MEDICALgorithmics
INNOVATIVE SOLUTIONS IN MEDICINE

Interim condensed consolidated financial statements of **Medicalgorithmics Capital Group**

Quarter 3, 2022

Interim condensed consolidated statement of financial position	**PLN '000**		**EUR '000**	
	30.09.2022 *(unaudited)*	**31.12.2021** *(audited)*	**30.09.2022** *(unaudited)*	**31.12.2021** *(audited)*
Non-current assets	6 730	77 664	1 382	16 886
Intangible assets	4 475	50 571	919	10 995
Long-term financial assets	59	97	12	21
Current assets	28 878	36 746	5 930	7 989
Short-term receivables	7 116	25 079	1 461	5 453
Cash and cash equivalents	12 794	11 667	2 627	2 537
Long-term liabilities	8 268	26 761	1 698	5 818
Short-term liabilities	12 169	40 255	2 499	8 752
Equity attributable to Shareholders of the Parent Company	15 160	47 385	3 113	10 302
Share capital	498	498	102	108
Non-controlling interests	11	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)	3,05	9,52	0,63	2,07

Interim condensed consolidated statement of comprehensive income	**01.01.2022-30.09.2022** *(unaudited)*	**01.01.2021-30.09.2021** *(unaudited)*	**01.01.2022-30.09.2022** *(unaudited)*	**01.01.2021-30.09.2021** *(unaudited)*
Sales revenue	44 156	89 627	9 419	19 661
Profit/(Loss) on sales	11 269	(20 016)	2 404	(4 391)
Operating profit/(loss)	15 650	(14 524)	3 338	(3 186)
Profit/(Loss) before tax	16 009	(12 668)	3 415	(2 779)
Net profit/(loss) from continuing operations	17 150	-	3 658	-
Net profit/(loss) from discontinued operations	(38 239)	-	(8 157)	-
Net profit/(loss)	(21 089)	(4 219)	(4 498)	(926)
- attributable to Shareholders of the Parent Company	(21 089)	(4 218)	(4 498)	(925)
- attributable to non-controlling interests	-	(1)	-	-
Net profit/(loss) attributable to Shareholders of the Parent Company per share (in PLN) – basic	(4,24)	(1,02)	(0,90)	(0,22)

Interim condensed consolidated statement of cash flows	**01.01.2022-30.09.2022** *(unaudited)*	**01.01.2021-30.09.2021** *(unaudited)*	**01.01.2022-30.09.2022** *(unaudited)*	**01.01.2021-30.09.2021** *(unaudited)*
Net cash flows from operating activities	13 998	(5 002)	2 986	(1 097)
Net cash flows from investing activities	(2 276)	(12 091)	(486)	(2 652)
Net cash flows from financing activities	(1 201)	8 825	(256)	1 936
Total net cash flows	10 521	(8 268)	2 244	(1 814)

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 30 September 2022, i.e. EUR/PLN 4,8698, 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 30 September 2022, i.e. EUR/PLN 4,6880, and from 1 January 2021 to 30 September 2021, i.e. EUR/PLN 4,5585

Presentation of selected data according to IFRS 5

Upon the divestment of shares in Medi-Lynx Cardiac Monitoring LLC, which occurred on July 15, 2022 based on the agreement of July 28, 2022, according to IFRS 5 the Group results are restated and presented as *continuing operations*. They are marked in the report as Cont., including division into assets held for sale and their related liabilities. Medi-Lynx's results are presented as *discontinued operations* and marked in the report as Disc. For comparability of the current report and the report covering the last period presented, the Group's results have also been presented consolidated.

		30.09.2022 *(unaudited)*	30.06.2022 *(unaudited)*	31.12.2021 *(audited)*	30.09.2021 *(unaudited)*
Intangible assets	13	4 475	4 311	4 473	25 567
Property plant and equipment	14	2 196	2 533	3 107	3 450
Long-term receivables	16	-	-	-	31
Financial assets	15	59	59	97	162
Deferred income tax assets		-	-	-	4 033
Non-current assets		**6 730**	**6 903**	**7 677**	**33 243**
Stocks		8 968	7 807	7 138	6 510
Trade and other receivables	16	7 116	5 550	6 885	6 574
Short-term accruals	15	-	-	-	-
Cash and cash equivalents	17	12 794	5 490	2 273	3 030
Current assets		**28 878**	**18 847**	**16 296**	**16 114**
Assets related to assets classified as held for sale		**-**	**33 013**	**90 437**	**244 500**
TOTAL ASSETS		**35 608**	**58 763**	**114 410**	**293 857**

		30.09.2022 *(unaudited)*	30.06.2022 *(unaudited)*	31.12.2021 *(audited)*	30.09.2021 *(unaudited)*
Share capital		498	498	498	433
Supplementary capital		148 123	148 123	148 123	137 129
Retained earnings		(125 847)	(153 258)	(104 758)	71 662
Foreign exchange differences		(7 614)	(2 485)	3 522	2 161
Equity attributable to Shareholders of the Parent Company		**15 160**	**(7 122)**	**47 385**	**211 385**
Non-controlling interests		**11**	**9**	**9**	**9**
Provisions		166	157	105	3 629
Deferred tax liabilities		-	926	4 208	2 882
Credits and loans	20	-	-	3	26
Other financial liabilities	21	3 796	5 652	7 018	7 817
Other liabilities		144	144	144	144
Accruals and deferred income	22	4 162	3 798	3 227	2 517
Long-term liabilities		**8 268**	**10 677**	**14 705**	**17 015**
Credits and loans	20	1 649	4 329	1 519	10 505
Short-term provisions		651	1 030	780	-
Other financial liabilities	21	5 906	5 096	3 700	3 393
Trade and other liabilities	22	3 814	5 195	4 713	3 289
Income tax liabilities		103	96	113	100
Accruals and deferred income	22	46	44	46	-
Short-term liabilities		**12 169**	**15 790**	**10 871**	**17 287**
Total liabilities		**20 438**	**26 467**	**25 576**	**34 302**
Liabilities relating to assets classified as held for sale		**-**	**39 409**	**41 440**	**48 161**
TOTAL EQUITY AND LIABILITIES		**35 608**	**58 763**	**114 410**	**293 857**

		01.07.2022-30.09.2022 *(unaudited)*	01.07.2021-30.09.2021 *(unaudited)*	01.01.2022-30.09.2022 *(unaudited)*	01.01.2021-30.09.2021 *(unaudited)*
Sales revenue	6	**17 428**	**11 618**	**44 156**	**33 731**
Raw materials and consumables used		(6 485)	(3 931)	(8 776)	(6 220)
Employee benefits	7	(4 354)	(2 771)	(12 817)	(9 272)
Amortization and depreciation	8	(943)	(1 025)	(2 956)	(3 177)
Third-party services	9	(3 379)	(2 012)	(7 968)	(6 084)
Other		(139)	(128)	(370)	(340)
Total costs of sales		**(15 300)**	**(9 867)**	**(32 887)**	**(25 093)**
Profit/(Loss) on sales		**2 128**	**1 751**	**11 269**	**8 638**
Other operating revenue	10	4 998	59	5 294	127
Other operating expenses	10	(396)	(9)	(913)	(119)
Operating profit/(loss)		**6 730**	**1 802**	**15 650**	**8 646**
Finance income	11	(218)	2 413	614	2 523
Finance costs	11	(78)	(164)	(255)	(460)
Net finance income/(costs)		**(296)**	**2 249**	**359**	**2 063**
Profit/(Loss) before tax		**6 434**	**4 051**	**16 009**	**10 709**
Income tax	12	(1 809)	(4 353)	1 141	(1 586)
Profit/(Loss) from continuing operations		**4 625**	**(303)**	**17 150**	**9 124**
Net profit/(loss) from discontinued operations		**22 786**	**(1 053)**	**(38 239)**	**(13 342)**
Profit/(loss) for the reporting period attributable to Shareholders of the Parent Company		27 411	(1 356)	(21 089)	(4 218)
Profit/(loss) for the reporting period attributable to non-controlling interests		-	-	-	(1)
		27 411	**(1 356)**	**(21 089)**	**(4 219)**
Other comprehensive income					
Currency translation differences		(5 127)	3 727	(11 134)	4 740
Exchange differences on loans constituting a part of net investments in subsidiaries		-	3 537	-	4 331
Deferred tax on valuation of exchange differences on loans		-	(672)	-	(823)
Other comprehensive income for the period to be reclassified to profit or loss in subsequent reporting periods		**(5 127)**	**6 592**	**(11 134)**	**8 248**
Other comprehensive income		**(5 127)**	**6 592**	**(11 134)**	**8 248**
Other comprehensive income attributable to Shareholders of the Parent Company		(5 129)	6 592	(11 136)	8 248
Other comprehensive income attributable to non-controlling interests		2	(0)	2	(0)
Total comprehensive income for the reporting period					
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		22 282	5 236	(32 225)	4 030
Comprehensive income for the reporting period attributable to non-controlling interests		2	0	2	(1)
		22 285	**5 236**	**(32 223)**	**4 029**

Profit/(Loss) attributable to Shareholders of the Parent Company per share (in PLN)				
- basic	5,51	(0,31)	(4,24)	(1,02)
- diluted	5,51	(0,31)	(4,24)	(1,02)

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as of 1 January 2022 *(audited)*	**498**	**148 123**	**(104 758)**	**3 522**	**47 385**	**9**	**47 394**
Comprehensive income for the reporting period	-	-	-	-	-	-	-
Net profit/(loss) for the current reporting period	-	-	(21 089)	-	(21 089)	-	(21 089)
Other comprehensive income	-	-	-	(11 136)	(11 136)	2	(11 134)
	-	**-**	**(21 089)**	**(11 136)**	**(32 225)**	**2**	**(32 223)**
Transactions recognized directly in equity							
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as of 30 September 2022 *(unaudited)*	**498**	**148 123**	**(125 847)**	**(7 614)**	**15 160**	**11**	**15 171**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as of 1 January 2022 *(audited)*	**498**	**148 123**	**(104 758)**	**3 522**	**47 385**	**9**	**47 394**
Comprehensive income for the reporting period							
Net profit/(loss) for the current reporting period	-	-	(48 500)	-	(48 500)	(0)	(48 500)
Other comprehensive income	-	-	-	(6 007)	(6 007)	-	(6 007)
	-	**-**	**(48 500)**	**(6 007)**	**(54 507)**	**(0)**	**(54 507)**
Transactions recognized directly in equity							
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as of 30 June 2022 *(unaudited)*	**498**	**148 123**	**(153 258)**	**(2 485)**	**(7 122)**	**9**	**(7 113)**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as of 1 January 2021 *(audited)*	**433**	**137 129**	**75 880**	**(6 087)**	**207 355**	**10**	**207 365**
Comprehensive income for the reporting period							
Net profit/(loss) for the current reporting period	-	-	(180 638)	-	(180 638)	(0)	(180 638)
Other comprehensive income	-	-	-	9 609	9 609	(1)	9 608
	-	**-**	**(180 638)**	**9 609**	**(171 029)**	**(1)**	**(171 030)**
Transactions recognized directly in equity							
Issue of shares in the Parent Company	65	10 994	-	-	11 059	-	11 059
Share purchase transaction							
Total contributions from and distributions to owners	**65**	**10 994**	**(180 638)**	**9 609**	**(159 970)**	**(1)**	**(159 971)**
Equity as of 31 December 2021 *(audited)*	**498**	**148 123**	**(104 758)**	**3 522**	**47 385**	**9**	**47 394**

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as of 1 January 2021 *(audited)*	**433**	**137 129**	**75 880**	**(6 087)**	**207 355**	**10**	**207 365**
Comprehensive income for the reporting period							
Net profit/(loss) for the current reporting period	-	-	(4 218)	-	(4 218)	(1)	(4 219)
Other comprehensive income	-	-	-	8 248	8 248	-	8 248
	-	**-**	**(4 218)**	**8 248**	**4 030**	**(1)**	**4 029**
Transactions recognized directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of shares in the Parent Company	-	-	-	-	-	-	-
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as of 30 September 2021 *(unaudited)*	**433**	**137 129**	**71 662**	**2 161**	**211 385**	**9**	**211 394**

Cash flows from operating activities	01.01.2022-30.09.2022 *(unaudited)*	01.01.2021-30.09.2021 *(unaudited)*
Net profit/(loss) for the reporting period	**(21 089)**	**(4 219)**
Depreciation of property, plant and equipment	908	6 295
Amortization of intangible assets	2 047	6 489
Income tax	879	(7 520)
Change in inventory	(1 830)	-
Change in trade and other receivables	(12 993)	(6 237)
Change in accruals, prepayments and deferred income	-	246
Change in trade and other liabilities	805	4 499
Change in provisions	(720)	762
Change in financial liabilities	10 822	(12 082)
Updating of intangible assets	(214)	6 650
Profit from the sale of investments	-	111
Net finance (income)/costs	1 142	-
Tax Refund	2 108	2 221
Foreign exchange differences	-	(3 056)
Interest	254	532
Write-down of receivables	31 749	-
Other	130	308
	13 998	**(5 002)**
Cash flows from investing activities		
(Acquisition)/sale of intangible assets	-	(4 638)
(Acquisition)/sale of property, plant and equipment	(3 500)	(7 491)
(Acquisition)/sale of other investments	(5 844)	38
Proceeds/expenses from the sale of investments	6 815	-
Other financial inflows	253	-
	(2 276)	**(12 091)**
Cash flows from financing activities		
Income from issue of shares	-	-
Proceeds/Repayments on loans taken out	237	7 585
Repayment debt on credit card	(21)	(90)
Other financial expenditure	(1 347)	-
Payments of finance lease liabilities	(754)	(4 193)
Repayment of financial liabilities	-	(2 040)
Other financial inflows	-	-
Proceeds from grants received	(55)	7 563
Impact from. loans from the buyer of Medi-Lynx	739	-
	(1 201)	**8 825**
Total net cash flows	**10 521**	**(8 268)**
Opening balance of cash and cash equivalents	2 273	16 197
Closing balance of cash	**12 794**	**7 929**

1. General information

Unless otherwise implied by the context, terms and expressions used herein, such as "Company", "Medicalgorithmics", "Parent" or others of similar meaning, including their variations, refer to Medicalgorithmics S.A., while "Group", "Capital Group", "Medicalgorithmics Capital Group" or others of similar meaning, including their variations, refer to the Capital Group consisting of Medicalgorithmics S.A. and the consolidated entities.

"Report" means this interim condensed consolidated report covering the third quarter (Q3) of 2022. "Consolidated statements" mean the consolidated financial statements of Medicalgorithmics Capital Group as of S, eptember 302022, covering the period from January 1, 2022 to September 30, 2022, including comparable data as of June 30, 2021 and December 31, 2021 as well as data of the corresponding period of 2021.

2. Capital Group details

Medicalgorithmics Capital Group consists of Medicalgorithmics S.A. and its subsidiaries. The Parent 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”);
- 97% shares in Medicalgorithmics India Private Limited ("MDG India") based in Bengaluru, India.

On July 28, 2022, 100% shares in Medi-Lynx Cardiac Monitoring, LLC ("Medi-Lynx”) based in Plano, Texas (owned by the Parent through MDG HoldCo) were sold.

The composition of Medicalgorithmics Capital Group and its organizational/equity links as of September 30, 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 the area of 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.

Its services are available in several countries and continents of the world, including North America, Asia, Europe 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. Parent information

Medicalgorithmics S.A. is a joint-stock company (corporation) registered in Poland. The Parent was established based on a notarial deed of June 23, 2005 (ref. A 1327/2005). In 2011, its shares debuted on NewConnect, an alternative trading system of the Warsaw Stock Exchange. Since February 3, 2014 Medicalgorithmics S.A. has been listed on WSE's primary market.

The Parent was registered in the National Court Register by the Warsaw District Court based in Warsaw, 12th Commercial Division, and its company number (KRS) is: 0000372848.

The Parent has also been assigned statistical and VAT numbers: REGON 140186973 and NIP 5213361457, respectively. The Parent's registered office is Al. Jerozolimskie 81, 02-001 Warsaw, Poland.

