



Standalone Annual Report **MEDICALgorithmics S.A.**

for 2022

This report includes:

- Letter to shareholders
- Standalone Financial Statements
- Directors' Report on the Activities of the Capital Group and Medicalgorithmics S.A.
- Management Statements
- Supervisory Board Statements

Dear Shareholders,

The past year has been an extraordinary one for Medicalgorithmics. Our further growth is now enabled thanks to our new strategic investor – Biofund Capital Management LLC. Biofund is a venture capital fund backed by two US investors of Polish descent who are pioneers in AI use for the medical sector, namely Mr Krzysztof Siemionow, MD, PhD, and Prof. Paweł Lewicki. This new strategic investor ensures our greater financial and operational stability. In the longer horizon, Medicalgorithmics is now able to embark on a path of more dynamic growth and higher business scalability thanks to new solutions and new lines of business.

Biofund contributes not just finance but also technology. A major factor has been the contribution of Kardiolytics together with VCAST – the AI-based technology for non-invasive diagnostics and imaging of the circulatory system. Medicalgorithmics has plans to launch new business lines featuring this technology and provide even more comprehensive services in the area of cardiovascular diagnostics.

Our optimization effort and our business reorganization have been yielding successful results. Despite the macroeconomic challenges and the current geopolitical environment, the consolidated revenue did increase in 2022 by 30% y/y to PLN 62.7 million, with EBITDA rising to PLN 21.2 million after 2021 loss of PLN 5.4 million.

We also achieved a number of strategic milestones, for example the divestment of Medi-Lynx Cardiac Monitoring and the revised non-exclusive cooperation agreement signed as early as 2023 with the US subsidiaries of React Health Holdings LLC, not to mention the roll out of our new sales strategy in the key market (USA), including James Landis hired as our new commercial and business development executive in North America. Another new team member strengthening our organization is Linda Johnson, MD, PhD – the executive in charge of the science behind data that is collected using our AI devices and systems.

We are also in the process of shifting our business model in the US to move away from the exclusivity towards a more expanded cooperation with a number of business partners across different areas. We offer a flexible service package with either full access to PocketECG platform that features our latest algorithmics and equipment or a non-exclusive model with access to ECG signal processing based on our state-of-the-art DRAI algorithm that generates medical reports. Our aim is for such more diversified offering to accelerate our long-term growth in the US market and win a greater market share there as this market is of strategic importance to us.

We ought to mention our expansion into other international markets, as well. We recently signed a distribution agreement with Express Diagnostics, the biggest provider of cardiac monitoring services and ECG signal analysis in the UK. We also supply remote diagnostics for a clinical trial which Sweden-based biopharmaceutical company AnaCardio is carrying out in top cardiology centres across the EU and the UK.

Historically, we have been perceived more as a manufacturer and supplier of PocketECG, the cardiac analysis device considered the most advanced system on the market. However, our new commercial strategy opens up a range of new opportunities, such as customer-oriented offering of select features from our comprehensive technology system, access to advanced algorithmics driven by our proprietary AI, generation of excellent medical reports without the need to have any PocketECG device. This makes

Medicalgorithmics an artificial intelligence hardware and software provider, hence enabling us to pursue new forms of business partnerships with third-party clients.

For more long-term value creation, the key project is the VCAST technology platform, now developed by Kardiolytics. It enables the analysis of CT data using AI algorithms. Kardiolytics has invented this non-invasive technology that takes advantage of artificial intelligence to extract key cardiovascular constriction data (atherosclerosis) from the inexpensive and widely available CT imaging tests of the heart. The unique value of this solution comes from the ability to replace expensive and invasive procedures of heart coronography. We want to capitalize on the market potential of this technology in the U.S. where reimbursement options have already been available and also enter other markets that make reimbursement possible. We are expecting to begin the initial testing of the VCAST solution still this year to set off the process of its commercialization and monetization.

Our long-term goal is to become a leader of the global MedTech market and provide comprehensive diagnostics support to cardiology professionals around the world through our proprietary AI system for advanced cardiac analytics.

We also want to thank our entire staff and all partners for their effort and contribution to the growth of Medicalgorithmics. We appreciate the continued trust and support among our shareholders. We are convinced that 2023 is going to write yet another promising chapter in the success story of Medicalgorithmics.

Sincerely,

Maciej Gamrot

Member of Board, CFO

Jarosław Jerzakowski
Member of Board, CCO

Przemysław Tadla
Member of Board, CTO



MEDICALGORITHMICS S.A.
2022 FINANCIAL STATEMENTS

I	Selected financial data	3
II	Statement of Financial Position	4
III	Statement of Comprehensive Income	5
IV	Statement of Changes in Equity	6
V	Statement of Cash Flows	7
VI	Notes	8
1.	Company details.....	8
2.	Basis of Financial Statements.....	9
3.	Main accounting policies.....	16
4.	Business segment reporting.....	23
5.	Structure of sales revenues.....	23
6.	Employee benefits.....	24
7.	Third-party services.....	24
8.	Other operating income and expenses.....	24
9.	Financial income and expenses.....	25
10.	Effective tax rate.....	26
11.	Deferred income tax assets and provisions.....	26
12.	Intangible assets.....	27
13.	Tangible non-current assets (PP&E).....	29
14.	Financial assets.....	30
15.	Interest in subsidiaries.....	30
16.	Inventory.....	31
17.	Receivables.....	32
18.	Cash and cash equivalents.....	33
19.	Shareholders equity.....	33
20.	Provisions.....	34
21.	Borrowings.....	35
22.	Trade and other payables and accruals.....	35
23.	Other financial liabilities.....	35
24.	Financial risk management.....	36
25.	Leases.....	40
26.	Contract liabilities related to PP&E acquisitions.....	41
27.	Contingent liabilities.....	41
28.	Related party transactions.....	42
29.	Transactions with officers.....	43
30.	Headcount.....	43
31.	Significant litigations.....	43
32.	Certified auditor of financial statements.....	43
33.	Events after balance sheet date.....	44
34.	Consolidated statements.....	44

	PLN '000		EUR '000	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Statement of financial position				
Non-current assets	68 201	8 270	14 542	1 798
Current assets	41 238	61 802	8 793	13 437
Intangible assets	4 277	3 707	912	806
Long-term financial assets	10 609	97	2 262	21
Short-term receivables	7 311	53 958	1 559	11 732
Cash and cash equivalents	25 156	706	5 364	153
Equity	89 992	56 148	19 188	12 208
Share capital	995	498	212	108
Short-term liabilities	9 565	7 667	2 039	1 667
Long-term liabilities	9 883	6 257	2 107	1 360
Number of shares	9 952 769	4 976 385	9 952 769	4 976 385
Book value per ordinary share (PLN/EUR)	9,04	11,28	1,93	2,45
	01.01.2022	01.01.2021	01.01.2022	01.01.2021
	-	-	-	-
Statement of comprehensive income				
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Sales revenue	60 687	46 192	12 944	10 091
Profit on sales	17 850	12 168	3 807	2 658
Operating profit	(38 701)	(13 170)	(8 255)	(2 877)
Profit before tax	(27 709)	(172 011)	(5 910)	(37 578)
Net profit	(29 513)	(172 369)	(6 295)	(37 656)
Earnings per ordinary share (PLN/EUR)	(5,18)	(37,91)	(1,10)	(8,28)
	01.01.2022	01.01.2021	01.01.2022	01.01.2021
	-	-	-	-
Statement of cash flows				
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net cash flows from operating activities	18 240	(3 138)	3 891	(685)
Net cash flows from investing activities	(5 807)	(7 705)	(1 239)	(1 683)
Net cash flows from financing activities	12 017	10 720	2 563	2 342
Total net cash flows	24 450	(123)	5 215	(27)

