. The value of the acquisition of the company was valued in accordance with the market value of the shares as at the transaction date and amounted to PLN 49,989 thousand.

Disclosures regarding this matter are presented in Notes 2.1, 2.10, 15, 19.2, 24.2 to the financial statements.

Auditor's response

We verified the transaction and its proper valuation and recognition in the books and presentation in the financial statements as at 31 December 2022.

Audit procedures performed in this area included, among others:

- analysis of the transaction agreements,
- an analysis of the correctness of the recognition of assets and components of capital in connection with the transaction,
- an analysis of the correctness and completeness of the disclosures in the financial statements related to this matter.

ASSESSMENT OF THE GOING CONCERN ASSUMPTION

Description

In assessing the Company's ability to continue as a going concern, the Board of Directors analysed the Company's situation in connection with the sale of Medi-Lynx Cardiac Monitoring, LLC (Medi-Lynx), the Company's previous main customer for the Company's products and services, and analysed the impact of this transaction on the Company's future operations.

On 28 July 2022, Medicalgorithmics US Holding Corporation, in which the Company holds a 100% interest, entered into a Promissory Transfer Agreement with Medi-Lynx Holdings, LLC for the transfer of shares in Medi-Lynx Cardiac Monitoring, LLC (Medi-Lynx).

The share transfer agreement was accompanied by a support agreement under which the Company agreed to supply Medi-Lynx with the Company's products, repair and service the products, provide support services consisting of, among other things, reporting, monitoring, updating and providing software support for the products, and provide technical support and monitoring services. The support agreement provided for a different remuneration model for 2022 and a different one for 2023 and subsequent periods.

From 2023 onwards, the remuneration is calculated based on the number and type of tests performed, thus the revenue depends on the number and type of tests actually performed per month by Medi-Lynx. In addition, the support agreement provides for minimum levels of revenue for the Company for support services in each month of 2023 and beyond. The support agreement is for an indefinite period, subject to a 60-day notice period .

In addition to the revenue generated from the collaboration with Medi-Lynx, the Company received funds from Biofund Capital Management, LLC (Biofund) in the amount of PLN 13,808 thousand as part of the settlement of the acquisition of shares issued by the Company. In addition to the cash contribution, Biofund, in the investment agreement, agreed to provide the Company with additional financing of up to PLN 13,800 thousand over a period of three years from the date of acquisition of the Company's shares, depending on the Company's justified needs and the possibility of obtaining financing from third parties. In addition, the Company received cash of US\$3m in 2023 as tax refunds received by Medi-Lynx.

Disclosures relating to this issue are presented in notes 2.1 and 2.2, 2.8, 2.10, 8, 17, 23, 24.2, 33 to the financial statements.

Auditor's response

We performed an analysis of the transaction, its correct recognition in the accounting books, its presentation in the financial statements as at 31 December 2022, and an analysis regarding the possibility of going concern in the context of the company's discontinued material sales segment.

Audit procedures performed in this area included, among others:

- analysis of the share sale agreement and documents evidencing the settlement of cash proceeds from Biofund,
- analysis of budgets and forecasts as well as sales after the balance sheet date of the company with regard to the possibility of continuing the business,
- discussions with the Board of Directors on factors influencing the judgement on the ability to continue as a going concern.

Responsibilities of Management Board and Supervisory Board for the Annual Financial Statements

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

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

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2023, item 120, as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Company are obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Company.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Company's operations

The other information comprises the Report on the Company's operations for the financial year ended December 31, 2022, the Corporate Governance Statement which is a separate part of the Report on the Company's operations and the Annual Report for the year ended December 31, 2022 (but does not include the financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board

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

Responsibilities of the Auditor

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

Opinion on the Report on the Company's operations

In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act and Paragraph 70 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual financial statements. Moreover, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we state that we have not identified any material misstatements in the Report on the Company's operations

Opinion on the Corporate Governance Statement

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

Report on Other Legal and Regulatory Requirements

Statement on non-audit services

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

Appointment of the Audit Firm

We were appointed to audit the annual financial statements of the Company for the years 2021 and 2022 by the Supervisory Board's resolution of 18 May 2021. We have been auditors of the Company since the financial year ended 31 December 2021, i.e. for two consecutive financial years. The financial statements for the year 2022 are the second annual financial statements of the Company that we audit.

Marcin Diakonowicz

Statutory Auditor No. 10524
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Warsaw, April 27, 2023

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