As of the balance sheet date and the date of preparation and publication of these consolidated financial statements, the Parent's Management Board and Supervisory Board included the following individuals:

Management Board
Maciej Gamrot - Member of Management Board, CFO
Jaroslaw 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 (until June 30, 2022)
Andrzej Gładysz – Chairman of Supervisory Board (since October 28, 2022), Member of Supervisory Board, Chairman of Nomination and Remuneration Committee, Member of Audit Committee
Michał Wnorowski – Vice Chairman of Supervisory Board, Chairman of Audit Committee
Anna Sobocka – Member of Supervisory Board, Member of Audit Committee (since July 1, 2022)
Iwona Zatorska-Pańtak – Member of Supervisory Board, Member of Nomination and Remuneration Committee (since July 1, 2022)
Slawomir Kościak – Member of Supervisory Board, Member of Nomination and Remuneration Committee (since July 1, 2022)
Werner Engelhardt – Member of Supervisory Board (until March 21, 2022)
Brandon von Tobel – Member of Supervisory Board, Member of Nomination and Remuneration Committee (until March 22, 2022)
Grzegorz Janas – Member of Supervisory Board (until April 30, 2022)
Stanisław Borkowski – Member of Supervisory Board, Member of Nomination and Remuneration Committee (until June 30, 2022)
Martin Jasinski – Member of Supervisory Board, Member of Nomination and Remuneration Committee (until June 30, 2022)
Paweł Lewicki – Member of Supervisory Board (since November 16, 2022)
Krzysztof Siemionow – Member of Supervisory Board (since November 16, 2022)
David Cash – Member of Supervisory Board (since November 16, 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.

On April 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 30, 2022, the Company was informed that Mr Marek Dziubiński resigned from the Chairman position in the Supervisory Board, effective June 30, 2022, and Mr Martin Jasinski resigned from the member position in the Supervisory Board, effective June 30, 2022.

On June 15, 2022, the Company was informed that Mr Stanisław Borkowski resigned from the member position in the Supervisory Board, effective from June 30, 2022.

On June 30, 2022, the Annual General Meeting appointed Mr Sławomir Kościak and Ms Iwona Zatorska-Pańtak to the Supervisory Board of Medicalgorithmics S.A., effective July 1, 2022.

On October 28, 2022, the Extraordinary General Meeting elected Mr Andrzej Gładysz as the Chairperson of the Supervisory Board.

On November 16, 2022, the Management Board of Medicalgorithmics S.A., in reference to its Current Report 62/2022 of October 28, 2022, announced that as the conditions precedent required under Resolutions 8/10/2022, 9/10/2022 and 10/10/2022 of the Extraordinary General Meeting of October 28, 2022, have been fulfilled, the following individuals were appointed as of November 16, 2022: Mr Paweł Lewicki, Mr Krzysztof Siemionow and Mr David Cash, as members of the Company’s Supervisory Board.

4. Basis for preparation

4.1. Statement of conformance

The interim condensed consolidated financial statements of the Group and the interim condensed separate financial statements of Medicalgorithmics S.A. have been prepared in conformity with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as well as relevant accounting standards applicable to interim financial reporting as adopted by the European Union ("EU IFRS"), published and in effect at the time when this report has been prepared. The interim condensed financial statements do not include all information and disclosures that are otherwise required in annual financial statements. They should be interpreted in conjunction with the consolidated financial statements of the Group as well as the separate financial statements of the Company, both for the year ended on December 31, 2021, and the Management Reports of the Group and of the Company concerning their 2021 operations.

Going concern assumption

In the Parent's separate and consolidated financial statements for 2021, approved on April 28, 2022, the Management Board indicated several 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.

These efforts have led to an announcement, published by the Management Board of Medicalgorithmics S.A. in Current Report 52/2022 on July 28, 2022, that as follow up to the preliminary agreement for the sale of 1,000 shares in Medi-Lynx Cardiac Monitoring, LLC (“Medi-Lynx”), i.e. 100% of its share capital ("Shares"; "Preliminary Agreement"), Medicalgorithmics US Holding Corporation ("Seller") signed the final agreement with Medi-Lynx Holdings, LLC ("Buyer") which transferred the Shares.

The total price for the Shares, paid in cash, was USD 1,750,000, incl. USD 1,375,000 for the acquisition of the Shares and USD 375,000 as cash equivalent held by Medi-Lynx on the date of the transfer. This price may be increased by certain variable components of the sale price, as detailed in the Company's current report 47/2022 concerning the preliminary agreement for the sale of 100% shares in the Issuer's subsidiary (Medi-Lynx Cardiac Monitoring, LLC). Such variable components of the sale price are 65% of tax refunds (if any) received by Medi-Lynx (i.e. partial refund of personal income tax paid under the Employee Retention Credit program to U.S. Internal Revenue Service (IRS), as further discussed in the Contingent Assets note below and in the Company's financial statements for 2021), less any refund-related costs indicated in the Agreement, and 65% of the difference between disputed tax liabilities of Medi-Lynx (sales and excise taxes) for the period from July 1, 2014 to December

31, 2020 (estimated at approx. 3.479 thousand USD as of the date of the Agreement) and the amounts actually paid in settlement of these arrears, less any costs of tax proceedings (the payment of the components described above constitutes a joint and several liability of React Health and the Buyer).

In addition, in performance of the Preliminary Agreement, the Company signed, among others, a support agreement with Medi-Lynx and React Health Holdings, LLC ("React Health") that sets out the rules of business collaboration between the parties ("Support Agreement") starting July 1, 2022.

This transaction has been enabled by a number of previous agreements signed: an option agreement to acquire selected assets of Medi-Lynx and a facility agreement for a loan to Medi-Lynx as described in Current Report 30/2022 of May 18, 2022, with a letter of intent signed before as described in Current Report 24/2022 of May 7, 2022. Next, on May 10, 2022, the Extraordinary General Meeting of Medicalgorithmics S.A. approved the Company's divestiture of material assets of the capital group.

For the sake of clarity, the Company informs that the divested assets 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).

According to the Support Agreement, the Company has agreed to: (i) provide Medi-Lynx with its own products, especially PocketECG system ("Products"), (ii) repair and service the Products, (iii) provide support services involving, for example, reporting, monitoring, updates and software support for the Products, and (iv) provide technical support / monitoring services ("Support").

The Support Agreement stipulates a different compensation model for the Company’s support services in 2022 and 2023. In 2022, the compensation was USD 600,000 and, from August to December, there will be a fixed fee paid of USD 666,000 per month.

In 2023 and afterwards, the service fee will be calculated based on the actual number of tests carried out and a unit test price defined for a given type of test (i.e. Holter, Extended Holter using PocketECG IV, Extended Holter using QPatch, Event, MCT). In addition, the agreement allows potential renegotiation and increase of the fee for MCT tests which are conducted once the Company's solutions (now in development) become available to Medi-Lynx: the next generation of the ECG analysis algorithm (so-called DRAI) and the next generation of the PocketECG system. Based on the Company’s average data on the number of test claims filed with insurers for February, March, April 2022 (5.8 thousand per month), the future contractual rates imply a potential average monthly revenue of USD 400 thousand from the support services. Starting January 2023, the revenue will depend on the true number of tests performed by Medi-Lynx monthly.

In addition, the Support Agreement stipulates a minimum revenue for the Company's Support services: (i) USD 500,000 for the Support in January 2023, (ii) USD 400,000 for the Support in February 2023, (iii) USD 300,000 for the Support in March 2023, and (iv) USD 175,000 for the Support in April 2023 and afterwards. If the actual value of the Support services calculated based on the unit rates that are in the Support Agreement exceeds the above minimum levels, such amount will constitute an additional compensation for the Company.

The compensation under the Support Agreement also includes a fee for Product delivery, calculated by multiplying the Products delivered and their delivery price as specified in the Support Agreement, as well as a fee for Product repairs and servicing, calculated based on specific rates stipulated in the Support Agreement, depending on the number of repair and service tasks performed.

Payments under the Support Agreement are secured by a guarantee underwritten by React Health.

In the Support Agreement, the Company has granted Medi-Lynx exclusive rights to sell, market and distribute the Company Products and services in the U.S., subject to certain limitations under the agreement. These limitations include, for example, the ability of the Company to seek new customers in the U.S. and to sell Products and services to them, subject to prior notification to Medi-Lynx of such intent and subject to an exclusivity period of 180 days from the date of such notification. This exclusivity period will not apply if the compensation payable to the Company for its Monitoring services is less than USD 300,000 for two consecutive months.

The Support Agreement was concluded for an indefinite time but may be terminated by either party upon a prior notice of 6 months. Also, the Support Agreement provides for an option for Medi-Lynx to terminate it upon a prior notice of 60 days in the event of material breach by the Company and failure to remedy it within a certain time limit prescribed there, or in the event of material breach by Medi-Lynx or React Health upon a prior notice of 30 days and failure to remedy the breach within a certain time limit prescribed there. The Support Agreement was executed based on the laws of the State of Delaware, USA.

The Company has granted Medi-Lynx and React Health an exclusive, royalty-free license to use the intellectual property necessary to provide remote cardiac monitoring services and any related services in the U.S. territory, namely to the extent necessary for Medi-Lynx and React Health to perform the Support Agreement.

Payments under the license agreement are guaranteed by React Health. The license for the intellectual property necessary to provide the remote cardiac monitoring services remains exclusive as long as the exclusivity is effective under the Support Agreement. The license agreement will expire upon the occurrence of certain termination events, as indicated in the agreement, which are attributable to the Company (e.g., discontinued business, prevented performance of the license agreement due to the Company's fault). Also, the license agreement provides for an option for the Company to terminate it upon a prior notice of 6 months, or upon a prior notice of 30 days in the event of material breach of the agreement and failure to remedy the breach within a certain time limit prescribed there.

Furthermore, the Company has granted Medi-Lynx and React Health a paid two-year license starting on a date when a given termination event will occur, if any. For the license referred to in the previous sentence, the Company will receive a monthly fee of 20% of the last monthly IT support fee as invoiced under the Support Agreement for the month that immediately precedes the occurrence of such termination event. The license agreement was executed based on the laws of the State of Delaware, USA.

In performance of the Preliminary Agreement, as a condition precedent of the transaction, the Company signed an agreement under the Seller sold certain receivables claimed from Medi-Lynx, valued at approx. USD 14 million (“Claims”), for a sale price of USD 1.3 million. Next, the Seller signed a debt relief agreement with Medi-Lynx under which the Claims have been cancelled in full (and all receivables outstanding as of March 31, 2022 were written off in the first quarter of 2022).

Based on the Loan agreement, the React provided Medi-Lynx with the Loan as follows: USD 300 thousand under the Loan was transferred to Medi-Lynx on the date of the Loan agreement, and two sums of USD 800 thousand each were transferred directly by React to the Company as payment for services and equipment supplied by the Company to Medi-Lynx in the previous month – 2% fee was withheld on the transferred amounts.

The transaction allows the Company to return to the US operating model which it had prior to the acquisition of Medi-Lynx, namely to provide services and technology based on a strategy that has been proved successful today in markets outside the US where it delivers sales increases of 30% year on year.

In the opinion of the Management Board, the Parent's situation is going to improve as intra-Group sales (to Medi-Lynx which used to fail payments due to lack of funds) will now become third-party transactions with a new business partner who is declaring to be able to pay them. Hence, the implementation of the above transaction may bring certain benefits to the Company making its liquidity secured, assuming that React Health and Medi-Lynx meet their obligations, as well as assuming the fulfillment of other financial plan assumptions of the Company.

On August 26, 2022, the Management Board of Medicalgorithmics S.A. announced its decision to delay the public disclosure of certain confidential information concerning the start of the negotiations for a transaction that would involve the acquisition of newly issued shares of the Company, in a quantity of 49.99% of the Company's share capital, by Biofund Capital Management LLC or its subsidiary.

On November 8, 2022, as the conditions precedent required under the investment agreement of October 1, 2022, made between the Company and Biofund Capital Management LLC based in Miami (USA) (“Biofund”), have been fulfilled, the Company and Biofund signed:

1) an agreement under which Biofund acquired 995,276 series I bearer shares, 1,194,331 series J registered shares, 1,433,197 series K registered shares and 1,353,580 series L registered shares issued by the Company based on Resolution 4/10/2022 of its Extraordinary General Meeting of October 28, 2022 (collectively "Shares"), at an issue price of PLN 44.27 per Share, in exchange for a contribution worth approx. PLN 220 million, including cash in the total amount of PLN 13,807,810.30 (on November 16, 2022, deposited in an escrow account according to the investment agreement) as well as a non-cash contribution of 1,500 shares, fair value of USD 44,890,589, in the share capital of Cardiolytics Inc. based in Oklahoma (USA) (“Cardiolytics”), namely all (100%) Kardiolytics shares.

2) an agreement under which Biofund contributed to the Company a total of 1,500 shares in the Cardiolytics share capital, representing 100% its share capital, to partly cover the total issue price of the Shares.

A summary of the public offering was described in Current Report 66/2022 of November 16, 2022.

On November 29, 2022, the Management Board verified that the District Court for Warsaw, in Warsaw, registered the amended version of the Articles of Association according to the adopted: (i) Resolution 4/10/2022 of the Extraordinary General Meeting of October 28, 2022. The registration was effective as of November 29, 2022, as further described in Current Report 67/2022.

In addition to the cash contribution, based on the investment agreement Biofund has warranted to provide the Company with additional finance up to PLN 13,800,000, over a period of 3 years from the acquisition of the Company's shares, depending on the Company's reasonable needs and any third-party finance obtained, on such terms and times as will be agreed upon with the Supervisory Board.

In the context of the above, the Management Board prepared this Q3 2022 interim financial statements on a going concern assumption for the Company and MDG S.A. Capital Group.

4.2. Medi-Lynx Cardiac Monitoring, LLC – discontinued operations

On July 28, 2022, Medicalgorithmics US Holding Corporation, as the selling party, made a conditional agreement to sell 100% shares in Medi-Lynx Cardiac Monitoring LLC to Medi-Lynx Holdings, LLC. According to IFRS 1, taking into account the Group's data after the sale of Medi-Lynx, the Group will record a significantly reduced scope of operations and revenues in the context of this standard. Notably, at the same time the Group is restores its services and technology that will now be supplied based on a business model that engages a Business Partner in the US, just like in the other markets. This return to a more uniform business strategy that had already led the Group to success before has allowed the Group to procure financing and ultimately lay ground for further strengthening and growth in sales as well as cost optimization and greater operational flexibility in the coming years.

4.3. 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. Translation of items not in 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 denominated in a currency other than the functional currency are reported at the historical exchange rate on the transaction date. 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).

4.4. 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.

Professional judgment

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);
- viability of business plans (Note 4.1);
- 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:

- proper presentation as per IFRS 5 of assets and liabilities held for sale, as well as income statement and cash flows related to discontinued operations associated with such assets held for sale - Note 4.1;
- 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 22;
- 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) – Note 17;
- 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 11).
  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 COVID-19 pandemic not to be so significant anymore on the Group's operations. In 2022, 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.

4.5. Error correction

The prepared interim condensed consolidated financial statements not include any correction of fundamental errors from previous periods.

4.6. 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 (incl. IFRS 5 on discontinued operations as described in Note 4.2):

- 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.

4.7. Signing of interim condensed financial statements

The interim consolidated financial statements do not require approval of the approving body, according to Article 53 of the Accounting Act of September 29, 1994. The interim condensed consolidated financial statements are signed by a manager of the entity, namely the Management Board of Medicalgorithmics S.A. and, if appointed, the person in charge of bookkeeping. These interim condensed consolidated financial statements for Q3 2022 were signed on November 29, 2022.

4.8. Consolidation methods

The consolidation principles adopted to prepare these financial statements have not changed from those applied and detailed in the notes to the 2021 consolidated financial statements.

The Management Board draws attention to the transfer of Medi-Lynx as further described in Note 4.1, which was closed on July 28, 2022 and fully reflected in these financial statements. The impact of this transaction involves IFRS 5 (discontinued operations) and its application:

- recognition of gains resulting from the divested assets and related liabilities representing the discontinued operations,
- recognition of net loss from the discontinued operations in the income statement.