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 31 December 2022, i.e. EUR/PLN 4.6899, and for 31 December 2021, i.e. EUR/PLN 4.5994;
- The presented selected items of the statement of comprehensive income and the statement of cash flows were converted based on the arithmetic mean of the mid-rates quoted by the NBP for the last day of each month of the financial period from 1 January 2022 to 31 December 2022, i.e. EUR/PLN 4.6883, and from 1 January 2021 to 31 December 2021, i.e. EUR/PLN 4.5775

		31.12.2022	31.12.2021
Intangible assets	12	4 277	3 707
Property plant and equipment	13	1 876	3 016
Financial assets	14	10 609	97
Shares in subsidiaries	15	51 439	1 450
Deferred income tax assets	11	-	-
Non-current assets		68 201	8 270
Inventories	16	8 771	7 138
Trade and other receivables	17	7 311	53 958
Cash and cash equivalents	18	25 156	706
Current assets		41 238	61 802
TOTAL ASSETS		109 439	70 072
		31.12.2022	31.12.2021
Share capital	19	995	498
Supplementary capital		290 712	228 019
Retained earnings		(201 716)	(172 369)
Equity		89 992	56 148
Other liabilities		144	144
Provisions	20	191	105
Deferred tax liabilities	11	3 125	1 322
Other financial liabilities	23	2 245	1 246
Accruals and deferred income	22	4 178	3 440
Long-term liabilities		9 883	6 257
Short-term provisions	20	641	780
Credits and loans	21	-	1 434
Other financial liabilities	23	4 892	1 067
Trade and other liabilities	22	3 974	4 340
Accruals and deferred income	22	57	46
Short-term liabilities		9 564	7 667
Total liabilities		19 447	13 924
TOTAL EQUITY AND LIABILITIES		109 439	70 072

		01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Sales revenue	5	60 687	46 192
Raw materials and consumables used		(12 501)	(10 026)
Employee benefits	6	(15 497)	(11 604)
Amortization and depreciation		(3 891)	(4 002)
Third-party services	7	(10 353)	(7 944)
Other		(595)	(448)
Total costs of sales		(42 837)	(34 024)
Profit on sales		17 850	12 168
Other operating revenue	8	619	220
Other operating expenses	8	(57 170)	(25 558)
Operating profit		(38 701)	(13 170)
Finance income	9	21 188	12 059
Finance costs	9	(10 196)	(170 900)
Net finance (costs)/income		10 992	(158 841)
Profit before tax		(27 709)	(172 011)
Income tax	10	(1 804)	(358)
Net profit from continuing operations		(29 513)	(172 369)
Other net comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		(29 513)	(172 369)
Basic profit per share in PLN		(5,18)	(37,91)
Diluted profit per share in PLN		(5,18)	(37,91)

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2022	498	228 019	(172 369)	56 148
Comprehensive income for the reporting period				
Net loss for the current reporting period	-	-	(29 513)	(29 513)
	498	228 019	(201 882)	26 635
Transactions recognized directly in equity				
Distribution of loss for the previous year	-	(166)	166	-
Issue of shares	498	62 859	-	63 357
Total contributions from and distributions to owners	498	62 693	166	63 357
Equity as at 31 December 2022	995	290 712	(201 716)	89 992

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2021	433	195 820	21 205	217 458
Comprehensive income for the reporting period				
Net profit for the previous 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 at 31 December 2021	498	228 019	(172 369)	56 148

		01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Cash flows from operating activities			
Net profit for the reporting period		(29 513)	(172 369)
Depreciation of property, plant and equipment	13	1 376	1 256
Amortization of intangible assets	12	2 741	2 749
Income tax	10	1 804	358
Change in inventories	16	(1 633)	(2 833)
Change in trade and other receivables		(19 256)	(17 305)
Change in accruals, prepayments and deferred income		11	(828)
Change in trade and other liabilities		(367)	2 129
Change in provisions		(53)	(14)
Change in financial liabilities		5 867	-
Impairment loss on intangible assets		1 148	21 737
Impairment loss on financial assets		(9 575)	75 883
Impairment loss of shares		-	94 771
Tax paid		2 108	-
Write-down of receivables		63 794	-
Foreign exchange differences		3 679	(5 495)
Interest		(3 891)	(3 188)
Other		-	11
		18 240	(3 138)
Cash flows from investing activities			
Loans granted	14	(672)	(1 500)
Purchase of property plant and equipment and intangible assets	12,13	(5 135)	(6 205)
		(5 807)	(7 705)
Cash flows from financing activities			
Income from issue of shares	19.3	13 808	11 447
Credit card debt		(39)	12
Proceeds from borrowings	21	-	-
Repayment debt on account of credits taken out with interest		(1 438)	(1 415)
Net other financial expenditure	23	-	-
Payments of finance lease liabilities		(1 044)	(1 104)
Interest on finance leases		(9)	(67)
Other inflows from financing activities		739	1 847
		12 017	10 720
Total net cash flows		24 450	(123)
Opening balance of cash and cash equivalents		706	829
Closing balance of cash		25 156	706

1. Company details

Medicalgorithmics S.A. ("Company", "Entity", "Issuer") is a Polish high-tech company that aims at becoming a leading provider of complete systems and algorithm-based software solutions featuring artificial intelligence for cardiovascular diagnostics, in particular ECG signal analysis and coronary artery diagnostics using computer tomography. The Company was established as a Polish limited liability company with the intent of commercializing original technical ideas of Polish inventors and since then has grown into one of the leading global players of the cardiac telemetry sector.

Medicalgorithmics S.A. is a stock corporation registered in Poland. The Company was founded by a deed of June 23, 2005 (notary's register 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 Company was registered in the National Court Register, the Warsaw District Court, 12th Commercial Division, under company number (KRS) 0000372848.

The Company has also been assigned statistical and VAT numbers: REGON 140186973 and NIP 5213361457, respectively.

The Company's registered office is at Al. Jerozolimskie 81, 02-001 Warsaw, Poland.

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

Management Board

Mr Maciej Gamrot – Member of Management Board, CFO

Mr Jarosław Jerzakowski – Member of Management Board

Mr Przemysław Tadla – Member of Management Board (since December 6, 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.

On December 6, 2022, the Supervisory Board appointed Mr Przemysław Tadla as the Member of the Management Board for a term of three years.

Supervisory Board

Mr Andrzej Gładysz – Chairman of Supervisory Board (since October 28, 2022), Member of Supervisory Board, Chairman of Nomination and Remuneration Committee, Member of Audit Committee

Mr Michał Wnorowski – Vice Chairman of Supervisory Board, Chairman of Audit Committee

Ms Anna Sobocka – Member of Supervisory Board, Member of Audit Committee

Ms Iwona Zatorska-Pańtak – Member of Supervisory Board, Member of Nomination and Remuneration Committee (July 1, 2022 to January 31, 2023)

Mr Sławomir Kościak – Member of Supervisory Board, Member of Nomination and Remuneration Committee (since July 1, 2022)

Mr Paweł Lewicki – Member of Supervisory Board (since November 16, 2022)

Mr Krzysztof Siemionow – Member of Supervisory Board (since November 16, 2022)

Mr 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 Extraordinary General Meeting appointed Mr Paweł Lewicki, Mr Krzysztof Siemionow and Mr David Cash as members of the Company's Supervisory Board.

On January 31, 2023, Ms Iwona Zatorska-Pańtak resigned from the Supervisory Board, effective on the date of submission.

2. Basis of Financial Statements

2.1. Statement of conformance

The annual separate financial statements ("financial statements") were prepared in line with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

IFRS EU include all International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and related Interpretations, except for the Standards and Interpretations listed below that are pending EU's approval as well as Standards and Interpretations already approved by EU but not effective yet.