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 operates mainly outside Poland, and 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 nor is it planning to discontinue any operations in the next period. The Management Board draws attention to the transfer of Medi-Lynx as further described in Note 4.1, which was closed on July 28, 2022 and which, however, does not imply discontinuation of business in the US but rather a change in the US business model that will not focus on the supply of services through an independent partner (Medi-Lynx), namely the model already applied across all other foreign markets in which the Group operates.

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

By type	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Revenue from sales of services	15 590	11 485	41 728	32 134
Revenue from sales of devices	1 838	133	2 428	1 597
Total revenue	**17 428**	**11 618**	**44 156**	**33 731**

By territory	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Domestic sales	562	498	1 702	1 588
Export sales	16 866	11 120	42 454	32 143
Total revenue	**17 428**	**11 618**	**44 156**	**33 731**

7. Employee benefits

	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Remuneration	(3 840)	(2 455)	(11 117)	(8 386)
Social security and other employee benefits	(514)	(316)	(1 700)	(886)
	(4 354)	**(2 771)**	**(12 817)**	**(9 272)**

8. Third-party services

	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Lease and rental	(360)	(230)	(766)	(542)
Telecommunication and Internet services	(70)	(16)	(183)	(123)
IT services	(612)	(832)	(2 280)	(2 346)
Accounting and financial audit services	(542)	(165)	(1 167)	(727)
Advisory services	(494)	(360)	(1 105)	(1 018)
Transport and courier services	(143)	(78)	(404)	(245)
Monitoring services	(80)	(44)	(198)	(147)
Leases	-	-	-	-
Maintenance services	-	-	-	-
Marketing services	(19)	(9)	(38)	(24)
Other third-party services	(1 059)	(278)	(1 827)	(912)
	(3 379)	**(2 012)**	**(7 968)**	**(6 084)**

For an explanation of major changes in each category of the third-party services, see the Management Report.

In the nine months of 2022, as well as in the comparative period, a significant portion of the third-party services expense were IT, accounting, auditing and consulting 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 and the potential sale of the Group's assets.

9. Other operating income and expenses

	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Resolution of write-downs of receivables	3 543	-	3 586	-
Other	208	59	461	127
Earnings for HoldCo's debt restructuring	1 247	-	1 247	-
Other operating revenue	**4 998**	**59**	**5 294**	**127**
Write-down on goodwill	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-
Write-down of receivables	(43)	-	-	-
Other	(353)	(9)	(913)	(119)
Other operating expenses	**(396)**	**(9)**	**(913)**	**(119)**

In Q3 2022, the Group recognized income from the reversal of the allowance for doubtful receivables, mainly those tied up in receivables from Medi-Lynx, and recognized a gain on debt restructuring of PLN 1.2 million.

10. Financial income and cost

	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Interest income	-	42	-	42
Foreign exchange differences	(218)	2 260	399	2 370
Other	-	111	215	111
Finance income	**(218)**	**2 413**	**614**	**2 523**
Interest on borrowings contracted	(61)	(145)	(200)	(403)
Interest on finance leases	(12)	(19)	(42)	(56)
Other	(5)	-	(13)	-
Finance costs	**(78)**	**(164)**	**(255)**	**(459)**
Net finance costs	**(296)**	**2 249**	**(359)**	**2 064**

11. Effective tax rate

	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Profit before tax	(22 229)	(12 668)
Tax at the tax rate applicable in Poland	4 224	2 407
Non-tax-deductible costs	(211)	(99)
Difference between the tax rate in Poland and USA	1 951	1 569
Amortization of goodwill for tax purposes	1 939	1 250
Write off of goodwill	(173)	(1 264)
Non-taxable revenue	121	2 875
Tax benefit due to the application of the IP BOX relief	-	1 699
Other	23	12
Tax reported in the statement of comprehensive income	**7 874**	**8 449**

12. Net loss from the discontinued operations

		01.01.2022-30.09.2022	01.01.2022 30.06.2022
1.	**Loss on discontinued operations in the reporting period (A+B)**	**(50 742)**	**(61 025)**
A.	Loss on discontinued operations in the reporting period	(61 025)	(61 025)
B.	Exclusion of the write-off for Q1 2022	10 283	-
2.	**Gain on disposal of assets held and related liabilities constituting discontinued operations (C+D+E)**	**12 503**	-
C.	Assets held for sale	(33 013)	-
D.	Liabilities related to assets classified as held for sale	39 409	-
E.	Proceeds from the sale of shares	6 107	-
Net loss from discontinued operations (1+2)		**(38 239)**	**(61 025)**

13. Intangible assets

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development work in progress	Other	Total
Gross value as of 1 January 2022	**91 022**	**128 406**	**16 301**	**19 468**	**2 879**	**258 076**
Increases	-	-	-	3 373	60	**3 433**
Decreases	-	-	-	(235)	-	**(235)**
Foreign exchange differences	19 719	28 253	-	-	117	**48 089**
Gross value as of 30 September 2022	**110 741**	**156 659**	**16 301**	**22 606**	**3 056**	**309 363**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as of 1 January 2022	**90 256**	**82 391**	**12 950**	**19 468**	**2 440**	**207 505**
Amortization	-	1 958	1 982	-	111	**4 051**
Reductions - write-downs	-	54 181	-	1 142	-	**55 323**
Foreign exchange differences	19 719	18 129	-	-	161	**38 009**
Accumulated amortization and impairment losses as of 30 September 2022	**109 975**	**156 659**	**14 932**	**20 610**	**2 712**	**304 888**
Net value						
As of 1 January 2022	**766**	**46 015**	**3 351**	**-**	**439**	**50 571**
As of 30 September 2022	**766**	**-**	**1 369**	**1 996**	**344**	**4 475**
Sale of discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**766**	**-**	**1 369**	**1 996**	**344**	**4 475**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development work in progress	Other	Total
Gross value as of 1 January 2022	**91 022**	**128 406**	**16 301**	**19 468**	**2 879**	**258 076**
Increases	-	-	-	2 275	60	**2 335**
Decreases				(72)		**(72)**
Foreign exchange differences	9 326	13 363	-	-	76	**22 765**
Gross value as of 30 September 2022	**100 348**	**141 769**	**16 301**	**21 671**	**3 015**	**283 104**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as of 1 January 2022	**90 256**	**82 391**	**12 950**	**19 468**	**2 440**	**207 505**
Amortization	-	1 772	1 295	-	78	**3 145**
Reductions - write-downs	-	49 032	-	1 142	-	**50 174**
Foreign exchange differences	9 326	8 574	-	-	69	**17 969**
Accumulated amortization and impairment losses as of 30 June 2022	**99 582**	**141 769**	**14 244**	**20 610**	**2 587**	**278 793**
Net value						
As of 1 January 2022	**766**	**46 015**	**3 351**	**-**	**439**	**50 571**
As of 30 June 2022	**766**	**-**	**2 056**	**1 061**	**428**	**4 311**
Sale of discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**766**	**-**	**2 056**	**1 061**	**428**	**4 311**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development work in progress	Other	Total
Gross value as of 1 January 2021	**84 365**	**118 867**	**16 301**	**13 595**	**2 729**	**235 857**
Increases	-	-	-	5 872	96	**5 969**
Decreases						**-**
Foreign exchange differences	6 657	9 539	-	-	54	**16 250**
Gross value as of 31 December 2021	**91 022**	**128 406**	**16 301**	**19 468**	**2 879**	**258 076**
Accumulated amortization and impairment losses						
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**
Reductions - write-downs	90 256	50 290	2 269	19 468	-	**162 283**
Foreign exchange differences	-	1 908	-	-	53	**1 961**
Accumulated amortization and impairment losses as of 31 December 2021	**90 256**	**82 391**	**12 950**	**19 468**	**2 440**	**207 505**
Net value						
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**	**-**	**439**	**50 571**
Sale of discontinued operations	**-**	**46 015**	**39**	**-**	**44**	**46 098**
Total assets	**766**	**-**	**3 312**	**-**	**395**	**4 473**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development work in progress	Other	Total
Gross value as of 1 January 2021	**84 365**	**118 867**	**16 301**	**13 595**	**2 729**	**235 857**
Increases	-	-	-	4 542	96	**4 638**
Decreases	(6 651)	-	-	-	-	**(6 651)**
Foreign exchange differences	5 168	7 404	-	-	42	**12 614**
Gross value as of 30 September 2021	**82 882**	**126 271**	**16 301**	**18 137**	**2 867**	**246 458**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as of 1 January 2021	**-**	**23 773**	**8 090**	**-**	**2 227**	**34 090**
Amortization	-	4 735	1 944	-	120	**6 799**
Foreign exchange differences	-	1 481	-	-	40	**1 521**
Accumulated amortization and impairment losses as of 30 September 2021	**-**	**29 989**	**10 034**	**-**	**2 387**	**42 410**
Net value						
As of 1 January 2021	**84 365**	**95 094**	**8 211**	**13 595**	**502**	**201 767**
As of 30 September 2021	**82 882**	**96 282**	**6 267**	**18 137**	**480**	**204 048**
Sale of discontinued operations	**82 116**	**96 282**	**-**	**-**	**83**	**178 481**
Total assets	**766**	**-**	**6 267**	**18 137**	**397**	**25 567**

Goodwill

a. Medicalgorithmics Polska Sp. z o.o.

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

On 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 June 30, 2022 with the assumption that this investment is attributed to CGU MDG 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.

b. Medicalgorithmics India Private Limited

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

On 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. As a result of this transaction, a minority capital of PLN 9 thousand was recognized. The Parent is in the process of acquiring the remaining shares and will ultimately own 100%. 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).

The test performed as of June 30, 2022 with the assumption that this investment is attributed to CGU MDG did not indicate any need for an impairment loss to be adjusted for.

Customer pools

a. Medi-Lynx customer base (zero net value as of the balance sheet date, fully written off as of March 31, 2022)

Discontinued operations (Medi-Lynx) asset, as described in Note 4.2

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.

Historical 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.

The Group tests its customer bases for impairment every year. As of December 31, 2021, the net value before adjusting for impairment loss was USD 9,473 thousand (PLN 38,460 thousand) and as a result of the impairment test the adjustment was 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 March 31, 2022, 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 (zero net value as of the balance sheet date, fully written off as of March 31, 2022)

Discontinued operations (Medi-Lynx) asset, as described in Note 4.2

In December 2016, the Capital Group acquired a customer base from AMI / 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.

The Group tests its customer bases for impairment every year. 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 March 31, 2022, 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).

Impairment test

According to IFRS 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 conducted the tests as of June 30, 2022 and, in the opinion of the Management Board, there are no reasons justifying any change of their results in these financial statements.

Cost 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. Also other functions of the device has been upgraded. Medicalgorithmics received financial support for the project implementation (earlier versions of the system) from *Innovator* Foundation for Polish Science.

This development 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 work 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. DRAI (DeepRhythmAI) which was the outcome of this project has been registered by U.S. FDA based on the Traditional 510(k) procedure, as the Company informed in Current Report 51/2022 of July 28, 2022.

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 Group 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 provides solutions that are eligible for reimbursement on the US market. Additional research and testing of the device is currently underway for full FDA certification of the device in order to expand the license with automatic algorithmic signal analysis, as described in Current Report No. 33/2022 of June 3, 2022.

- 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.

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

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as of 1 January 2022	**2 232**	**38 988**	**2 917**	**653**	**26 180**	**70 970**
Increases	-	203	-	-	-	**203**
Decreases	-	(530)	-		-	**(530)**
Change in inventories	-	1 830	-	-	-	**1 830**
Foreign exchange differences	491	5 192	460	-	4 793	**10 936**
Gross value as of 30 September 2022	**2 723**	**45 683**	**3 377**	**653**	**30 973**	**83 409**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as of 1 January 2022	**1 373**	**23 133**	**2 371**	**396**	**16 701**	**43 974**
Depreciation	132	642	82	53	3 186	**4 095**
Decreases	-	5 245	(0)	-	-	**5 245**
Foreign exchange differences	302	6 625	357	-	3 616	**10 900**
Accumulated depreciation and impairment losses as of 30 September 2022	**1 807**	**35 645**	**2 810**	**449**	**23 503**	**64 214**
Net value						
As of 1 January 2022	**859**	**15 855**	**546**	**257**	**9 479**	**26 996**
As of 30 September 2022	**916**	**10 038**	**567**	**204**	**7 470**	**19 195**
Assets held for sale	**(916)**	**(504)**	**(530)**	**-**	**(6 081)**	**(8 031)**
Reclassification of equipment to inventory	**-**	**(8 968)**	**-**	**-**	**-**	**(8 968)**
Total assets	**-**	**566**	**37**	**204**	**1 389**	**2 196**

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value of property plant and equipment	**2 232**	**38 988**	**2 917**	**653**	**26 180**	**70 970**
Gross value as of 1 January 2022	**-**	**3 659**	**-**	**-**	**-**	**3 659**
Increases	**-**	**(479)**	**-**		**-**	**(479)**
Decreases	**-**	**669**	**-**	**-**	**-**	**669**
Change in inventories	**232**	**2 952**	**218**	**-**	**2 267**	**5 668**
Gross value as of 30 June 2022	**2 464**	**45 789**	**3 135**	**653**	**28 447**	**80 488**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as of 1 January 2022	**1 373**	**23 133**	**2 371**	**396**	**16 701**	**43 974**
Depreciation	**120**	**1 367**	**68**	**32**	**2 707**	**4 293**
Decreases	**-**	**5 295**	**(0)**	**-**	**-**	**5 295**
Foreign exchange differences	**142**	**1 907**	**169**	**-**	**1 710**	**3 928**
Accumulated depreciation and impairment losses as of 30 June 2022	**1 635**	**31 702**	**2 608**	**428**	**21 118**	**57 491**
Net value						
As of 1 January 2022	**859**	**15 855**	**546**	**257**	**9 479**	**26 996**
As of 30 June 2022	**829**	**14 087**	**527**	**225**	**7 329**	**22 997**
Assets held for sale	**(829)**	**(5 652)**	**(482)**	**-**	**(5 694)**	**(12 657)**
Reclassification of equipment to inventory	**-**	**(7 807)**	**-**	**-**	**-**	**(7 807)**
Total assets	**-**	**627**	**45**	**225**	**1 635**	**2 533**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as of 1 January 2021	**2 442**	**27 454**	**2 143**	**653**	**24 049**	**56 741**
Increases	-	8 380	1 021	-	513	**9 914**
Decreases	(376)	(1 247)	(411)		-	**(2 034)**
Change in inventory	-	2 863	-	-	-	**2 863**
Foreign exchange differences	166	1 538	165	-	1 618	**3 486**
Gross value as of 31 December 2021	**2 232**	**38 988**	**2 917**	**653**	**26 180**	**70 970**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as of 1 January 2021	**1 140**	**18 582**	**2 218**	**331**	**10 935**	**33 206**
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**
Accumulated depreciation and impairment losses as of 31 December 2021	**1 374**	**23 133**	**2 371**	**396**	**16 701**	**43 974**
Net value						
As of 1 January 2021	**1 302**	**8 872**	**(75)**	**322**	**13 114**	**23 535**
As of 31 December 2021	**859**	**15 855**	**546**	**257**	**9 479**	**26 996**
Assets held for sale	**(859)**	**(8 057)**	**(482)**	**(3)**	**(7 350)**	**(16 751)**
Reclassification of equipment to inventory	**-**	**(7 138)**	**-**	**-**	**-**	**(7 138)**

Total assets	**(0)**	**660**	**64**	**254**	**2 129**	**3 107**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as of 1 January 2021	**2 442**	**27 454**	**2 143**	**653**	**24 049**	**56 741**
Increases	-	5 286	1 021	-	513	**6 820**
Decreases	(376)	(667)	(411)		-	**(1 454)**
Change in inventory	-	2 205	-	-	-	**2 205**
Foreign exchange differences	129	1 198	127	-	1 256	**2 710**
Gross value as of 30 September 2021	**2 195**	**35 476**	**2 879**	**653**	**25 818**	**67 022**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as of 1 January 2021	**1 140**	**18 582**	**2 218**	**331**	**10 935**	**33 206**
Depreciation	218	2 546	298	43	3 694	**6 798**
Decreases	(141)	(22)	(300)	-	-	**(464)**
Foreign exchange differences	62	1 004	92	-	601	**1 759**
Accumulated depreciation and impairment losses as of 30 September 2021	**1 279**	**22 109**	**2 307**	**374**	**15 229**	**41 299**
Net value						
As of 1 January 2021	**1 302**	**8 873**	**(75)**	**322**	**13 114**	**23 535**
As of 30 September 2021	**916**	**13 367**	**572**	**279**	**10 589**	**25 723**
Assets held for sale	**(916)**	**(6 136)**	**(494)**	**(3)**	**(8 214)**	**(15 763)**
Reclassification of equipment to inventory	**-**	**(6 510)**	**-**	**-**	**-**	**(6 510)**
Total assets	**0**	**721**	**78**	**276**	**2 375**	**3 451**

Recognition of PocketECG devices at the consolidated level

In connection with the divestment of Medi-Lynx as further described in Note 4.1, which was closed on July 28, 2022 and which if fully reflected in corporate reports starting the third quarter, from the perspective of the Group in these financial statements the impact of that transaction is reflected in the recognition as *inventory* of PocketECG that is used in the Company's diagnostics services, and for this reason such devices have be reclassified into inventories as described above. The device manufacturing cost is charged as a one-off expense to the cost of consumed raw materials and supplies at the time when the devices are sold.

The value of inventories was PLN 8,968 thousand as of September 30, 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. The Company recognizes real property leases (leased offices). The Group's leases were not subject to modifications following the impact of COVID-19 pandemic.

15. Financial assets

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Shares	59	59	97	162
Financial assets	**59**	**59**	**97**	**162**
of which long-term portion	59	59	97	162
of which short-term portion	-	-	-	-

16. Inventories

In connection with the Medi-Lynx divestiture described in Note 4.2, the method for recognizing PocketECG devices that are used to provide the diagnostic services has changed. Starting from Q3 2022, the device manufacturing cost is charged as a one-off expense to the cost of consumed raw materials and supplies at the time when the devices are sold.

Inventory items are measured at purchase cost or production cost not higher than the net realizable sales price. The net realizable sales price is the difference between the estimated sale price achieved in the course of business and the estimated costs of completion and costs necessary to bring the sale transaction to effect.
The Company uses the FIFO method for value measurement of inventories and their disbursement.

17. Trade and other receivables

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Trade receivables	4 498	2 652	2 695	2 450
Budgetary receivables	2 346	2 597	3 839	3 652
Other receivables	108	119	110	112
Prepayments and deferred expenses	164	182	241	39
	7 116	**5 550**	**6 885**	**6 605**
Long-term	-	-	-	31
Short-term	7 116	5 550	6 885	6 574

Nearly 100% of receivables are denominated in foreign currencies, mainly USD. The aging structure of trade receivables at the end of the reporting period is as follows:

Gross value	**30.09.2022**	**30.06.2022**	**31.12.2021**	**30.09.2021**
Non-matured	3 058	2 186	2 277	1 888
Past due 1-30 days	1 105	198	226	216
Past due 31-60 days	69	140	109	115
Past due 61-360 days	266	129	62	154
Past due more than 361 days	77	76	80	79
Trade and other receivables	**4 575**	**2 729**	**2 754**	**2 452**
Assets held for sale		**14 850**	**25 897**	**28 084**
Total receivables	**4 575**	**17 579**	**28 651**	**30 536**

Impairment writedown	**30.09.2022**	**30.06.2022**	**31.12.2021**	**30.09.2021**
Non-matured	-	-	-	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-360 days	1	1	-	2
Past due more than 361 days	76	76	59	-
Trade and other receivables	**77**	**77**	**59**	**2**
Assets held for sale		**-**	**9 353**	**9 133**
Total receivables	**77**	**77**	**9 412**	**9 134**

Nat value	**30.09.2022**	**30.06.2022**	**31.12.2021**	**30.09.2021**
Non-matured	3 058	2 186	2 277	1 888
Past due 1-30 days	1 105	198	226	216
Past due 31-60 days	69	140	109	115
Past due 61-360 days	265	128	62	152
Past due more than 361 days	1	-	21	79
Trade and other receivables	**4 498**	**2 652**	**2 695**	**2 450**
Assets held for sale		**14 850**	**16 544**	**18 952**
Total receivables	**4 498**	**17 502**	**19 239**	**21 402**

As a result of the Medi-Lynx divesture, the value of Medi-Lynx receivables is presented under Assets from discontinued operations.

The receivables related to the discontinued operations, which the Group had been recognized before the Medi-Lynx divesture in the US, involve insurers who reimburse services, which 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. In H1 2022, the period was reduced to 6 months, and all outstanding receivables after this period were written off.

The fair value of accounts receivable approximates their book value. The total value of trade receivables past the due date, which have not been included in an impairment loss adjusted for, was PLN 1,439 thousand as of September 30, 2022.

According to the above analyses, the Group expects these receivables to be repaid and any outstanding portion will be written off in line with the Group's practice and accepted accounting principles.

18. Cash and cash equivalents

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Cash in hand	9	8	8	10
Cash at banks	12 363	5 059	1 842	2 597
Short-term deposits	423	423	423	423
	12 794	**5 490**	**2 273**	**3 030**

19. Parent shareholding structure

The Management Board would like to point to the fact that as of the date of publishing this report (November 29, 2022), the court has registered the increase of the parent’s capital. The shareholding structure after the registration mentioned in Note 4.1 is presented below. The shareholding structure before and after the registration of the capital increase, namely as of November 28, 2022 and as of November 29, 2022, is presented below.

Shareholders	Number of shares as of 29 November 2022	% ownership interest	Number of votes	% of total voting rights	Change in the period of 28 November 2022 - 29 November 2022
Biofund Capital Mangament LLC	4 976 384	49,99%	4 976 384	49,99%	+4 976 384
PZU OFE[1]	721 689	7,25%	721 689	7,25%	unchanged
Funds managed by NN PTE, including NN OFE	608 592	6,11%	608 592	6,11%	unchanged
MIRI Capital	520 238	5,23%	520 238	5,23%	unchanged
Marek Dziubiński	485 556	4,88%	485 556	4,88%	unchanged
Other shareholders	2 640 310	26,54%	2 640 310	26,54%	unchanged
TOTAL NUMBER OF SHARES	**9 952 769**	**100,00%**	**9 952 769**	**100,00%**	

Shareholders	Number of shares as of 28 November 2022	% ownership interest	Number of votes	% of total voting rights	Change in the period of 30 September 2022 - 28 November 2022
PZU OFE[1]	721 689	14,50%	721 689	14,50%	unchanged
Funds managed by NN PTE, including NN OFE	608 592	12,23%	608 592	12,23%	unchanged
MIRI Capital	520 238	10,45%	520 238	10,45%	unchanged
Marek Dziubiński	485 556	9,76%	485 556	9,76%	unchanged
Other shareholders	2 640 310	53,06%	2 640 310	53,06%	unchanged
TOTAL NUMBER OF SHARES	**4 976 385**	**100,00%**	**4 976 385**	**100,00%**	

20. Basic and diluted earnings per share

	01.01.2022-30.09.2022 (niebadane)	01.01.2021-31.12.2021	01.01.2021-30.09.2021 (niebadane)
Profit for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	(21 089)	(180 638)	(4 218)
Weighted average number of ordinary shares (in thousands of shares)	4 976	4 547	4 138
Basic profit per share in PLN (net profit/weighted average number of shares)	**(4,24)**	**(39,73)**	**(1,02)**
Diluted profit per share in PLN (net profit/weighted average number of diluted shares)	**(4,24)**	**(39,73)**	**(1,02)**

21. Borrowings

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Credit card debt	(7)	10	40	23
Credits and loans	1 656	4 319	1 482	10 508
	1 649	**4 329**	**1 522**	**10 531**
of which long-term	-	-	3	26
of which short-term	1 649	4 329	1 519	10 505

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 1.7 million (November 17, 2022: PLN 0.8 million), including consumed PLN 1.6 million as of September 30, 2022 and PLN 0.3 million as of November 17, 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 February 28 , 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.

The only contract-based covenant is the net debt (financial liabilities less cash) to EBITDA (profit on sales, including depreciation / amortization) ratio of max. 3.0 verified quarterly by the Bank on the basis of separate financial statements for the last 12 months. According to the Company's estimates, this covenant has not been exceeded as of the balance sheet date. As of September 30, 2022, the available credit line was PLN 1.7 million, with PLN 1.6 million already consumed.

Furthermore, if additional debt finance is taken out by the Company, the credit facility 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.

22. Other financial liabilities

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Liabilities due to the acquisition of Medi-Lynx shares	-	-	8 404	8 652
Recognition of a previously disclosed contingent liability due to the acquisition of Medi-Lynx shares	7 717	7 651	-	-
Lease liabilities	1 559	1 833	2 314	2 558
Other liabilities	426	1 264	-	-
Financial liabilities	**9 702**	**10 748**	**10 718**	**11 210**
of which long-term	3 796	5 652	7 018	7 817
of which short-term	5 906	5 096	3 700	3 393

Liabilities from Medi-Lynx acquisition

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.

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 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, 2021 its value was approximately USD 2.0 million (PLN 7.9 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. The outstanding balance as of June 30, 2022 is USD 2.0 million (PLN 8.9 million). The text of the promissory note and suretyship was amended on July 15, 2022, as further detailed in the Issuer's current report 47/2022. At the moment, debt repayments are in equal monthly installments of USD 75,000 per month, from September 1, 2022 to May 1, 2024, followed by equal installments of USD 59,000 per month until the debt is paid in full by May 2025. In the separate financial statements, the Parent recognized and reported the liabilities under this guarantee in the amount of USD 1.6 million (PLN 7.7 million).

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.

23. Trade and other liabilities

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Trade liabilities to other entities	2 576	3 933	3 265	2 565
Salaries and wages payable	605	706	598	191
Budgetary liabilities	349	378	760	415
Other liabilities	282	178	90	118
	3 814	**5 195**	**4 712**	**3 289**
Income tax liabilities	103	96	113	100

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Subsidies	4 178	4 012	3 440	2 517
Other	30	(170)	(167)	-
	4 208	**3 842**	**3 273**	**2 517**
of which long-term	4 162	3 798	3 227	2 517
of which short-term	46	44	46	-

The ECG TechBot project 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. As of September 30, 2022, the subsidy received was PLN 4.2 million.

24. Contingent liabilities

The Parent is a party to EU agreements for joint financing of investment projects that are aimed at the 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 outstanding balance under the credit facility was PLN 4.3 million. 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 theAmerican 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.

On August 30, 2022, the American Arbitration Association acting through its arbitration judge resolved to deny the action brought by the former CEO of Medi-Lynx Cardiac Monitoring LLC, Mr. Peter Pellerito, against Medicalgorithmics S.A. and Mr Marek Dziubiński.

On June 30, 2022, the Company recognized a contingent liability to pay USD 324 thousand as a minimum guaranteed bonus conditioned on the sale of Medi-Lynx. According to the terms of the bonus, its award and payment upon the sale of Medi-Lynx (see Note 4.1), certain key employees involved, including members of the Board of the Company and of Medi-Lynx, receive the bonus.

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 of the law are also unclear and result in different legal interpretation of tax regulations between individual state authorities as well as between the state authorities and enterprises. 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.

25. Contingent assets

According to Note 4.1 above, the Group is eligible for 65% of tax refunds (if any) received by Medi-Lynx (i.e. partial refund of personal income tax paid under the Employee Retention Credit program to U.S. Internal Revenue Service (IRS), as further described below), less any refund-related costs – as the variable element of the sale price for Medi-Lynx.

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.

26. Explanation of seasonality or cyclical nature of business

Neither the operations of the Parent nor the subsidiaries of Medicalgorithmics Group are subject to seasonality or have a cyclical nature. However, the number of medical examinations ordered by US physicians (which affects the number of tests carried out and, hence, the revenues of subsidiary Medi-Lynx) may fluctuate during the year. The lower number of tests occurs during periods and around the most popular holidays (Christmas, Independence Day, Thanksgiving). The analyzed data shows that the number of tests carried out in June, July, November and December deviates from a few to several percent downwards from the monthly average, while in spring and autumn months which are the best, analogous deviations upwards can be observed.

27. Securities issue

The Company did not issue securities during the reporting period.

On November 8, 2022, a subscription agreement was executed for the Shares based on a private placement of Series I bearer shares, Series J registered shares, Series K registered shares and Series L registered shares issued by the Company according to Resolution 4/10/2022 of its Extraordinary General Meeting of October 28, 2022. The Shares have been subscribed for using the private subscription procedure according to Article 431 § 2(1) of the Commercial Companies Code, by offering the Shares exclusively to Biofund Capital Management LLC, based in Miami (USA) ("Biofund") – according to the Resolution, Biofund took up 995,276 Series I bearer shares, 1,194,331 Series J registered shares, 1,433,197 Series K registered shares and 1,353,580 Series L registered shares.

According to Resolution 4/10/2022 of the Company's Extraordinary General Meeting of October 28, 2022, the Shares will be applied for to admit them to trading on the Warsaw Stock Exchange regulated market once the increase of its share capital becomes registered in the Commercial Register of the National Court Register and any conditions for such trading are satisfied. More information can be found in Current Report 66/2022 of November 16, 2022.

28. Parent shares held by the issuer's officers

The issuer's managing and supervising officers do not directly hold any shares in the Parent, nor has their ownership changed since the publication of the Parent's last interim report.

The following table shows Parent shares held directly by members of the Management Board or the Supervisory Board as of the date of the report, together with any changes since the publication of the previous interim report of the Parent.

Person	Function held in the Issuer's governing bodies	Number of directly held shares	Change in the period from 29 September 2022 to 29 November 2022
Maciej Gamrot	Member of the Management Board, Chief Financial Office	-	Unchanged
Jarosław Jerzakowski	Member of the Management Board	-	Unchanged
Andrzej Gładysz	Chairperson of the Supervisory Board	-	Unchanged
Michał Wnorowski	Vice-Chairperson of the Supervisory Board	-	Unchanged
Anna Sobocka	Member of the Supervisory Board	-	Unchanged
Sławomir Kościak	Member of the Supervisory Board	-	Unchanged
Iwona Zatorska-Pańtak	Member of the Supervisory Board	-	Unchanged

Paweł Lewicki	Member of the Supervisory Board	-	Unchanged
Krzysztof Siemionow	Member of the Supervisory Board	-	Unchanged
David Cash	Member of the Supervisory Board	-	Unchanged

29. Information on dividends paid or declared

On July 27, 2022, having considered the Management Board's proposal to cover the 2021 loss, the Extraordinary General Meeting resolved that the net loss would be covered as follows: the part of PLN 166 thousand would be covered from the supplementary capital, with the remaining part of PLN 172,203 thousand to be covered from future profits.

On June 15, 2021, having considered the Management Board's profit distribution recommendations, the Annual General Meeting decided to allocate the 2020 net profit of Medicalgorithmics S.A. fully to the supplementary capital.

30. Transactions with officers

Remuneration of the Parent's Management Board and Supervisory Board in the reporting period is presented in the table below:

	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Remuneration of the Management Board Members	1 477	775
Remuneration of the Supervisory Board	447	293

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

In the reporting period, the Group continued to implement its strategy based on the innovative PocketECG system. The Group's consolidated revenues mainly include:

- revenue from medical services generated by MDG Poland and MDG India;
- subscription revenue generated by Medicalgorithmics S.A. from strategic partnerships, including Medi-Lynx and excluding other subsidiaries;
- revenue from PocketECG device sales, excluding other subsidiaries.

The Parent operates using a subscription model, namely it earns revenue from equipment sales and then from subscriptions of users who sue the equipment as well as the related software and server infrastructure.

On July 28, 2022, Medicalgorithmics US Holding Corporation, as the selling party, made a conditional agreement to sell 100% shares in Medi-Lynx Cardiac Monitoring LLC to Medi-Lynx Holdings, LLC. As of June 30, 2022, the Group has classified the U.S. assets under IFRS 5 as held for sale and its activity as discontinued operations.