The Company has not taken advantage of the potential early application of the new Standards and Interpretations already published and approved by EU, which however will become effective after the reporting date.

Going concern assumption of Company and Capital Group

The Management Board prepared the financial statements as of December 31, 2022 using the going concern principle for the Company and MDG S.A. Capital Group.

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 such circumstances have been relevant at the time as well as for better comparability of data, it is restated and updated below.

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, value of USD 44,890,589 (according to an independent valuation report of BakerTilly TPA sp. z o.o., prepared in line with the Commercial Companies Code), in Kardiolytics Inc. based in Oklahoma (USA) ("Kardiolytics"), namely all (100%) Kardiolytics shares.

2) an agreement under which Biofund contributed to the Company a total of 1,500 shares in the Kardiolytics 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.

As a result of the Transaction, the Company became 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. 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.

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.

28 On July 28, 2022, the Management Board of Medicalgorithmics S.A. announced in Current Report 52/2022 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 could 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). According to Current Report 2/2023 of January 16, 2023, the Seller received USD 3.0 million as 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 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 agreement was later amended on February 2, 2023, as described in Current Report 6/2023 of February 03, 2023. In addition, on February 2, 2023, the Company signed agreements with React Health and Medicomp Inc., its affiliate ("Medicomp"), concerning further support services and licensing. The new agreements with Medicomp, including their financial terms, are analogous to the terms of the support and license agreements previously signed with Medi-Lynx (described below), as stated in the Amendment. According to the Amendment, on February 28, 2023, the exclusive license to the Company's intellectual property previously issued to Medi-Lynx and React Health has expired and they no longer held the exclusive right to sell, market and distribute the Company's products and services in the U.S., which followed the Company's U.S. market strategy objective (cf. Current Report 72/2022 of December 6, 2022).

Notably, the divested assets did not include the Company's intellectual property 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). 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.

The Support Agreement (amended on February 2, 2023) was concluded for an indefinite time but may be terminated by either party upon a prior notice of 60 days. 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).

In performance of the Preliminary Agreement, as a condition precedent of the transaction, the Company signed an agreement under which 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).

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. The funds raised through the capital increase and the divestment of Medi-Lynx, combined with the increased sales in 2022, have overridden the circumstances that had implied the significant going concern uncertainty as described in 2021 financial statements.

The funds raised through the capital increase and the divestment of Medi-Lynx, combined with the increased sales in 2022, have overridden the circumstances that had implied the significant going concern uncertainty as described in 2021 financial statements.

Another factor impacting the Company's and the Group's ability to continue as a going concern is the risk related to the achievement of the expected growth in revenues while maintaining the assumed level of the Group's operating expenses, including costs of equipment manufacturing and technology / sales development. When creating its financial plans and estimating its financing needs, the Group assumes various scenarios of, for example, sales growth and level of expenses. To achieve its sales targets the Group planned increasing the sales team. Currently, in the absence of the finance risk, there are no obstacles to realise such plan.

2.2. 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. Notably, at the same time the Company has been restoring 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 Company to success before has allowed it 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.

2.3. First-time standards and interpretations in 2022

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

- Amendments to IFRS 9, examples of IFRS 16, IAS 41 in Annual Improvements 2018 – 2020:
 - o IFRS 1: additional exemption for the determination of cumulative exchange differences on consolidation;
 - o IFRS 9: (1) when the 10% test is applied to determine whether a modification should result in the removal of a liability, only fees that are exchanged between the debtor and creditor should be taken into account; (2) clarification: fees incurred when a liability is removed are recognized in profit or loss, and if the liability is not removed, it should be applied to the value of the liability;
 - o IFRS 16: the lessor's incentive to cover the lessee's fit-out costs was removed from Example 13

- o IAS 41: the ban on the recognition of tax flows in the measurement of biological assets was removed.

The amendments are effective towards annual periods that begin on or after January 1, 2022 (except for the IFRS 16 example which is effective upon its publication).

- Amendment to IAS 16 *Property, Plant & Equipment* clarifies that production performed as part of non-current asset testing before the asset is put to use should be recognized as (1) inventory under IAS 2 and (2) once sold, as revenue (no impact on the value of the asset). The asset testing procedure is part of its cost, while the cost of production is recognized in profit or loss at the time of recognizing proceeds from the disposal of inventory that has been created during the testing. The amendment is effective towards annual periods that begin on or after January 1, 2022.
- Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* clarifies that the cost of fulfilling onerous contracts include incremental costs (e.g. labor costs) and an allocated portion of other costs directly related to the contract fulfillment, such as depreciation. The amendment is effective towards annual periods that begin on or after January 1, 2022.
- Amendment to IFRS 3 *Business Combinations* clarifies references to references to the definition of liabilities contained in the Conceptual Framework and the definition of contingent liabilities in IAS 37. The amendment is effective towards annual periods that begin on or after January 1, 2022.
- Amendment to IFRS 16 *Lease* – in 2020, the IAS Board published certain expedients for lessees who receive COVID-19 pandemic relief. One of the conditions was that the relief could be applied only to payments with maturity not later than the end of June 2021. The amendment postponed this date to June 2022. The amendment is effective towards annual periods that begin on or after April 1, 2021, with earlier application allowed.

The changes introduced have been reviewed by the Management Board and do not have a material impact on the Company's financial position, results of the Company's operations or the scope of information presented in these financial statements.

2.4. Standards and interpretations effective after the balance sheet date

The following standards, interpretations and amendments were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, and have not become effective yet:

- New IFRS 17 *Insurance Contracts* – This new standard regulates the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. It replaces the current IFRS 4. The standard is effective towards annual periods that begin on or after January 1, 2023.
- Amendment to IAS 1 *Presentation of Financial Statements* – The IASB clarified the classification of liabilities as either long- or short-term in terms of two respects mainly:
 - o clarification: the classification depends on rights that an entity holds as at the balance sheet date,
 - o management's intent to accelerate or delay payment of a liability are not taken into account.

The amendment is effective towards annual periods that begin on or after January 1, 2023.

- Amendment to IAS 1 *Presentation of Financial Statements* – The IASB clarified which information about an entity's accounting policies is material and requires disclosure in the financial statements. The rules focus on adapting disclosures to individual circumstances. The Board cautioned against the use of standardized notations copied from IFRS and expected that the basis of financial instrument measurement is relevant information. The amendment is effective towards annual periods that begin on or after January 1, 2023.
- Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – The Board added an *accounting estimate* definition to the standard: Accounting estimates are monetary amounts in the financial statements that are subject to uncertainty as to measurement. The amendment is effective towards annual periods that begin on or after January 1, 2023.
- Amendment to IAS 12 *Income Taxes* – The Board established a rule that if a transaction results in simultaneous positive and negative temporary differences of the same amount, deferred tax assets and liabilities should be recognized even if the transaction does not result from a business combination or affect accounting or tax results. This implies the recognition of the deferred tax assets and liabilities, for example when temporary differences of equal amounts occur for leases (separate temporary difference on the liability and on the right-of-use) or for reclamation liabilities. The rule that deferred tax assets and liabilities are offset against each other if the current tax assets and liabilities are

offset has not been changed. The amendment is effective towards annual periods that begin on or after January 1, 2023.

- Amendment to IFRS 17 *Insurance Contracts* – The Board established transitional provisions for comparable information in the case of entities that simultaneously implement IFRS 17 and IFRS 9, to reduce potential accounting mismatches arising from differences between the standards. The amendment is effective towards annual periods that begin on or after January 1, 2023. The Group evaluates that the change will have no impact on its financial statements as it does not sign insurance contracts.
- Amendment to IFRS 16 *Leases* - The amendment clarifies the requirements for measuring lease liabilities under sale and leaseback transactions. It prevents improper recognition of the result on a given transaction, in its portion related to the retained right of use, when lease payments are variable and do not depend on an index or rate. The amendment is effective towards annual periods that begin on or after January 1, 2024. The Group wants to implement the above regulations in time as provided for in the respective standards or interpretations.