The below table shows the key items in the Group's statement of comprehensive income for the period from January 1 to September 30, 2022 and 2021.

	01.01.2022-30.09.2022	01.01.2021-30.09.2021	Zmiana	Zmiana %
Sales revenue	44 156	33 731	10 425	31%
Operating expenses	32 887	25 093	11 180	52%
Profit/(Loss) on sales	11 269	8 638	2 631	30%
Other operating revenue, net	4 381	8	4 373	57 175%
Operating profit/(loss)	15 650	8 646	7 004	81%
Net finance income/(costs)	359	2 063	(1 704)	(83%)
Profit/(loss) before tax	16 009	10 709	5 300	49%
Net profit/(loss), of which:	**(21 089)**	**(4 218)**	**(16 871)**	**400%**
Net profit/(loss) from continuing operations	**17 150**	**9 123**	**4 640**	**37%**
Net profit/(loss) from discontinued operations	**(38 239)**	**(13 342)**	**(24 897)**	**(186%)**
Net profit/(loss) attributable to Shareholders of the Parent Company	(21 089)	(4 218)	(16 871)	400%

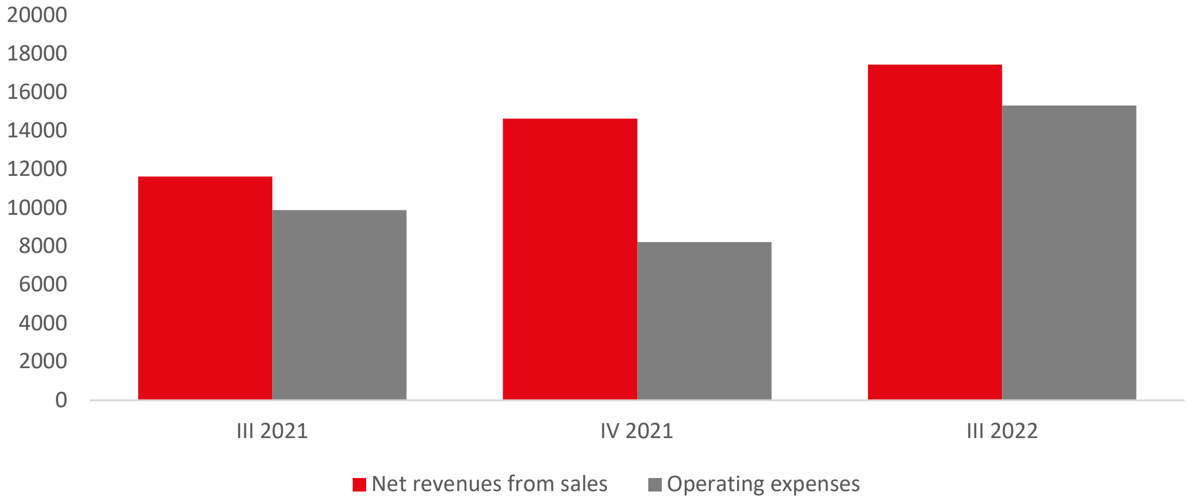
Net profit/(loss) attributable to non-controlling interests	-	(1)	1	(100%)
EBITDA	(18 133)	(1 041)	(17 092)	1 642%

Revenue from sales

In the first nine months ending on September 30, 2022, the Group's revenue was PLN 44.2 million and increased by +31% compared to the same period in 2021. The increase has been influenced by, among other factors, a change in the compensation model applied to services which are provided its strategic partner Medi-Lynx.

The combined impact of the factors described above translated into an increased nominal revenue of the Group (excluding the impact of USD/PLN exchange rate) – up by PLN 6.5 million compared to the nine months of 2021. The rising average USD/PLN exchange rate caused the revenue to increase by PLN 3.9 million. An increase in revenue from unrelated parties was recorded by the Parent (PLN +6.6 million) as well as Medicalgorithmics Polska Sp. z o.o. (PLN +0.4 million). Medicalgorithmics India's revenue from sales increased by PLN -0.2 million compared to the analogous nine months of 2021.

Chart 1. Group revenue from sales and operating expenses, by quarter, 2021-2022 (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 41.7 million (PLN 32.1 million in the same period of 2021), i.e. nearly 95% of total revenue, and revenue from sales of equipment to unrelated parties: PLN 2.4 million (PLN 1.6 million in the comparative period). The great majority of revenue, just like in the previous year, was denominated in U.S. dollars.

Operating expenses

During the reporting period, operating expenses stood at PLN 32.9 million and increased by +52% compared to the same period in 2021.

	01.01.2022-30.09.2022	01.01.2021-30.09.2021	Change	Change %
Raw materials and consumables used	8 776	6 220	2 556	41%
Employee benefits	12 817	9 272	3 545	38%
Amortisation and depreciation	2 956	3 177	(221)	(7%)
Third-party services	7 968	6 084	1 884	31%
Other	370	340	30	9%
TOTAL:	**32 887**	**25 093**	**7 794**	**31%**

Consumed raw materials and supplies

Costs of consumed raw materials and materials increased by approx. PLN 2.5 million (+41%) compared to the comparable period in the last year. A significant factor in this increase has been the changing USD exchange rate. Most of the raw materials and supplies are imported. As the rules for classifying PocketECG devices (not fixed assets) have changed, a corresponding adjustment was made.

The cost of consumed raw materials and supplies of other Group companies remained at similar levels compared to the same period in the last year.

Employee benefits

Employee benefit costs increased by approx. PLN 3.5 million (+12%) compared to the same period in 2021. The change in employee benefit costs in the reporting period was mainly influenced by the following factors:

(1) a change in the average USD exchange rate, translating into cost increase by approx. PLN 0.05 million;
(2) in the Parent, the employee benefit costs increased by approx. PLN 3.3 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.
(3) At Medicalgorithmics Polska Sp. z o.o. employee costs increased by approx. PLN 0.2 million.

Employee benefit costs represent the most significant item in the Group's operating expense structure (39%). 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 and amortization

During the nine months of 2022, a drop of PLN 0.2 million (-7%) in depreciation/amortization expense was visible compared to the same period in the last year. Depreciation/amortization now accounts for nearly 9% of total operating expenses.

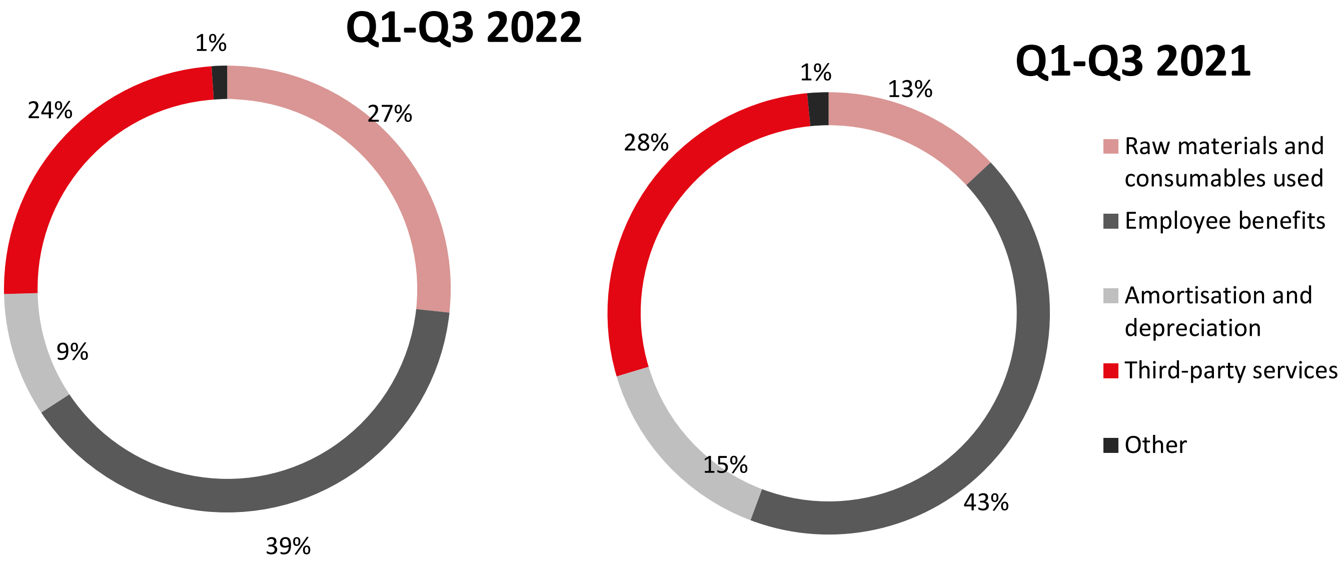
As from the Group's point of view the PocketECG devices that are used to provide diagnostic services by the Group companies are no longer *non-current assets* and are not depreciated over a three-years' period, their production cost (reflecting their expected life cycle according to the latest reports) is charged as a one-off expense to the cost of consumed materials and supplies.

Third-party services

Third-party services account for 24% of the Group's operating expenses, and they increased by 31% compared to the comparative period, amounting to PLN 8.0 million. Among the expenses for third-party services, the key items are Internet services, accounting, financial auditing, and consulting services. The structure of the third-party service expense in the reporting period and the comparative period is presented in Note 8 of this report.

When comparing the nine months of 2022 to the same period in 2021, there was a significant increase mainly in transport and courier expenses, accounting services, financial auditing and other third-party services.

Chart 2. Operating expenses structure from January 1 to September 30, 2022 and 2021 (%)



Profit and profitability

The net loss generated in the nine months of 2022 was PLN -21.1 million, including profit from continuing operations at PLN 17.1 million and loss from discontinued operations at PLN -38.2 million. Influenced factors affecting operating revenues and expenses described in the previous sections, the Group recognized a positive sales margin (+26% in the nine months of 2022 vs. +36% in the same period of 2021) and a positive EBITDA (+45% in the nine months of 2022 vs. +46% in the same period of 2021).

In Q3 2022, gain on divested assets that had been held, along with related liabilities, representing the discontinued operations in the amount of PLN 12.5 million, and a loss from the discontinued operations in the amount of PLN -50.7 million were recognized in the Group's consolidated financial statements as net loss from discontinued operations.

Asset and financial position

As of September 30, 2022, total assets position was PLN 35.6 million, i.e. decreased by PLN 78.8 million (-69%) compared to December 31, 2021 as a result of the fact that as of December 31, 2021 certain assets had been recognized as held-for-sale in the amount of PLN 90.4 million.

As of the balance sheet date, total non-current assets were PLN 6.7 million, and their share in all assets reached 19%. The key item in non-current assets was intangible assets, and among them development expenditures (PLN 2.0 million) and the cost of finished development work (PLN 1.4 million).

The value of non-current assets dropped by PLN 0.9 million (-12%) compared to December 31, 2021, with the main reason being the drop in tangible assets (PP&E) caused by the limited investing activity in the said period.

Current assets were PLN 28.9 million as of September 30, 2022, i.e. more by PLN 12.6 million (+77%) compared to December 31, 2021. This change involved mainly an increase in cash and equivalents (by PLN 10.5 million) and an increase inventories (by PLN 1.8 million). The share of current assets in all assets reached 81%. Trade receivables, inventories and cash / cash equivalents accounted for 25%, 31% and 44% of current assets, respectively.

As of September 30, 2022, equity attributable to Shareholders of the Parent was PLN 15.2 million, i.e. down by PLN 32.2 million (-68 %) compared to the balance on December 31, 2021. The equity's share in total assets reached 43%.

The change in equity attributable to the Shareholders of the Parent included mainly the loss incurred in the nine months of 2022 (PLN -21.1 million), and exchange differences (PLN -11.1 million).

As of the balance sheet date, long-term liabilities were PLN 8.3 million (23% of total assets), and the key item in this group of liabilities was accruals (PLN 4.2 million) and other financial liabilities (PLN 3.8 million). The value of long-term liabilities dropped by PLN 6.4 million (-44%) compared to December 31, 2021 mainly because of the lower financial liabilities (-3.2 million), the change in the deferred tax provision (-4.2 million) as well as the increase in accruals (0.9 million) The major item in accruals was public aid (PLN 4.2 million) which increased by PLN 0.7 million compared to December 31, 2021.

As of the balance sheet date, short-term liabilities were PLN 12.2 million (34% of total assets). The most significant item in this group of liabilities was other financial liabilities (PLN 5.9 million), trade payables (PLN 3.8 million), and borrowings (PLN 1.6 million). The short-term portion of financial liabilities includes contingent liabilities outstanding towards Andrew Bodan (PLN 4.5 million) and short-term liabilities under finance leases (PLN 1.0 million). The value of short-term liabilities increased by PLN 1.3 million (+12%) compared to December 31, 2021 chiefly due to the value of other financial liabilities.

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

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

33. Management Board position on financial forecast viability

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

34. Information on sureties or guarantees issued by Group

The Company is a party to EU agreements for joint financing of investment projects that are aimed at the 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.

The Parent has 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. The promissory note is secured by a pledge of MDG Holdco's shares in Medi-Lynx.

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 February 28, 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.

35. Other information relevant for 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. As anticipated, after a temporary decline in sales revenue and operating cash flow caused by the change in the US business model as well as the global pandemic situation, the Group is now expecting a gradual increase in the volume of tests which will be carried out as well as improving cash flow. The situation in the medical services market is anticipated to improve rapidly, further translating into an increasing number of tests that Medi-Lynx and other partners will carry out. This will also be promoted by the likely increase in the number of patients with cardiac conditions in the aftermath of COVID-19 and the fact that some of them delay diagnostics until after getting the vaccine.

The previous financial projections assumed that the changes, which are the basis for monetizing the current business model transformation, would be financed from the cash flow generated by the increase in the number of tests. However, as the transformation has been taking longer than expected due to, among other factors, the impact of COVID-19 pandemic, the resulting volume of tests performed and, consequently, cash inflows were not at the assumed level and did not allow for the originally assumed improvement of operational profitability and liquidity of the Group subsidiaries. Accordingly, as of July 28, 2022, the Group divested 100% of its shares in Medi-Lynx and signed a Support Agreement regulating the cooperation with Medi-Lynx as a Business Partner, which provides for a different service compensation model.

In addition, the Group is exposed to various risks related to its operations and environment and they may affect the 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 for H1 2022. An additional risk is the possibility that Medi-Lynx may terminate the Support Agreement with six months or reduce the volume of services provided down to the minimum level specified in the agreement, as described in Note 4.1.

In connection with the above, the Management Board has updated the Group financial plan covering the period of July 2021 to December 2024 and took related steps in order acquire further finance that will feed more funds, help continue the growth strategy as well as secure the liquidity of the Group.

On October 1, 2022, an investment agreement was signed between the Company and Biofund Capital Management LLC based in Miami, USA (“Biofund”) to acquire 4,976,384 new shares in the Company, representing 49.99% of its General Meeting votes, in exchange for Biofund’s cash contribution of PLN 13,807,810.28 and in-kind contribution of 100% of shares in Kardiolytics Inc. based in Oklahoma, USA ("Cardiolytics"). The issue price will be PLN 44.27 per share.

In addition to the cash contribution, Biofund has warranted to provide the Company with additional finance up to PLN 13,800,000, over a period of 3 years from the acquisition of the Company's shares, depending on the Company's reasonable needs and any third-party finance obtained, on such terms and times as will be agreed upon with the Supervisory Board.

The above sources of finance will be used in different proportions to provide cash for the implementation of the mentioned plans at different scales.

In the opinion of the Management Board, the activities involving the new financial plan implementation are realistically viable and will allow the Group to expand its operations, further leading to an increase in revenue and business profitability and improved liquidity of the Group in future.

Back in 2018 Kardiolytics started developing AI algorithms that are capable of autonomous analysis and quantification of the risk of heart attack, identification of a number of biomarkers correlated with cardiac diseases, as well as demonstration of a comprehensive picture of the patient's heart structure in a 3D model – all presented to the eyes of the physician. 3D models are enriched with the most crucial parameters based on a numerical analysis of fluid mechanics, which are essential for making a diagnosis and planning further treatment paths.