The Company has decided not to take advantage of the optional early application of these new standards and amendments to the existing standards and interpretations. As estimated by the Company, the above standards, interpretations and their amendments would not have any significant impact on the financial statements if applied by the Company as at the balance sheet date.

2.5. Measurement

The financial statements have been prepared in accordance with the historical cost principle.

2.6. Presentation and functional currency

Data in the 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.

Transactions in foreign currencies are recognized using the functional currency of the Company as at the transaction date, based on the spot exchange rate between the functional currency and the foreign currency effective on the transaction date.

Monetary assets and liabilities lines expressed in foreign currencies are converted as at the end of the reporting period based on the average closing rate published for a given currency on such date.

Currency exchange differences that arise from the balance sheet valuation of monetary assets and liabilities represent the difference between the valuation at amortized cost in the functional currency as at the beginning of the reporting period, then adjusted for any accrued interest and payments made during the reporting period, and the value at amortized cost in the foreign currency converted as at the closing rate at the end of the reporting period.

Non-monetary balance sheet items that are expressed in foreign currencies that are measured at fair value are converted at the spot exchange rate of the functional currency effective on the date of the fair value measurement.

Foreign exchange differences on conversions are recognized in profit or loss of the current period. Non-monetary items which are measured based on historic cost in foreign currencies are converted by the Company based on the exchange rate published on the transaction date. Currency differences are recognized in profit or loss of the current period, except for differences that arise from conversion of equity instruments classified as financial instruments at fair value through other comprehensive income, financial liabilities designated as a hedge of a net investment in a foreign unit (that are effective), and qualified cash flow hedges that the Company recognizes in other comprehensive income.

2.7. Judgments and estimations

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 2.1);
- determination of the time of fulfilment of obligations and of revenue recognition (Note 3.16);
- determination of the time of the commissioning of development work and determination of the economic utility of products introduced (Note 12);
- methods of impairment testing and estimation of the recoverable amount of tested cash generating units (Note 2.8).

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:

- impairment of financial and non-current assets, including shares in subsidiaries (estimate of projected cash flows to measure the recoverable value, estimate of discount rate) - Note 2.8;
- intangible assets (estimates of amortization rates used for intangible assets) - Note 12;
- property, plant and equipment (estimates of depreciation rates used) - Note 13;
- rights of use and finance lease liabilities recognized under IFRS 16 (estimates of the lease term, useful life and the discount rate used) - Note 13 and Note 26;
- trade receivables and other financial assets, including loans granted; as a result of the application of IFRS 9, the approach used to estimate impairment of financial assets is based on measurement at amortized cost or at fair value through other comprehensive income - Note 17;
- inventories (assessment of the probability of inventory impairment; determination of impairment requires estimation of net realizable values) - Note 16;
- 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 5);
- current income taxes, deferred tax assets and liabilities, other taxes (notes 10 and 11).

The Polish tax laws are subject to frequent changes, resulting in significant differences in interpretation and significant uncertainty in their application. 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 probability of settling a tax asset 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 COVID-19 pandemic, the Management Board has reviewed key areas that demand accounting judgments and estimates. It has been resolved that the coming quarters will not bring a significant impact of the global COVID-19 pandemic on the Group's operations.

2.8. Asset impairment testing

According to IAS 36, the Company 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. As of December 31, 2022, the Issuer's Management Board has identified no asset impairment indicators under IAS 36.

As of December 31, 2022, the allowance for the loans lent to MDG HoldCo was partly reversed as a result of the January 2023 repayment of USD 2.45 million (PLN 9.9 million). Subsequently to the Medi-Lynx divestment, MDG S.A. signed an agreement to sell its claims against Medi-Lynx, in the amount of 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). In Q1 2022, intangible assets were adjusted by writing down another PLN 1.1 million in relation to the development work in progress. As of December 31, 2022, intangible assets were fully written off (PLN 8.0 million) as a result of the abandoned work on the project, which as of December 31, 2021 had been covered by a full-value provision.

2.9. Approver of financial statements

The corporate body approving the publication of these financial statements is the Management Board of the Company.

2.10. Medicalgorithmics Capital Group details

The Company is the parent company ("Parent") of the Capital Group. Medicalgorithmics Capital Group consists of Medicalgorithmics S.A. – the Parent, and its subsidiaries. The Parent owns:

- 100% shares in Kardiolytics Inc. ("Kardiolytics") based in Oklahoma, USA;
- 100% shares in Medicalgorithmics US Holding Corporation ("MDG HoldCo");
- 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.

On November 8, 2022, an agreement was signed under which Biofund Capital Management LLC ("Biofund") contributed to Medicalgorithmics S.A. a total of 1,500 shares in Kardiolytics, representing 100% of its share capital.

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



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 featuring AI algorithms and certified for use in major markets around the world, including by FDA in the US;
- 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, artificial intelligence, medical devices, digital signal processing, and project management.

Kardiolytics has been developing VCAST technology for non-invasive diagnosis and imaging of the circulatory system using artificial intelligence since 2018. The technology features 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.

3. Main accounting policies

The accounting policies described below have been applied to all periods presented in these financial statements of the Company.

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

Tangible non-current assets (property, plant & equipment) are recognized based on the acquisition price or production cost less write-downs adjusting for depreciation and impairment loss. Land is not depreciable. Property, plant and equipment include own non-current assets, investments in third-party non-current assets, non-current assets under construction and third-party non-current assets accepted for the Company's use (application of IFRS 16 is described in section 3.2. Leases), and they are assets used in the supply of goods or services, for administrative purposes or for the purpose of renting them to third parties, with an expected useful life over one year. The acquisition price or generation cost includes expenses incurred towards acquisition or generation of property, plant and equipment, including capitalized interest accrued until such asset is put to use. Expenditures incurred afterwards will be included in the carrying amount insofar as it is probable that the Company's will gain economic benefits. The cost of the day-to-day maintenance of property, plant and equipment is recognized in profit or loss of the current period.

The acquisition price or the generation cost of a PP&E asset is made of its purchase price (including import duties and non-refundable purchase taxes) less any trade discounts and rebates, all other directly attributable costs as may have been incurred to adapt the asset to the site and condition as necessary in order to start using it as intended by management, as well as the estimated costs of dismantling and removing the asset as well as restituting the site where it was located, to the extent such costs are required from the Company. Property, plant and equipment (except for non-current assets under construction and land) are depreciable. Depreciation is based on the acquisition price / generation cost less residual value, according to the useful life of the asset assumed by the Company (and reviewed periodically). Depreciation is applied from the time when an asset becomes available for use and until the earlier of the following dates: when the asset becomes classified as held for sale, derecognized, its residual value exceeds its carrying amount, or the asset has been completely depreciated. The Company assumes the following periods of use of the respective non-current asset (PP&E) classes:

Buildings and structures: 10 to 50 years;
Plant and machinery: 5 to 25 years;
Vehicles: 3 to 10 years;
Equipment: 5 to 10 years;
Computer hardware: up to 3 years.

Investments in third-party non-current assets and ROU under leases: the period remaining until expiry of the agreement, unless the economic useful life is shorter (more details in section 3.2. Leases).

Gains and losses on derecognition of a PP&E item are determined as the difference between the net proceeds on its disposal and the carrying amount, and are recognized in profit or loss, according to IFRS 15.

3.2. Leases

The Company has been applying IFRS 16 since January 1, 2019. An arrangement qualifies as a lease as long as the lessee enjoys the right to control the use of a defined asset. IFRS 16 *Leases* established rules for the recognition, measurement, presentation and disclosure of leases. The Company assesses at the beginning of such arrangement whether it qualifies as a lease or contains elements of lease, namely whether the arrangement conveys the right to control the use of a specific asset through a certain period in exchange for a certain consideration. The Company applies a recognition and measurement policy towards all leases, except for short-term ones and low-value assets.

The Company recognizes liabilities for lease payments and right-of-use assets that enjoy the right to use the underlying assets. According to its analysis, the Company identified two major categories of leases:

- real properties: office;
- other leases: cars.

Since January 1, 2019, the Company (as lessee) has been recognizing all identified leases based on a single model according to which the statement of financial position discloses an asset from the right of use of the leased asset in connection with a liability under the lease.

At the initial recognition, the Company (as lessee) recognizes lease liabilities measured at the present value of the outstanding lease payments as well as right-of-use assets at the amount equivalent to lease liabilities. In the calculation of the present value of lease payments, the Company uses the lessee's incremental interest rate at the inception of the lease in the event the lease interest rate cannot be readily determined. After the inception, the amount of lease liabilities is increased to reflect the interest and decreased by any lease payments already made. In addition, the carrying amount of lease liabilities is remeasured whenever there is a change of the lease period, a change of essentially fixed lease payments, or a change in judgment regarding the acquisition of the underlying assets. The exemption under IFRS 16 is applied to leases of low-value assets and to short-term leases. Payments relating to such leases are recognized as an expense in profit or loss on a straight-line basis over the lease period.

After the initial recognition, assets are measured based on the cost model (i.e. initial value less depreciation). Interest on lease liabilities is recognized in profit or loss, except when the interest qualifies for capitalization in the carrying amount of the asset under construction that is financed by such liability.

The Company has elected to include right-of-use assets in the same reporting line where assets would be presented if owned by the lessee. This means that right-of-use assets are presented in the Property, Plant & Equipment item.

3.3. Intangible assets

The Company recognizes intangible assets only when:

- a) probable that future economic benefits attributable to a given asset will be obtained by the Company, and
- b) the acquisition price / generation cost of the asset can be measured reliably.

At the initial recognition, an intangible asset is measured at its acquisition price or its generation cost. Intangible assets are amortizable. Amortization rates were determined taking into account the economic useful life of intangible assets. Intangible assets are amortized on a straight-line basis over the following periods:

Completed development work: 2 to 10 years;
Economic copyrights – licenses: 2 to 5 years.

Research expenditures are recognized as expense at the time when incurred. Development expenditures incurred prior to the start of production or prior to application of new technology solutions are classified as intangible assets as long as the Company is able to prove:

- its ability (from a technical perspective) to complete the intangible asset so that it is fit for use or sale;
- its intent to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate the probable economic benefits. Among other things, the Company needs to prove that there is a market for products arising from the intangible asset or for the intangible asset itself, or (if the intangible asset is intended for the Company's use) the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to reliably measure the expenditure incurred during the development attributable to that intangible asset.

Costs of development work that has a predefined useful life are amortizable. Depreciation charges begins when an asset is ready for use and ends when it becomes classified as held for sale or is no longer recognized in books at all.

The amortization period is equal to the economic useful life of the asset held.

The assumed period and method of amortization of development costs are reviewed at least at the end of every financial year. Development costs are amortized over the expected period when revenue from product sales will be generated. The Company does not amortize costs of development work that has an indefinite useful life.

Intangible assets with indefinite useful lives are tested for impairment on annual basis, according to the guidelines of IAS 36 "Impairment of Assets".

Costs of external borrowings (e.g. interest on loans and credit facilities taken, and foreign exchange differences on those expressed in foreign currencies) that are directly attributable to the acquisition or generation of an asset are added to the cost of that asset. Net financing costs include interest payable on debt based on the effective interest rate, interest receivable on

cash invested by the Company, dividends payable, foreign exchange gains / losses and gains / losses on hedging instruments which are recognized in the income statement.

3.4. Fair value

Fair value is an amount for which an asset can be exchanged or a liability settled on an arm's length basis between parties that are interested and well-informed.

Fair value less the cost to sell is the amount obtainable from the sale of an asset or cash-generating unit on an arm's length basis between interested and well-informed parties – net of selling costs.

3.5. Inventory

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.

3.6. Financial assets

Financial assets are classified based on the following categories:

- a) measured at amortized cost;
- b) measured at fair value through profit or loss;
- c) measured at fair value through other comprehensive income;

The Company classifies its investments in debt instruments into a particular asset category based on its business model for financial asset group management and based on characteristics of contractual cash flows related to a particular financial asset. Financial assets are classified at their initial recognition and it can be changed only if the business model for the financial asset management changes, as well. The key models for the financial asset management include holding of assets to receive cash flows from contracts, holding of assets to receive cash flows from contracts and sale, and holding of assets for other purposes than in the case of the two previous models (generally, the last model means holding of assets to dispose of them). The Company adopted a principle according to which the sale of a financial asset just before its maturity does not constitute a change of the business model from holding to receive contractual cash flows into holding to receive cash flows from contracts and sale / holding for other purposes.

Financial assets are derecognized when the rights to receive cash flows from them expire or when the Company transfers such rights to a third party while simultaneously transferring substantially all risks and benefits of their ownership.

a. Financial assets at amortized cost

A financial asset is classified as measured at amortized cost if the following two conditions are satisfied:

- a) the asset is maintained in line with a business model according to which financial assets are held for contractual cash flows; and
- b) the contract terms lead to cash flows arising at specified times, which are solely repayments of the principal sum and interest on the outstanding portion of the principal.

The Company classifies loans granted, trade receivables and other receivables that fit under IFRS 9 for the measurement at amortized cost. The Company measures financial assets at amortized cost by using the effective interest rate method. Long-term receivables that are subject to IFRS 9 are discounted at the balance sheet date. Trade receivables with a maturity shorter than 12 months are measured at their nominal value less expected credit losses (as the discounting effect is insignificant).

b. Financial assets at fair value through profit or loss

Short-term financial assets measured at fair value through profit or loss include assets acquired to realize economic benefits arising from short-term price fluctuations. Short-term financial assets are initially recognized at fair value and measured at fair value on the balance sheet date. Gains or losses from the financial asset measurements are recognized in the income statement as financial income or expense. In the category of financial assets measured at fair value through profit or loss, the Company includes short-term investments in securities, including acquired units of investment funds.

c. Financial assets at fair value through other comprehensive income

The Company recognizes gains/losses on measurement of investments in debt and equity instruments (which the Company classified into this asset categories at the initial recognition) in other comprehensive income. In profit or loss, the Company

recognizes dividends from equity instruments measured at fair value through other comprehensive income – as revenue. As at the balance sheet date, the Company has not classified any financial assets into this category.

3.7. Non-derivative financial liabilities

Debt instruments issued and subordinated liabilities are recognized by the Company on the date they are originated. All other financial liabilities, including those measured at fair value through profit or loss, are recognized on the trade date, i.e. the day on which the Company becomes a party to a contract obliging to issue a given financial instrument. The Company derecognizes a financial liability when it becomes repaid, cancelled or time barred. Financial assets and liabilities are offset against each other and reported in the statement of financial position on a net basis, however only insofar as the Company holds a legally effective right to offset certain financial assets and liabilities, or intends to settle a given transaction using the net amount of certain financial assets and liabilities to be offset, or intends to realize the financial assets to be offset and settle the financial liabilities. The Company classifies non-derivative financial liabilities in the measured at amortized cost category. These financial liabilities are initially recognized at fair value plus directly attributable transaction costs. After their initial recognition, the liabilities are measured at amortized cost using the effective interest method.

3.8. Valuation of shares in subsidiaries

Interest in subsidiaries is measured based on the acquisition price less impairment written down. The acquisition price for subsidiary shares acquired in exchange for a contribution in kind is determined based on the carrying value of the contributed items as of the date of such contribution.