The Management Board decided to commit the Transaction upon considering the following circumstances, among other factors: 1) in the opinion of the Management Board, the Transaction will result in a new entity which will have experience and competence in, among other things, (i) development of algorithms for automatic analysis of cardiac and circulatory system computed tomography images and ECG signals, (ii) non-invasive diagnosis of diseases and imaging of the circulatory system, (iii) design, development and certification of medical devices, and this will enable development of new products for the cardiac diagnostics market that will give the opportunity to, for example, perform long-term cardiac monitoring of suspected patients, advanced diagnostics in outpatient setting, and in-hospital diagnostics; 2) in the opinion of the Management Board, thanks to the distribution network in place which involves business partners it will be able to commercialize new cardiology solutions in the key markets.

36. Factors in the Issuer's opinion that will affect results in the next quarter or later

In connection with the Medi-Lynx divestment, the Group is currently finalizing the transformation of its business model and returning to the model of only the supply of services and technology to the Business Partners in the respective countries.

Therefore, in the opinion of the Management Board, the most important factor affecting the Group's performance over the next year is the full implementation of the assumed business model that involves the close cooperation with the Business Partners in every country, especially in the US, in order to increase sales and profitability. However, there is a risk that despite the measures taken the Management Board's assumptions cannot be fulfilled and the value of sales will not grow or certain Partners choose to limit the cooperation with the Group.

The COVID-19 pandemic has remained a factor that can affect many areas of trade in Poland as well as around the world, including the operations of the Company and of the Group. The Management Board assesses that the coming quarters will see the impact of COVID-19 on operations as not so significant anymore. In the reported period, the global incidence data marks stabilization. In the opinion of the Management Board, given the current circumstances around the globe, progressing vaccinations as well as no further restrictions planned, the impact of the pandemic on the financial performance of the Group will no longer be as significant as it was in previous years.

Another important factor that will affect the Group's results in later years 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 product commercialization process has been delayed compared to the assumptions and the product has been partly certified by FDA (without algorithms) for use in the US. The Group is currently working on full FDA approval and preparing for mass production. The Management Board expects the launch of the new product to impact the volume of tests performed (Extended Holter in particular) and, consequently, on the Group's operating results.

Another important factor that will affect the Group's results in later years will be DRAI and NextGen systems introduced in its product portfolio, as described in the research and development section of the financial statements. By offering these systems Group may be able to solidify its relationships with the Business Partners in the respective countrie as well as oftract new Business Partners thanks to the potential decrease in labor intensity and hence costs of the ECG signal description process.

However, there is a risk that the Management Board's assumptions as to the potential commercialization of the new products and services will not materialize or that their introduction will not improve revenue.

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 /procedure reimbursement rates paid by the Business Partners who sign contacts with the Company;
- changes in sales to the Business Partners who sign contracts with the Company, further contributing to changes in revenue levels (including changes independent of the Company and resulting from business decisions of the Business Partners);
- changes on the US medical services market where the Company derives most of its revenue;
- development of the cardiac diagnostics sector in countries where the Company offers products, and the level of reimbursement available for PocketECG services;
- fluctuations of exchange rates in countries where the Group operates.

Furthermore, the Group is exposed to various risks related to its operations and environment and they may affect the 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 for H1 2022. An additional risk is the possibility that Medi-Lynx may terminate the Support Agreement with a six months' notice or reduce the volume of services provided down to the minimum level specified in the agreement, as described in Note 4.1 of the financial statements.

37. Significant litigations

In the reporting period, there were no proceedings pending before any court, arbitration authority (except for the arbitration brought by Mr Pellerito as described in Note 22) or public administration that would concern amounts payable or receivable of the Group for a sum (individual or aggregate) of 10% of the Group's equity or more. The Parent was a party to two cases:

On February 21, 2022. Mr Maksymilian Sztandera ("Applicant") filed to the District Court of Warsaw, 7th Labor and Social Security Division, a request calling Medicalgorithmics S.A. into settlement negotiations and demanded, among other things, a payment of PLN 200 thousand net, plus statutory interest, and fixing a date for a settlement meeting. The applicant presented two settlement proposals:

1. Payment of the amount without any statutory default interest otherwise due to the Applicant;
2. Payment of the amount in 5 equal monthly installments, PLN 40,000 each.

On June 23, 2022, a hearing was held at the District Court of Warsaw, 7th Labor and Social Security Division, with the participation of Medicalgorithmics S.A., seeking a settlement. Medicalgorithmics S.A. has not agree to enter into a settlement.

On December 30, 2021, law firm Wysocki Zaborowscy Partners sp. K. („Claimant") lodged a claim with the Regional Court of Warsaw, Business Division, for payment based on a summary writ-of-payment procedure and demanded, among other things, award and issue of a writ of payment for PLN 75,257.65 plus statutory interest. On February 17, 2022, after a closed session of the court, based on the summary procedure, the Regional Court of Warsaw, Business Division, issued a writ of payment for Medicalgorithmics S.A. to pay to the Claimant PLN 75,257.65 plus default interest applicable to commercial transactions plus PLN 7,380.00 for attorney expenses. On June 1, 2022, Medicalgorithmics S.A. filed an objection with the Regional Court of Warsaw, 26th Business Division, against the writ of payment that has been issued based on the summary writ-of-payment procedure and demanded, among other things, its denial.

38. Events after balance sheet date

On October 1, 2022, an investment agreement was signed between the Company and Biofund Capital Management LLC based in Miami, USA ("Biofund") to acquire 4,976,384 new shares in the Company, representing 49.99% of its General Meeting votes, in exchange for Biofund's cash contribution of PLN 13,807,810.28 and in-kind contribution of 100% of shares in Kardiolytics Inc. based in Oklahoma, USA ("Cardiolytics"). The issue price will be PLN 44.27 per share.

In addition to the cash contribution, Biofund has warranted to provide the Company with additional finance up to PLN 13,800,000, over a period of 3 years from the acquisition of the Company's shares, depending on the Company's reasonable needs and any third-party finance obtained, on such terms and times as will be agreed upon with the Supervisory Board.

Back in 2018 Kardiolytics started developing AI algorithms that are capable of autonomous analysis and quantification of the risk of heart attack, identification of a number of biomarkers correlated with cardiac diseases, as well as demonstration of a comprehensive picture of the patient's heart structure in a 3D model – all presented to the eyes of the physician. 3D models are enriched with the most crucial parameters based on a numerical analysis of fluid mechanics, which are essential for making a diagnosis and planning further treatment paths.

As a result of the Transaction, the Company is going to become the exclusive owner (with 100% shares in Kardiolytics) of intellectual property rights in the technology which Kardiolytics has been developing for AI-driven non-invasive diagnostics and circulatory system imaging.

According to the Agreement, the share capital will be increased by PLN 497.638,40 through issue of 995,276 Series I bearer shares, 1,194,331 Series J registered shares, 1,433,197 Series K registered shares and 1,353,580 Series L registered shares, at an issue price of PLN 44.27 per Company share. In exchange for the shares subscribed for in the increased share capital of the Company, Biofund will make a cash contribution of PLN 13,807,810.30 as well as an in-kind contribution of 1,500 shares in Kardiolytics, representing 100% interest in its share capital. The value of Biofund's in-kind contribution is USD 44.890.589 and has been determined based on a valuation report which was prepared by BakerTilly TPA sp. z o.o., with the statutory auditor issuing an opinion on the fair value of the in-kind contribution.

Biofund's shares will be traded at the Warsaw Stock Exchange without the need to prepare an issue prospectus, according to an applicable exemption. The Parties expect that all shares held by Biofund will have been in trading by the end of 2026.

The Agreement covers a period of 25 years, however subject to prior termination on the date of one of the following events, whichever earlier: 1) the parties withdraw from the Agreement in certain cases until the date of the share capital increase under the Transaction, for example in the event of failing conditions precedent, failing to take corporate actions, occurrence of a material adverse change that concerns the parties of the Transaction, negative due diligence results, failing to demonstrate the production capacity of at least 10,000 "pocketEKG" devices, and failure of the Company to provide a DRAI software test, or 2) Biofund or an entity indicated in the Agreement does not hold any Company shares.

The Management Board decided to commit the Transaction upon considering the following circumstances, among other factors: 1) in the opinion of the Management Board, the Transaction will result in a new entity which will have experience and competence in, among other things, (i) development of algorithms for automatic analysis of cardiac and circulatory system computed tomography images and ECG signals, (ii) non-invasive diagnosis of diseases and imaging of the circulatory system, (iii) design, development and certification of medical devices, and this will enable development of new products for the cardiac diagnostics market that will give the opportunity to, for example, perform long-term cardiac monitoring of suspected patients, advanced diagnostics in outpatient setting, and in-hospital diagnostics; 2) in the opinion of the Management Board, thanks to the distribution network in place which involves business partners it will be able to commercialize new cardiology solutions in the key markets.

In addition, with reference to Current Report 31/2021 and subsequent reports which concern the Company's review of available strategic options, the Management Board informs that it has decided to end the review, given all scenarios of potential finance for the group continued operations have been examined. The scenario selected among the strategic options, which best fits the perspective of the group development, is the Transaction. More transaction details can be found in Current Report 55/2022.

On October 20, 2022, an annex to the Agreement was signed between the Company and Biofund Capital Management LLC based in Miami (USA) concerning the Company's obligation to cause the agenda of the next General Meeting to include voting on resolutions aimed at appointing Mr. Krzysztof Siemionow and Mr. David Cash to the Supervisory Board, as well as to indicate should Mr. Pawel Lewicki (one of the Supervisory Board candidates according to the Agreement) or Mr. Krzysztof Siemionow be not appointed to the Supervisory Board, then Biofund will be entitled to exercise its option to withdraw from the Agreement (Current Report 59/2022).

On November 8, 2022, as the conditions precedent required under the investment agreement of October 1, 2022 have been fulfilled, the Company and Biofund signed:

1) an agreement under which Biofund acquired 995,276 series I bearer shares, 1,194,331 series J registered shares, 1,433,197 series K registered shares and 1,353,580 series L registered shares issued by the Company based on Resolution 4/10/2022 of its Extraordinary General Meeting of October 28, 2022 (collectively "Shares"), at an issue price of PLN 44.27 per Share, in exchange for a contribution worth approx. PLN 220 million, including cash in the total amount of PLN 13,807,810.30 as well as a non-cash contribution of 1,500 shares, fair value of USD 44,890,589, in the share capital of Cardiolytics Inc. based in Oklahoma (USA) (“Cardiolytics”), namely all (100%) Kardiolytics shares.

2) an agreement under which Biofund contributed to the Company a total of 1,500 shares in the Cardiolytics share capital, representing 100% its share capital, to partly cover the total issue price of the Shares.

At the same time, the Management Board informed that under the Shares subscription agreement, referred to in item 1) above, Biofund undertook to make a cash contribution in order to cover the remainder of the total issue price of the Shares within 10 business days of the execution of that agreement (Current Report 64/2022).

On November 8, 2022, a subscription agreement was executed for the Shares based on a private placement of Series I bearer shares, Series J registered shares, Series K registered shares and Series L registered shares issued by the Company according to Resolution 4/10/2022 of its Extraordinary General Meeting of October 28, 2022. The Shares have been subscribed for using the private subscription procedure according to Article 431 § 2(1) of the Commercial Companies Code, by offering the Shares exclusively to Biofund Capital Management LLC, based in Miami (USA), according to the Resolution. Accordingly, no subscriptions for the Shares were accepted and no Shares were allotted as referred to in Article 434 of the Commercial Companies Code. The Shares subscription agreement was concluded on November 8, 2022. The private placement covered 995,276 Series I bearer shares, 1,194,331 Series J registered shares, 1,433,197 Series K registered shares and 1,353,580 Series L registered shares. All Shares have been taken up by one entity, namely Biofund Capital Management LLC based in Miami (USA). The value of the Shares offering (i.e. the product of multiplying the number of the Shares offered and their issue price) was PLN 220,304,519.68.

According to Resolution 4/10/2022 of the Company's Extraordinary General Meeting of October 28, 2022, the Shares will be applied for to admit them to trading on the Warsaw Stock Exchange regulated market once the increase of its share capital becomes registered in the Commercial Register of the National Court Register and any conditions for such trading are satisfied. More information can be found in Current Report 66/2022.

On November 16, 2022, in reference to the Company's Current Report 62/2022 of October 28, 2022, the Management Board announced that as the conditions precedent reserved in Resolutions 8/10/2022, 9/10/2022 and 10/10/2022 of the Extraordinary General Meeting of October 28, 2022 have been fulfilled, therefore as of November 16, 2022 the following have become effectively appointed: Mr Paweł Lewicki, Mr Krzysztof Siemionow and Mr David Cash, as members of the Supervisory Board (Current Report 65/2022).

On October 13, 2022, the Company received a request from its shareholder (Otwarty Fundusz Emerytalny PZU "Złota Jesień”) which contained a new draft resolution concerning the election of the Chairperson of the Company's Supervisory Board, which would be voted based on item 11 of the agenda of the Extraordinary General Meeting of Shareholders convening on October 28, 2022 – the drat proposed Mr. Andrzej Gladysz as the Chairperson of the Company's Supervisory Board. The draft resolution of that shareholder, together with the statement of reasons, is attached to Current Report 57/2022.

On October 28, 2022, the Extraordinary General Meeting elected Mr Andrzej Gładysz as the Chairperson of the Supervisory Board – Resolution 11/10/2022 of October 28, 2022.

On November 29, 2022, the Management Board verified that the District Court for Warsaw, in Warsaw, registered the amended version of the Articles of Association according to the adopted: (i) Resolution 4/10/2022 of the Extraordinary General Meeting of October 28, 2022 concerning the share capital increase through issue of I, J, K, L series shares, waiver of the existing shareholders’ subscription right, a private subscription offer for a designated entity, and amendment of Article 5.1 and 5.2 of the Articles of Association; and (ii) Resolution 5/10/2022 of the Extraordinary General Meeting of October 28, 2022 concerning amendment of the Articles of Association. More information can be found in Current Report 67/2022.