3.9. Asset impairment adjustments

Financial assets (including receivables)

At the end of every reporting period, the Company estimates expected credit losses on the value of financial assets that are measured and non-measured at fair value through profit or loss.

The Company uses the following approaches to estimate the impairment losses on financial assets:

- general approach;
- simplified approach.

The Company applies the general approach to financial assets which are measured at fair value through other comprehensive income and to financial assets which are measured at amortized cost, except for trade receivables. In the general approach, the Company estimates the impairment loss on financial assets using a three-stage model that is based on the change in the credit risk of the financial assets since their initial recognition. If the credit risk of a financial asset has not increased significantly since its initial recognition (step 1), the Company estimates the impairment loss over a 12-month period. If the Company identifies a significant increase in the credit risk of the financial asset (steps 2 and 2), the impairment loss is estimated over the life of the financial asset. For financial assets with identified impairment (step 3), the write-down is estimated based on the expected credit loss. At every reporting date, the Company analyzes potential indicators of significant increase of the credit risk on its financial assets.

Since the Company's trade receivables do not have a significant financing component, the Company applies a simplified approach to them and does not monitor credit risk changes over the life of asset, with any impairment losses on trade receivables being calculated based on the expected credit losses over the life of financial instrument. The Company estimates expected credit losses related to trade receivables using a case-by-case approach and a ratio-based approach taking into account historical repayment data. The Company regularly reviews its methodologies and assumptions used to estimate expected credit losses in order to reduce any differences as may arise between estimates and actual credit loss data. Impairment losses are adjusted on every reporting date.

Non-financial assets

The carrying amount of non-financial assets other than inventories and deferred tax assets is reviewed at the end of every reporting period in order to verify whether there are indicators of impairment. If the indicators of the impairment occur, the Company will estimate the recoverable value of the respective assets.

The recoverable value of assets is the greater of: net value of the assets realizable from their sale or their value in use. An impairment loss is written down at the time when the carrying amount of an asset exceeds its recoverable value. Impairment losses are recognized through profit or loss in the current period.

The adjustment for goodwill impairment is not reversed. With respect to other assets, impairment losses recognized in previous periods are reviewed at the end of every reporting period to verify whether there are indicators of impairment or full reversal

of the impairment. An impairment loss is reversible when estimations have changed that were used to assess its recoverable value. An impairment loss is reversible only up to such asset carrying amount (less depreciation/amortization charges) that would be posted, if the impairment loss has not been recognized.

3.10. Employee benefits

In the event of termination of employment, employees of the Company are entitled to certain benefits as provided for in the Polish labor law, including compensation for unused holiday leave, a provision for retirement gratuities, and compensation for the non-compete obligation towards the employer.

Accordingly, the Company creates provisions for future employee benefits on account of leave periods and unpaid equivalents that have not been consumed in previous periods. This provision is calculated by multiplying the number of PTO days by the daily cost of salary per employee.

The Company does not create provisions for jubilee awards as their impact is immaterial.

3.11. Provisions

A provision is recognized when the Company has a legal or customary obligation from past events, if such obligation can be reliably estimated and it is probable that its fulfilment will impact economic gains. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the events and circumstances leading to the settlement of the obligation.

3.12. Cash and cash equivalents

Cash and cash equivalents include cash on hand, in bank, deposits and short-term securities with maturities of three months or less.

3.13. Subsidies

Accruals include the value of subsidies received by the Company from the European Union funds for its development work. 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.

3.14. Shareholders Equity

Shareholders equity reported in the Company's financial statements consists of:

- a) Share capital (authorized in the amount specified in the articles of association and filed with the court register);
- b) Share premium (based on the excess over the nominal value of a share) – reported as a separate item in shareholders equity; the cost of share issue reduces the value of shareholders equity;
- c) Statutory capital reserve (created as required by Polish Commercial Companies Code);
- d) Retained earnings (profit rolled over from prior years, unless already allocated to the statutory capital reserve, and profit or loss of the current financial period).

3.15. Related party transactions

A related party transaction means a transfer of resources, services or obligations between related parties regardless of whether the transactions are for payment of any consideration.

3.16. Revenues

IFRS 15 establishes the so-called Five Step Model for recognizing customer contract revenue. Under IFRS 15, the revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Five Step Model:

Identification of a contract with a customer

The Company identifies a given customer contract if it meets the IFRS 15 definition, namely when all the criteria are met: the contracting parties have entered into a contract and are obligated to make their respective performances; The Company is able to identify rights of each party in the goods or services to be transferred; The Company is able to identify the terms of payment for the goods or services to be transferred; the contract has a commercial substance; and it is likely that the Company will receive the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

Identification of performance obligations

In determining the transaction price, the Company takes into account the terms of the contract and any customary business practices. The transaction price is the value of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer, less amounts collected on behalf of third parties

(such as sales taxes, fuel duties, excise taxes). The consideration specified in the customer agreement may include fixed amounts, variable rates or both.

Determination of transaction price

In determining the transaction price, the Company takes into account the terms of the contract and any customary business practices. The transaction price is the value of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer, less amounts collected on behalf of third parties (such as sales taxes, fuel duties, excise taxes). The consideration specified in the customer agreement may include fixed amounts, variable rates or both.

Transaction price allocation to respective performance obligations

The Company attributes the transaction price to each performance obligation (or a distinct good / service) based on an amount that reflects the value of consideration expected by it in exchange for transferring the promised goods or services to the customer.

Revenue recognition at fulfilment of performance obligation

The Company recognizes revenue at the time of (or during) the fulfilment of obligation to perform, namely the transfer of the promised good or service (i.e. the asset) to the customer (the customer gains control of the asset). The revenue is recognized in an amount equivalent the transaction price that has been allocated to the performance obligation.

The Company transfers the control of the good / service over time (thereby satisfying the performance obligation and recognizing the revenue over time), if one of the following conditions is met:

- the customer simultaneously receives and consumes the benefits provided over the period of the performance;
- as a result of its completion, the performance causes creation or enhancement of an asset that the customer gains control of (over the period of its creation or enhancement);
- the performance does not result in an asset that would have an alternative use for the Company, and the Company has an enforceable right to payment in exchange for the performance rendered so far.

The Company operates in the sector of advanced telemetry for medicine and provides solutions for cardiac diagnostics, especially in ECG signal analysis. The Company's primary source of revenue is the sale of PocketECG system. The Company 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. In its records, the Company distinguishes:

- revenue from PocketECG device sales;
- revenues from subscriptions (under strategic partnerships).

In the opinion of the Management Board, according to the commercial substance of its contracts, the sale of the equipment and the services (PocketECG system maintenance) make a single performance obligation (benefits of PocketECG device are significantly dependent on the ability to use the software and server infrastructure, and it would be impossible to use the IT infrastructure without the device).

The Company transfers the control of the system over time, thereby satisfying the performance obligation and recognizing the revenue over time, as well. The Company determines the extent to which a performance obligation has been fulfilled using methods that are based on the expenditures incurred.

The measurement of revenue is based on the agreed transaction price that the Company expects to receive in exchange for the transfer of promised goods or services to a customer, excluding amounts withheld for third parties. 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 5); The estimated transaction price also takes into account all expectations regarding the value of consideration that are known to the entity in view of the contractual and business circumstances at the time, in exchange for the transfer of goods or services, including those resulting in price concessions.

As a rule, the Company's contracts with its business partners do not contain any elements that would cause volatility of the consideration (i.e. discounts, price concessions, bonuses, etc.). Each contract is analyzed in terms of variable parts of consideration and, if such a clause exists, in the transaction price the Company will include the variable part with respect to which it is highly likely that there will be no need to adjust any material portion of revenue in the future.

A reliable estimate of the transaction price is reviewed at each balance sheet date.

3.17. Financial income and expenses

Financial income includes interest income related to funds invested by the Company, fair value measurements of instruments subject to such measurement, and realized differences between the acquisition value and the sales or exchange price of financial assets measured at fair value through profit or loss. Interest income is recognized as a current period gain or loss on an accrual basis using the effective interest method. Income from fair value valuation (including of realized transactions) is recognized as a current period gain or loss on an accrual basis using the effective interest method.

Finance costs include interest expense related to external financing, impairment losses on financial assets, and fair value measurements of instruments that need such measurement.

Foreign exchange gains and losses are reported on a net basis in the financial income and expense items to which they relate.

3.18. Income tax

Deferred income tax assets and provisions are offset when the Company holds an enforceable legal title to apply such offsetting of current tax liabilities and assets as well as on such condition that the deferred tax assets and provisions concern the income tax imposed by the same tax authorities on the same taxable person(s) planning to settle income tax payables and receivables in net sums or simultaneously realize receivables and settle liabilities.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be deducted. Deferred tax assets are reviewed at every reporting date and reduced to the extent that it is no longer probable that the related tax gains can be realized.

Income tax includes current and deferred sums. The current and deferred income tax is recognized through profit or loss in the current period, except when it concerns merging units or items recognized directly in shareholders equity or other comprehensive income.

Current tax is the expected sum of income tax liabilities or receivables on the taxable income in the year, according to tax rates legally or factually applicable as at the reporting date as well as adjusted for tax liabilities related to previous years.

Deferred tax is recognized in relation to temporary differences between the balance sheet value of assets and liabilities and their values used for taxation purposes. Deferred tax is not recognized for temporary differences: on initial recognition of assets or liabilities from a transaction that is not a business merger and that affects neither profit/loss in the current period nor taxable income; related to investments in subsidiaries and jointly controlled units to the extent that it is not probable that they will be disposed of in the foreseeable future. In addition, no deferred tax is recognized on temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates adopted in tax regulations legally or factually applicable until the reporting date.

3.19. Earnings per share

The Company calculates the basic earnings per share using profit or loss attributable to ordinary shareholders of the parent company and their attributable profit or loss from continuing operations (if such data is presented).

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

For this purpose, the number of ordinary shares means the weighted average number of ordinary shares outstanding during the period.

The Company calculates the diluted earnings per share using profit or loss attributable to ordinary shareholders of the parent company and their attributable profit or loss from discontinued operations (if such data is presented).

For this purpose, profit or loss attributable to ordinary shareholders of the parent company and the weighted average number of shares outstanding need to be adjusted for the effect of diluting ordinary shares, if any.

3.20. Statement of Cash Flows

The statement of cash flows provides information on changes in cash and cash equivalents during the reported period. The statement presents information on cash flows occurring during the period broken down into operating, investing and financing activities. The Company uses the direct method in the preparation of its statement of cash flows.

3.21. Changes in accounting policies

During the reported period, the Company did not change its accounting policies.

4. Business segment reporting

The principal object of the Company's activity is:

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

The Company's business activity is operated mainly in Poland. 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 Company did not discontinue any operations during the period covered by this report. The existing going concern risk in the next period is described in Note 2.1.

For the purpose of identifying its operating segments, the Company 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 Company 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 Company identifies only one operating segment that involves the supply of complete systems and algorithm-based software for cardiovascular 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 Company 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 Company 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.

However, in addition to its operating activity the Company is the parent company ("Parent") and a holding company in the Medicalgorithmics Group. In connection with this function, the following items in the statement of financial position and statement of comprehensive income mainly relate to its holding and *other* (not related to services covered by its operating activity) activities:

- Investments in subsidiaries;
- Long-term financial assets (including loan lending);
- Financial revenue.

Other items in the statement of financial position and statement of comprehensive income mainly relate to its activities associated with the operating sale activity or are not allocated.

More information on operating segments is presented in the notes on financial risk management.

5. Structure of sales revenues

By type

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Revenue from sales of services	49 576	36 130
Revenue from sales of devices	11 111	10 062
	60 687	46 192

Revenue from device sales relates to PocketECG kits. The structure of service sales and the territorial distribution of revenues is shown below.

Service sales structure

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Revenues from the sale of post-paid services	45 481	32 879
Revenues from the sale of ECG data analysis services	1 111	902
Revenue from the sale of maintenance services	2 206	1 776
Revenues from the sale of other services	778	573
	49 576	36 130

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
By territory		
Poland	945	891
United States	44 033	32 192
Canada	8 605	6 483
Others	7 104	6 626
	60 687	46 192

6. Employee benefits

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Remuneration	(13 385)	(10 289)
Social security and other benefits	(2 112)	(1 315)
	(15 497)	(11 604)

During the reporting period, the Company recorded an increase in the salaries and wages expense compared to the previous year. The high share of the employee benefit cost is caused by the nature of the Group's business, whose main asset is people.

7. Third-party services

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Lease and rental	(949)	(660)
Telecommunication and Internet services	(127)	(97)
IT services	(3 393)	(3 365)
Accounting and financial audit services	(1 018)	(695)
Advisory services	(3 117)	(1 475)
Transport and courier services	(434)	(276)
Marketing services	(55)	(33)
Other third-party services	(1 260)	(1 343)
	(10 353)	(7 944)

In the 12 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.

8. Other operating income and expenses

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Compensation received	4	135
Other	615	85
Other operating revenue	619	220
Inventory utilization	(71)	(27)
Impairment loss on intangible assets	-	(21 737)
Write-off of receivables	(19)	(3 558)
Sale of receivables - MDG Holdco	(56 129)	-
Other	(951)	(236)
Other operating expenses	(57 170)	(25 558)

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; cf. Note 2.1).

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 December 31, 2021, the Management Board identified indications of potential impairment of non-current assets and conducted impairment tests. The test showed an impairment loss on intangible assets and they were adjusted by writing down PLN 21.7 million. At the same time, the value of receivables from Medi-Lynx was adjusted by writing down PLN 3.5 million as a result of the credit risk assessment under IFRS 9.

9. Financial income and expenses

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Interest income	3 943	3 447
Foreign exchange differences	7 064	8 501
Termination of the write-down of financial assets (loans granted to MDG Holdco)	9 917	-
Other	264	111
Finance income	21 188	12 059
Interest on leases	(47)	(67)
Interest on debt	(213)	(176)
Impairment of financial assets	-	(75 883)
Impairment of shares	-	(94 771)
Recognition of contingent liability Andy Bogdan	(7 272)	-
Foreign exchange differences	(2 647)	-
Other	(17)	(3)
Finance costs	(10 196)	(170 900)
Net finance income	10 992	(158 841)

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

As of June 30, 2021, the Management Board identified indications of impairment of the equity interest held in subsidiary MDG Holdco, thus an impairment test was performed. As a result of the tests performed as of June 30, 2021, a related write-down was posted in the amount of PLN 15.7 million. As a result of the impairment test and the estimation of credit risk (as of December 31, 2021), the value of the adjustment written down was further increased by PLN 79.1 million, and a new adjustment was applied to write down PLN 75.9 million from the value of loans lent to MDG Holdco.

As of December 31, 2022, 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 lent to MDG Holdco. As of the balance sheet date, the allowance was partially reversed by PLN 9.9 million as a result of the repayment made by MDG Holdco in January 2023.