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	
Statement of financial position	**30.09.2022 *(unaudited)***	**31.12.2021 *(audited)***	**30.09.2022 *(unaudited)***	**31.12.2021 *(audited)***
Non-current assets	7 278	8 270	1 495	1 798
Current assets	27 744	61 802	5 697	13 437
Intangible assets	3 709	3 707	762	806
Long-term financial assets	59	97	12	21
Short-term receivables	6 261	53 958	1 286	11 732
Cash and cash equivalents	12 515	706	2 570	153
Equity	12 467	56 148	2 560	12 208
Share capital	498	498	102	108
Short-term liabilities	12 268	7 667	2 519	1 667
Long-term liabilities	10 287	6 257	2 113	1 360
Number of shares	4 976 385	4 976 385	4 976 385	4 976 385
Book value per ordinary share (PLN/EUR)	2,51	11,28	0,51	2,45

Statement of comprehensive income	**01.01.2022-30.09.2022 *(unaudited)***	**01.01.2021-30.09.2021 *(unaudited)***	**01.01.2022-30.09.2022 *(unaudited)***	**01.01.2021-30.09.2021 *(unaudited)***
Sales revenue	42 761	32 526	9 121	7 135
Profit/(loss) on sales	12 116	9 048	2 584	1 985
Operating profit/(loss)	(44 482)	(6 661)	(9 489)	(1 461)
Profit/(loss) before tax	(42 802)	2 364	(9 130)	519
Net profit/(loss)	(43 681)	3 836	(9 318)	841
Earnings per ordinary share (PLN/EUR)	(8,78)	0,89	(1,87)	0,19

Statement of cash flows	**01.01.2022-30.09.2022 *(unaudited)***	**01.01.2021-30.09.2021 *(unaudited)***	**01.01.2022-30.09.2022 *(unaudited)***	**01.01.2021-30.09.2021 *(unaudited)***
Net cash flows from operating activities	14 906	(993)	3 180	(218)
Net cash flows from investing activities	(3 017)	(6 645)	(644)	(1 458)
Net cash flows from financing activities	(79)	7 682	(17)	1 685
Total net cash flows	11 809	44	2 519	10

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 30 September 2022, i.e. EUR/PLN 4,8698, 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 30 September 2022, i.e. EUR/PLN 4,6880, and from 1 January 2021 to 30 September 2021, i.e. EUR/PLN 4,5585

		30.09.2022 *(unaudited)*	30.06.2022 *(unaudited)*	31.12.2021 *(audited)*	30.09.2021 *(unaudited)*
Intangible assets		3 709	3 458	3 707	24 801
Property plant and equipment		2 060	2 371	3 016	3 368
Long-term receivables		-	-	-	31
Financial assets	39	59	59	97	73 906
Shares in subsidiaries	40	1 450	1 450	1 450	80 549
Deferred income tax assets		-	-	-	5 332
Non-current assets		**7 278**	**7 338**	**8 270**	**187 987**
Inventories		8 968	7 807	7 138	6 510
Trade and other receivables	41	6 261	5 042	53 958	50 096
Cash and cash equivalents		12 515	4 587	706	873
Current assets		**27 744**	**17 436**	**61 802**	**57 479**
TOTAL ASSETS		**35 022**	**24 774**	**70 072**	**245 466**

		30.09.2022 *(unaudited)*	30.06.2022 *(unaudited)*	31.12.2021 *(audited)*	30.09.2021 *(unaudited)*
Share capital		498	498	498	433
Supplementary capital		228 019	228 019	228 019	217 025
Retained earnings		(216 050)	(230 371)	(172 369)	3 836
Equity		**12 467**	**(1 854)**	**56 148**	**221 294**
Other liabilities		144	144	144	144
Provisions		166	156	105	1 148
Deferred tax liabilities		2 003	3 199	1 322	4 663
Other financial liabilities		3 796	4 046	1 246	1 491
Credits and loans	43	-	-	-	-
Accruals and deferred income		4 178	4 012	3 440	2 517
Long-term liabilities		**10 287**	**11 557**	**6 257**	**9 963**
Short-term provisions		651	1 030	780	-
Credits and loans	43	1 624	4 282	1 434	10 419
Other financial liabilities		5 480	5 107	1 067	1 066
Trade and other liabilities	44	4 467	4 606	4 340	2 724
Accruals and deferred income	44	46	46	46	-
Short-term liabilities		**12 268**	**15 071**	**7 667**	**14 209**
Total liabilities		**22 555**	**26 628**	**13 924**	**24 172**
TOTAL EQUITY AND LIABILITIES		**35 022**	**24 774**	**70 072**	**245 466**

		01.07.2022-30.09.2022 *(unaudited)*	01.07.2021-30.09.2021 *(unaudited)*	01.01.2022-30.09.2022 *(unaudited)*	01.01.2021-30.09.2021 *(unaudited)*
Sales revenue	37	**17 305**	**11 023**	**42 761**	**32 526**
Raw materials and consumables used		(3 130)	(2 139)	(8 766)	(6 287)
Employee benefits		(3 977)	(2 461)	(11 601)	(8 327)
Amortization and depreciation		(916)	(990)	(2 858)	(3 030)
Third-party services		(3 060)	(1 806)	(7 084)	(5 522)
Other		(128)	(116)	(336)	(312)
Total costs of sales		**(11 211)**	**(7 512)**	**(30 645)**	**(23 478)**
Profit/(loss) on sales		**6 094**	**3 511**	**12 116**	**9 048**
Other operating revenue	38	6 360	59	10 175	81
Other operating expenses	38	(2 359)	(9)	(66 773)	(15 790)
Operating profit/(loss)		**10 095**	**3 561**	**(44 482)**	**(6 661)**
Finance income		3 114	6 409	9 206	9 201
Finance costs		(83)	(74)	(7 526)	(176)
Net finance (costs)/income		**3 031**	**6 335**	**1 680**	**9 025**
Profit before tax		**13 126**	**9 896**	**(42 802)**	**2 364**
Income tax		1 196	(1 045)	(879)	1 472
Net profit/(loss) from continuing operations		**14 321**	**8 851**	**(43 681)**	**3 836**
Other net comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		**14 321**	**8 851**	**(43 681)**	**3 836**
Basic profit/(loss) per share in PLN		2,88	2,05	(8,78)	0,89
Diluted profit/(loss) per share in PLN		2,88	2,05	(8,78)	0,89

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as of 1 January 2022 *(audited)*	**498**	**228 019**	**(172 369)**	**56 148**
Comprehensive income for the reporting period				
Net profit/(loss) for the current reporting period	-	-	(43 681)	(43 681)
	-	**-**	**(43 681)**	**(43 681)**
Transactions recognized directly in equity				
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as of 30 September 2022 *(unaudited)*	**498**	**228 019**	**(216 050)**	**12 467**

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as of 1 January 2022 (audited)	**498**	**228 019**	**(172 369)**	**56 148**
Comprehensive income for the reporting period				
Net profit/(loss) for the current reporting period	-	-	(58 002)	(58 002)
	-	**-**	**(58 002)**	**(58 002)**
Transactions recognized directly in equity				
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as of 30 June 2022 *(unaudited)*	**498**	**228 019**	**(230 371)**	**(1 854)**

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

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as of 1 January 2021 *(audited)*	**433**	**195 820**	**21 205**	**217 458**
Comprehensive income for the reporting period				
Net profit/(loss) for the previous reporting period	-	21 205	(21 205)	-
Net profit/(loss) for the current reporting period	-	-	3 836	3 836
	-	**21 205**	**(17 369)**	**3 836**
Transactions recognized directly in equity				
Issue of shares	-	-	-	-
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as of 30 September 2021 *(unaudited)*	**433**	**217 025**	**3 836**	**221 294**

	01.01.2022-30.09.2022 *(unaudited)*	01.01.2021-30.09.2021 *(unaudited)*
Cash flows from operating activities		
Net profit/(loss) for the reporting period	**(43 681)**	**3 836**
Depreciation of property, plant and equipment	811	939
Amortization of intangible assets	2 047	2 061
Income tax	879	(1 366)
Change in inventories	(1 830)	(2 205)
Change in trade and other receivables	(17 755)	(13 877)
Change in accruals, prepayments and deferred income	-	(875)
Change in trade and other liabilities	127	513
Change in provisions	(720)	249
Change in financial liabilities	7 717	
Write off the value of shares	-	15 671
Write off the intangible assets	1 142	
(Profit)/loss on the sale of investments		
(Revenue)/Net financial costs	(215)	-
Pricing of the incentive program	-	-
Tax paid	2 108	-
Write-down of receivables	63 794	
Foreign exchange differences	-	(4 284)
Interest	254	(2 341)
Other	226	686
	14 906	**(993)**
Cash flows from investing activities		
Loans granted	-	(1 500)
Purchase of property plant and equipment and intangible assets	(3 271)	(5 145)
Other influences	253	
	(3 017)	**(6 645)**
Cash flows from financing activities		
Income from issue of shares	-	-
Income from issue of shares	-	-
Credit card debt	(46)	(5)
Inflows from credits taken out	237	7 590
Repayment debt on account of credits taken out with interest	(200)	(2)
Capital support on subsidiaries	-	-
Repayment of bonds with interest	-	-
Payments of finance lease liabilities	(754)	(774)
Interest on finance leases	(54)	(51)
Other inflows from financing activities	739	924
	(79)	**7 682**
Total net cash flows	**11 809**	**44**
Opening balance of cash and cash equivalents	706	829
Closing balance of cash	**12 515**	**873**

39. Structure of sales revenues

By type	01.07.2022-30.09.2022 (unaudited)	01.07.2021-30.09.2021 (unaudited)	01.01.2022-30.09.2022 (unaudited)	01.01.2021-30.09.2021 (unaudited)
Revenue from sales of services	14 684	9 007	35 146	26 464
Revenue from sales of devices	2 621	2 016	7 615	6 062
	17 305	**11 023**	**42 761**	**32 526**

By territory	01.07.2022-30.09.2022 (unaudited)	01.07.2021-30.09.2021 (unaudited)	01.01.2022-30.09.2022 (unaudited)	01.01.2021-30.09.2021 (unaudited)
Domestic sales	184	174	691	720
Export sales	17 122	10 849	42 070	31 806
	17 305	**11 023**	**42 761**	**32 526**

40. Other operating income and expenses

	01.07.2021-30.09.2021	01.07.2020-30.09.2020	01.01.2021-30.09.2021	01.01.2020-30.09.2020
Resolution of write-downs of receivables	25	-	3586	-
Sale of receivables - Medical US Holding	6128		6128	-
Other	207	59	461	81
Other operating revenue	**6 360**	**59**	**10 175**	**81**
Impairment loss of shares	-	-	-	(15 671)
Write-down of receivables	63 854	-	-	-
Sale of receivables - Medical US Holding	(65 861)	-	(65 861)	-
Other	(353)	(9)	(913)	(119)
Other operating expenses	**(2 359)**	**(9)**	**(66 773)**	**(15 790)**

As part of the conditions of the Medi-Lynx divestment transaction of July 28, 2022, the Company signed an agreement with Medicalgorithmics US Holding Corporation to sale certain receivables claimed from Medi-Lynx, valued at approx. USD 14 million (PLN 65.9 million) for a sale price of USD 1.3 million (PLN 6.1 million). Next, MDG HoldCo signed a debt relief agreement with Medi-Lynx under which the claims have been cancelled in full (and all receivables outstanding as of March 31, 2022 were written off in Q1 2022).

Following the credit risk estimation under IFRS 9 as of March 31, 2022 the allowance for receivables due from Medi-Lynx was adjusted by an additional PLN 56.0 million, thereby writing off the entire sum of Medi-Lynx receivables. In the second quarter of 2022, this allowance was further adjusted to PLN 63.9 million (+7.9 million).

As of June 30, 2021, the Management Board identified indications of potential impairment of the equity interest held in subsidiary MDG HoldCo and loans borrowed to it, 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.

41. Financial income and cost

	01.07.2022-30.09.2022	01.07.2021-30.09.2021	01.01.2022-30.09.2022	01.01.2021-30.09.2021
Interest	1 100	868	2 985	2 559
Exchange differences from valuation	2 014	5 431	6 006	6 531
Other	-	111	215	111
Financial income	**3 114**	**6 410**	**9 206**	**9 201**

Interest on leases	(11)	(17)	(38)	(51)
Interest on credit	(62)	(57)	(200)	(122)
Recognition of contingent liability Andy Bogdan	-	-	(7 272)	-
Other	(10)	(0)	(17)	(3)
Financial costs	**(83)**	**(75)**	**(7 526)**	**(176)**
Net financial income/(expenses)	**3 031**	**6 335**	**1 680**	**9 025**

As of June 30, 2022, the Company recognized a contingent liability to Medi-Lynx Monitoring Inc. for the Medi-Lynx acquisition, as previously disclosed in the Company's financial statements, in the amount of USD 1.6 million (PLN 7.3 million) – more details are described in the Other financial liabilities note to the separate financial statements.

More details of this transaction can be found in Current Report 53/2022 published on September 23, 2022.

42. Financial assets

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Loans granted	95 888	85 753	75 883	73 744
Write-off of loans granted	(95 888)	(85 753)	(75 883)	-
Shares	59	59	97	162
	59	**59**	**97**	**73 906**
of which long-term portion	59	59	97	73 906
of which short-term portion	-	-	-	-

Lending

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

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 off the entire value of the loans.

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/Spectocor for its customer base acquired before. The fair value of financial assets approximates their net book value which is zero.

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.

43. Shares in subsidiaries

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771	79 100
Medicalgorithmics Polska Sp. z o.o.	(94 771)	(94 771)	(94 771)	-
Medicalgorithmics India Pvt. Ltd	1 267	1 267	1 267	1 267
Write down the value of shares	183	183	183	183
	1 450	**1 450**	**1 450**	**80 549**

Impairment

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.

44. Trade and other receivables

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Trade receivables	4 505	2 688	50 301	46 457
Budgetary receivables	1 531	2 102	3 318	3 172
Other receivables	107	119	108	110
Prepayments and deferred expenses	118	132	231	388
	6 261	**5 042**	**53 958**	**50 127**
Long-term	-	-	-	31
Short-term	6 261	5 042	53 958	50 096

Trade receivables

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Trade receivables from related entities	64 296	64 288	51 526	44 478
Impairment loss on receivables from related entities	(63 879)	(63 879)	(3 500)	-
Trade receivables from other entities	4 165	2 356	2 335	1 981
Impairment loss on receivables from other entities	(77)	(77)	(59)	(2)
Total net trade receivables	**4 505**	**2 688**	**50 302**	**46 457**

As part of the conditions of the Medi-Lynx divestment transaction of July 28, 2022, the Company signed an agreement with Medicalgorithmics US Holding Corporation to sale certain receivables claimed from Medi-Lynx, valued at approx. USD 14 million (PLN 65.9 million) for a sale price of USD 1.3 million (PLN 6.1 million). Next, MDG HoldCo signed a debt relief agreement with Medi-Lynx under which the claims have been cancelled in full (and all receivables outstanding as of March 31, 2022 were written off in Q1 2022).

Beginning July 28, 2022, receivables due from Medi-Lynx are recognized as receivables from other (unrelated) entities. As of September 30, 2022, no new allowances have been established for receivables from related and other parties.

As of June 30, 2022, the allowance for Medi-Lynx receivables was adjusted up to PLN 63.9 million (+60.4 million), with the opening balance at PLN 3.5 million. The allowance for receivables from other entities was also adjusted to PLN 77 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 the interim financial statements for Q1 2022), following the credit risk estimation under IFRS 9 as of March 31, 2022 the allowance for receivables due from Medi-Lynx was adjusted up by PLN 56.0 million, thereby writing off the entire sum of Medi-Lynx receivables. Previously, on December 31, 2021, the allowance for the receivables from Medi-Lynx was adjusted to PLN 3.5 million. As of December 31, 2021, the allowance for receivables from other entities was PLN 59 million.

The aging structure of trade receivables at the end of the reporting period is as follows:

Gross value	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Non-matured	2 928	13 296	7 962	8 496
Past due 1-30 days	1 065	170	3 603	830
Past due 31-60 days	87	222	3 155	2 805
Past due 61-360	34 023	30 311	25 590	31 737
Past due more than 361 days	30 358	22 569	13 550	2 591
	68 461	**66 568**	**53 860**	**46 459**

Impairment loss	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Non-matured	-	11 251	-	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	1	-	-
Past due 61-360	33 602	30 127	-	2
Past due more than 361 days	30 354	22 501	3 559	-
	63 956	**63 880**	**3 559**	**2**

Net value	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Non-matured	2 928	2 045	7 962	8 496
Past due 1-30 days	1 065	170	3 603	830
Past due 31-60 days	87	221	3 155	2 805
Past due 61-360	421	184	25 590	31 735
Past due more than 361 days	4	68	9 991	2 591
	4 505	**2 688**	**50 301**	**46 457**

Deferred income

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Insurance policies and deposits	58	10	47	59
Subscriptions	9	14	25	27
Fee for the listing of shares on the WSE	5	9	-	3
Advisory services	-	19	19	19
Commision	28	56	114	142
Other	18	24	26	138
Total prepayments and deferred expenses	**118**	**133**	**231**	**388**
Long-term	-	-	-	31
Short-term	118	133	231	357

45. Basic and diluted earnings per share

	01.01.2022-30.09.2022	01.01.2021-31.12.2021	01.01.2021-30.09.2021
Profit for the period (PLN ‘000)	(43 681)	(172 369)	3 836
Weighted average number of ordinary shares (in thousands of shares)	4 976	4 547	4 328

Dilution effect of the potential number of ordinary shares (thousand shares)	-	-	-
Basic profit per share in PLN (net profit/weighted average number of shares)	**(8,78)**	**(37,91)**	**0,89**
Diluted profit per share in PLN (net profit/weighted average number of diluted shares)	**(8,78)**	**(37,91)**	**0,89**

46. Borrowings

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Credit card debt	(7)	10	40	23
Credits and loans	1 631	4 272	1 394	10 396
	1 624	**4 282**	**1 434**	**10 419**
of which long-term	0	-	-	0
of which short-term	1 624	4 282	1 434	10 419

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 1.7 million (November 17, 2022: PLN 0.8 million), including consumed PLN 1.6 million as of September 30, 2022 and PLN 0.3 million as of November 17, 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 February 28, 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. Facility covenants are described in Note 19 of this report. Other information regarding the facility, including covenants, is described in Note 21 Borrowings of this consolidated interim report.

47. Trade and other payables and accruals

	30.09.2022 (unaudited)	30.06.2022 (unaudited)	31.12.2021 (audited)	30.09.2021 (unaudited)
Trade liabilities to other entities	2 649	3 642	3 185	2 274
Budgetary liabilities	359	381	678	348
Salaries and wages payable	405	405	405	-
Other liabilities	1 054	178	72	102
Short-term accruals and deferred income	46	46	46	-
Long-term accruals and deferred income	4 178	4 012	3 440	2 517
	8 691	**8 664**	**7 826**	**5 241**

48. Other financial liabilities

	30.09.2022	30.06.2022	31.12.2021	30.09.2021
Recognition of a previously disclosed contingent liability	7 717	7 320	-	-
Financial lease liabilities	1 559	1 833	2 313	2 557
Financial liabilities	**9 276**	**9 153**	**2 313**	**2 557**
long-term	3 796	4 046	1 246	1 491
short-term	5 480	5 107	1 067	1 066

As of September 30, 2022, the liabilities were valued at PLN 7.7 million (USD 1.6 million), including current liabilities at PLN 4.46 million and long-term liabilities at PLN 3.26 million.

As of June 30, 2022, the Company recognized a contingent liability for the 2016 guarantee, previously disclosed in the Company's financial statements, which secured an interest-bearing promissory note of Medicalgorithmics US Holding Corporation, a subsidiary based in the United States ("Holding") that had secured liabilities for the Holding's acquisition of Medi-Lynx Cardiac Monitoring, LLC ("Medi-Lynx") from Medi-Lynx Monitoring Inc. (wholly owned by Mr. Andrew Bogdan), which disposed of its Medi-Lynx interest to the Group.

The liabilities are recognized in the separate balance sheet because after the Medi-Lynx sale and pending the uncertainty as to whether the Holding will receive the variable components of the Medi-Lynx sale price (as described in detail in Current Report 47/2022), the Holding may lack own funds to repay the liabilities for the Medi-Lynx acquisition and effectively it will have to be financed by the Company using the guarantee.

The promissory note and the guarantee were amended on July 15, 2022, as further detailed in Current Report 47/2022. At the moment, repayments are fixed in equal monthly installments of USD 75,000 per month, from September 1, 2022 to May 1, 2024, followed by equal installments of USD 59,000 per month until the debt is fully repaid in May 2025. In the separate financial statements, the Parent recognized and reported the liabilities under this guarantee in the amount of USD 1.6 million (PLN 7.3 million), which corresponds to the value of the guaranteed liabilities as of the date of publication of the mid-year report on September 29, 2022.

More details of this transaction can be found in Current Report 53/2022 published on September 23, 2022.

49. Contingent liabilities

The Company is a party to EU agreements for joint financing of investment projects that are aimed at the 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 risks zostało ocenione jako wątpliwe. 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.

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 February 28, 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. On August 30, 2022, the American Arbitration Association acting through its arbitration judge resolved to deny the action brought by the former CEO of Medi-Lynx Cardiac Monitoring LLC, Mr. Peter Pellerito, against Medicalgorithmics S.A. and Mr Marek Dziubiński.

On June 30, 2022, the Company recognized a contingent liability to pay USD 324 thousand as a minimum guaranteed bonus conditioned on the sale of Medi-Lynx. According to the terms of the bonus, its award and payment upon the sale of Medi-Lynx (see Note 4.1), certain key employees involved, including members of the Board of the Company and of Medi-Lynx, receive the bonus.

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.

50. Related party transactions

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

Medicalgorithmics US Holding Corporation

Statement of financial position (in PLN '000) — as of	**30.09.2022**	**30.06.2022**	**31.12.2021**	**30.09.2021**
Loans granted	95 888	85 753	75 883	73 744
Write-off of loans granted	(95 888)	(85 753)	(75 883)	-
Contribution to the supplementary capital	94 771	94 771	94 771	79 100
Write-off of the reserve capital	(94 771)	(94 771)	(94 771)	-

Statement of comprehensive income (in PLN '000)	**01.01.2022-30.09.2022**	**01.01.2021-31.12.2021**	**01.01.2021-30.09.2021**
Interest on loans	2 985	3 446	2 557
Write-off of interest on loans	(2 985)	(3 446)	-

Medicalgorithmics Polska Sp. z o.o.

Statement of financial position (in PLN '000) — as of	**30.09.2022**	**30.06.2021**	**31.12.2020**	**30.09.2021**
Trade receivables	157	130	9	185
Contribution to equity	1 267	1 267	1 267	1 267

Statement of comprehensive income (in PLN '000)	**01.01.2022-30.09.2022**	**01.01.2021-31.12.2021**	**01.01.2021-30.09.2021**
Revenue from sales of goods and services	256	297	258

Medicalgorithmics India Pvt. Ltd

Statement of financial position (in PLN '000) — as of	**30.09.2022**	**30.06.2021**	**31.12.2020**	**30.09.2021**
Trade receivables	259	279	151	185
Contribution to the supplementary capital	183	183	183	183

Statement of comprehensive income (in PLN '000)	**01.01.2022-30.09.2022**	**01.01.2021-31.12.2021**	**01.01.2021-30.09.2021**
Revenue from sales of goods and services	296	283	196

51. Transactions with officers

Transactions with officers are disclosed in Note 30 of this report.

52. Significant litigations

In the period covered by this report, there were no proceedings pending before any court, arbitration authority (except for the above arbitration brought by Mr Pellerito, described in Note 22) or public administration that would concern amounts payable or receivable of the Company for a sum (individual or aggregate) of 10% of the Company's equity or more. The Company was a party to two cases:

On February 21, 2022, Mr Maksymilian Sztandera ("Applicant") filed to the District Court of Warsaw, 7th Labor and Social Security Division, a request calling Medicalgorithmics S.A. into settlement negotiations and demanded, among other things, a payment of PLN 200 thousand, plus statutory interest, and fixing a date for a settlement meeting. The applicant presented two settlement proposals:

1. Payment of the amount without any statutory default interest otherwise due to the Applicant;
2. Payment of the amount in 5 equal monthly installments, PLN 40,000 each.

On June 23, 2022, a hearing was held at the District Court of Warsaw, 7th Labor and Social Security Division, with the participation of Medicalgorithmics S.A., seeking a settlement. Medicalgorithmics S.A. has not agree to enter into a settlement.

On December 30, 2021, Wysoccy Zaborowscy Partners sp. k. („Claimant") lodged a claim with the Regional Court of Warsaw, Business Division, for payment based on a summary writ-of-payment procedure and demanded, among other things, award and issue of a writ of payment for PLN 75,257.65 plus statutory interest. On February 17, 2022, after a closed session of the court, based on the summary procedure, the Regional Court of Warsaw, Business Division, issued a writ of payment for Medicalgorithmics S.A. to pay to the Claimant PLN 75,257.65 plus default interest applicable to commercial transactions plus PLN 7,380.00 for attorney expenses. On June 1, 2022, Medicalgorithmics S.A. filed an objection with the Regional Court of Warsaw, 26th Business Division, against the writ of payment that has been issued based on the summary writ-of-payment procedure and demanded, among other things, its denial.

53. Events after balance sheet date

On October 1, 2022, an investment agreement was signed between the Company and Biofund Capital Management LLC based in Miami, USA ("Biofund") to acquire 4,976,384 new shares in the Company, representing 49.99% of its General Meeting votes, in exchange for Biofund's cash contribution of PLN 13,807,810.28 and in-kind contribution of 100% of shares in Kardiolytics Inc. based in Oklahoma, USA ("Cardiolytics"). The issue price will be PLN 44.27 per share.

In addition to the cash contribution, Biofund has warranted to provide the Company with additional finance up to PLN 13,800,000, over a period of 3 years from the acquisition of the Company's shares, depending on the Company's reasonable needs and any third-party finance obtained, on such terms and times as will be agreed upon with the Supervisory Board.

Back in 2018 Kardiolytics started developing AI algorithms that are capable of autonomous analysis and quantification of the risk of heart attack, identification of a number of biomarkers correlated with cardiac diseases, as well as demonstration of a comprehensive picture of the patient's heart structure in a 3D model – all presented to the eyes of the physician. 3D models are enriched with the most crucial parameters based on a numerical analysis of fluid mechanics, which are essential for making a diagnosis and planning further treatment paths.

As a result of the Transaction, the Company is going to become the exclusive owner (with 100% shares in Kardiolytics) of intellectual property rights in the technology which Kardiolytics has been developing for AI-driven non-invasive diagnostics and circulatory system imaging.

According to the Agreement, the share capital will be increased by PLN 497.638,40 through issue of 995,276 Series I bearer shares, 1,194,331 Series J registered shares, 1,433,197 Series K registered shares and 1,353,580 Series L registered shares, at an issue price of PLN 44.27 per Company share. In exchange for the shares subscribed for in the increased share capital of the Company, Biofund will make a cash contribution of PLN 13,807,810.30 as well as an in-kind contribution of 1,500 shares in Kardiolytics, representing 100% interest in its share capital. The value of Biofund's in-kind contribution is USD 44.890.589 and has been determined based on a valuation report which was prepared by BakerTilly TPA sp. z o.o., with the statutory auditor issuing an opinion on the fair value of the in-kind contribution.

Biofund's shares will be traded at the Warsaw Stock Exchange without the need to prepare an issue prospectus, according to an applicable exemption. The Parties expect that all shares held by Biofund will have been in trading by the end of 2026.

The Agreement covers a period of 25 years, however subject to prior termination on the date of one of the following events, whichever earlier: 1) the parties withdraw from the Agreement in certain cases until the date of the share capital increase under the Transaction, for example in the event of failing conditions precedent, failing to take corporate actions, occurrence of a material adverse change that concerns the parties of the Transaction, negative due diligence results, failing to demonstrate the production capacity of at least 10,000 "pocketEKG" devices, and failure of the Company to provide a DRAI software test, or 2) Biofund or an entity indicated in the Agreement does not hold any Company shares.

The Management Board decided to commit the Transaction upon considering the following circumstances, among other factors: 1) in the opinion of the Management Board, the Transaction will result in a new entity which will have experience and competence in, among other things, (i) development of algorithms for automatic analysis of cardiac and circulatory system computed tomography images and ECG signals, (ii) non-invasive diagnosis of diseases and imaging of the circulatory system, (iii) design, development and certification of medical devices, and this will enable development of new products for the cardiac diagnostics market that will give the opportunity to, for example, perform long-term cardiac monitoring of suspected patients, advanced diagnostics in outpatient setting, and in-hospital diagnostics; 2) in the opinion of the Management Board, thanks to the distribution network in place which involves business partners it will be able to commercialize new cardiology solutions in the key markets.

In addition, with reference to Current Report 31/2021 and subsequent reports which concern the Company's review of available strategic options, the Management Board informs that it has decided to end the review, given all scenarios of potential finance for the group continued operations have been examined. The scenario selected among the strategic options, which best fits the perspective of the group development, is the Transaction. More transaction details can be found in Current Report 55/2022.

On October 20, 2022, an annex to the Agreement was signed between the Company and Biofund Capital Management LLC based in Miami (USA) concerning the Company's obligation to cause the agenda of the next General Meeting to include voting on resolutions aimed at appointing Mr. Krzysztof Siemionow and Mr. David Cash to the Supervisory Board, as well as to indicate should Mr. Pawel Lewicki (one of the Supervisory Board candidates according to the Agreement) or Mr. Krzysztof Siemionow be not appointed to the Supervisory Board, then Biofund will be entitled to exercise its option to withdraw from the Agreement (Current Report 59/2022).

On November 8, 2022, as the conditions precedent required under the investment agreement of October 1, 2022 have been fulfilled, the Company and Biofund signed:

1) an agreement under which Biofund acquired 995,276 series I bearer shares, 1,194,331 series J registered shares, 1,433,197 series K registered shares and 1,353,580 series L registered shares issued by the Company based on Resolution 4/10/2022 of its Extraordinary General Meeting of October 28, 2022 (collectively "Shares"), at an issue price of PLN 44.27 per Share, in exchange for a contribution worth approx. PLN 220 million, including cash in the total amount of PLN 13,807,810.30 as well as a non-cash contribution of 1,500 shares, fair value of USD 44,890,589, in the share capital of Cardiolytics Inc. based in Oklahoma (USA) (“Cardiolytics”), namely all (100%) Kardiolytics shares.

2) an agreement under which Biofund contributed to the Company a total of 1,500 shares in the Cardiolytics share capital, representing 100% its share capital, to partly cover the total issue price of the Shares.

At the same time, the Management Board informed that under the Shares subscription agreement, referred to in item 1) above, Biofund undertook to make a cash contribution in order to cover the remainder of the total issue price of the Shares within 10 business days of the execution of that agreement (Current Report 64/2022).

On November 8, 2022, a subscription agreement was executed for the Shares based on a private placement of Series I bearer shares, Series J registered shares, Series K registered shares and Series L registered shares issued by the Company according to Resolution 4/10/2022 of its Extraordinary General Meeting of October 28, 2022. The Shares have been subscribed for using the private subscription procedure according to Article 431 § 2(1) of the Commercial Companies Code, by offering the Shares exclusively to Biofund Capital Management LLC, based in Miami (USA), according to the Resolution. Accordingly, no subscriptions for the Shares were accepted and no Shares were allotted as referred to in Article 434 of the Commercial Companies Code.
The Shares subscription agreement was concluded on November 8, 2022. The private placement covered 995,276 Series I bearer shares, 1,194,331 Series J registered shares, 1,433,197 Series K registered shares and 1,353,580 Series L registered shares. All Shares have been taken up by one entity, namely Biofund Capital Management LLC based in Miami (USA). The value of the Shares offering (i.e. the product of multiplying the number of the Shares offered and their issue price) was PLN 220,304,519.68.

According to Resolution 4/10/2022 of the Company's Extraordinary General Meeting of October 28, 2022, the Shares will be applied for to admit them to trading on the Warsaw Stock Exchange regulated market once the increase of its share capital becomes registered in the Commercial Register of the National Court Register and any conditions for such trading are satisfied. More information can be found in Current Report 66/2022.

On November 16, 2022, in reference to the Company's Current Report 62/2022 of October 28, 2022, the Management Board announced that as the conditions precedent reserved in Resolutions 8/10/2022, 9/10/2022 and 10/10/2022 of the Extraordinary General Meeting of October 28, 2022 have been fulfilled, therefore as of November 16, 2022 the following have become effectively appointed: Mr Paweł Lewicki, Mr Krzysztof Siemionow and Mr David Cash, as members of the Supervisory Board (Current Report 65/2022).

On October 13, 2022, the Company received a request from its shareholder (Otwarty Fundusz Emerytalny PZU "Złota Jesień") which contained a new draft resolution concerning the election of the Chairperson of the Company's Supervisory Board, which would be voted based on item 11 of the agenda of the Extraordinary General Meeting of Shareholders convening on October 28, 2022 – the drat proposed Mr. Andrzej Gladysz as the Chairperson of the Company's Supervisory Board. The draft resolution of that shareholder, together with the statement of reasons, is attached to Current Report 57/2022.

On October 28, 2022, the Extraordinary General Meeting elected Mr Andrzej Gładysz as the Chairperson of the Supervisory Board – Resolution 11/10/2022 of October 28, 2022.

On November 29, 2022, the Management Board verified that the District Court for Warsaw, in Warsaw, registered the amended version of the Articles of Association according to the adopted: (i) Resolution 4/10/2022 of the Extraordinary General Meeting of October 28, 2022 concerning the share capital increase through issue of I, J, K, L series shares, waiver of the existing shareholders' subscription right, a private subscription offer for a designated entity, and amendment of Article 5.1 and 5.2 of the Articles of Association; and (ii) Resolution 5/10/2022 of the Extraordinary General Meeting of October 28, 2022 concerning amendment of the Articles of Association. More information can be found in Current Report 67/2022.

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 November 29, 2022.

Maciej Gamrot
Member of Management Board, Chief Financial Officer

Jarosław Jerzakowski
Member of Management Board

Warszawa, November 29, 2022

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