10. Effective tax rate

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Profit before tax	(27 709)	(172 011)
Tax at the tax rate applicable in Poland	5 265	32 682
Non-tax-deductible costs	(1 893)	(281)
Loss on sales of investment certificates	(6 959)	(34 253)
Non-taxable revenue	(2)	17
Tax benefit due to the application of the IP BOX relief	-	449
Issue costs charged directly to capital (tax deductible)	440	111
Costs of abandoned development	1 220	313
Other	128	604
Tax reported in the statement of comprehensive income	(1 804)	(358)

11. Deferred income tax assets and provisions
Deferred income tax

	31.12.2022	31.12.2021
Valuation of loans at amortized cost	2 537	1 776
Settlement of expenditure on Research and Development	1 217	1 835
Foreign exchange differences on valuation of foreign-currency loans to a related entity	-	691
Valuation of receivables and liabilities	15	482
Other	169	173
Deferred tax liabilities	3 938	4 957

	31.12.2022	31.12.2021
Provision for costs	336	182
Foreign exchange differences on valuation of foreign-currency loans to a related entity	-	-
Valuation of receivables and liabilities	38	18
Costs of acquisition of Medi-Lynx *	339	339
Impairment loss on shares	-	2 978
Other	100	118
Gross deferred tax assets	813	3 635

* Tax-included in the Company's acquisition price, accountably recognized in current cost.

	31.12.2022	31.12.2021
Change in deferred tax reported in the statement of comprehensive income	(1 803)	350
Change in deferred tax recognized directly in equity	-	-
Net deferred tax assets/liability of which:	(3 125)	(1 322)
Deferred tax assets	813	3 635
Deferred tax liabilities	(3 938)	(4 957)

12. Intangible assets

	Costs of completed development works	Development works in progress	Other	Total
Gross value of intangible assets				
Gross value as at 1 January 2022	16 301	19 429	1 984	37 714
Increases	-	4 398	64	4 462
Decreases	-	-	-	-
Gross value as at 31 December 2022	16 301	23 827	2 048	42 176
Accumulated amortization and impairment losses				
Accumulated amortization and impairment losses as at 1 January 2022	12 989	19 429	1 589	34 008
Amortization	2 591	-	151	2 741
Decreases - impairment losses	-	1 142	8	1 150
Accumulated amortization and impairment losses as at 31 December 2022	15 580	20 571	1 748	37 899
Net value				
As at 1 January 2022	3 312	-	395	3 706
As at 31 December 2022	721	3 256	300	4 277

	Costs of completed development works	Development works in progress	Other	Total
Gross value of intangible assets				
Gross value as at 1 January 2021	16 301	13 557	1 888	31 746
Increases	-	5 872	96	5 968
Decreases	-	-	-	-
Gross value as at 31 December 2021	16 301	19 429	1 984	37 714
Accumulated amortization and impairment losses				
Accumulated amortization and impairment losses as at 1 January 2021	8 090	-	1 432	9 522
Amortization	2 591	-	157	2 748
Impairment loss	2 308	19 429	-	21 737
Accumulated amortization and impairment losses as at 31 December 2021	12 989	19 429	1 589	34 007
Net value				
As at 1 January 2021	8 211	13 557	456	22 224
As at 31 December 2021	3 312	-	395	3 707

Cost of completed development work

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

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

Development work in progress

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

Today, the key new development projects are:

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

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

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

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

In response to the market demand, the Group decided to supplement its offer with the PatchECG device. The device 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 at a low cost. 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 public reimbursement in foreign markets including the U.S. and Asia. Additional analyses, 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 33/2022 of June 3, 2022, as well as its potential commercialization on other markets of the globe.

- 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.

- DRAI is a cloud-based Artificial Intelligence algorithm that classifies ECG signals.

DeepRhythmAI features high ECG signal precision and classification without excessive human involvement, DRAI is able to recognize a wide range of arrhythmia disorders for a more quick and accurate patient diagnosis. The original technology underlies the next generation solution which is going to be a software-and-hardware ecosystem enabling the most accurate diagnosis of arrhythmias. On July 27, 2022, the U.S. Food and Drug Administration registered DRAI based on Traditional 510(k) procedure.

DRAI technology supports both the current projects as well as the ones that will be developed in the future. DRAI has been developed for use with the Company's devices but can be integrated with solutions of other providers, as well. The secured approval allows DRAI to be integrated with devices that are similar to PocketECG. However, the Company will be applying to extend this approval to cover other device classes, as well. The Company will make DRAI accessible to its business partners as a complete system or based on a software-only business model, together with the next generation PocketECG system in the second half of 2023 or later.

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 adjusted the value of the projects by writing down PLN 21.7 million. In Q1 2022, this position was adjusted further by writing down an additional PLN 1.1 million. As of December 31, 2022, intangible assets were fully written off (PLN 8.0 million) as a result of the abandoned work on the project, which as of December 31, 2021 had been covered by a full-value provision. The write-downs adjusting the value of the TechBot project in 2021 and 2022 will be reversed when the project becomes completed and successfully verified by NCBiR. The completion is expected in June 2023. As the project is

highly complex and its further funding is being considered, this deadline is subject to change like before when its completion date was moved from December 2022 to June 2023.

Upon the formal completion of the project, the total development work expense will be recognized as in intangible assets and amortized, with any subsidies received from NCBiR settled over the period of amortization.

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

	Machinery and equipment including computer hardware	Vehicles	Other fixed assets	Leasehold improvements	Rights-of use (IFRS 16)	Total
Gross value of property plant and equipment						
Gross value as at 1 January 2022	2 626	-	696	648	5 150	9 120
Increases	220	-	13	-	-	233
Decreases	-	-	-	-	-	-
Gross value as at 31 December 2022	2 846	-	709	648	5 150	9 353
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2022	2 057	-	632	394	3 021	6 104
Amortization and depreciation	282	-	41	63	987	1 375
Decreases	-	-	(0)	-	-	-
Accumulated depreciation and impairment losses as at 31 December 2022	2 339	-	673	457	4 008	7 477
Net value						
As at 1 January 2022	569	-	64	254	2 128	3 016
As at 31 December 2022	507	-	36	191	1 141	1 875

	Machinery and equipment including computer hardware	Vehicles	Other fixed assets	Leasehold improvements	Rights-of use (IFRS 16)	Total
Gross value of property plant and equipment						
Gross value as at 1 January 2021	2 472	389	737	648	4 637	8 883
Increases	236	-	-	-	513	749
Decreases	(82)	(389)	(41)	-	-	(512)
Gross value as at 31 December 2021	2 626	-	696	648	5 150	9 120
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2021	1 709	240	627	330	2 038	4 943
Amortization and depreciation	429	38	46	65	983	1 562
Decreases	(82)	(278)	(41)	-	-	(401)
Accumulated depreciation and impairment losses as at 31 December 2021	2 056	(0)	632	395	3 021	6 104
Net value						
As at 1 January 2021	763	149	110	318	2 599	3 939
As at 31 December 2021	570	-	64	253	2 129	3 016

The Company identifies one major category of leases: real properties (leased offices). The Company's leases were not subject to modifications following the impact of COVID-19 pandemic.

14. Financial assets

	31.12.2022	31.12.2021
Loans granted Kardiolytics	672	-
Loans granted MDG HoldCo	85 007	75 883
Write-off of loans granted MDG HoldCo	(75 090)	(75 883)
Shares	20	97
	-	-
of which long-term portion	10 609	97
of which short-term portion	10 609	97

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%)
Loan of 2 December 2022	150	31.12.2026	SOFR 3M and margin 2.0 pp per year
Total loans granted	16 162		
Impairment of loans granted	(13 562)		

On November 3, 2022, a loan agreement was concluded to extend a loan to Kardiolytics, an related party, in the amount of USD 500 thousand, with maturity date falling 180 days of the date of agreement. The first installment of USD 150,000 (PLN 672,000) was paid out in 2022. The loan will be repaid by December 31, 2026. It bears interest at SOFR 3M plus a margin of 2.0 p.p. per year.

As of December 31, 2021, the Management Board recognized an impairment loss on financial assets in the amount of PLN 75.9 million by writing off the entire value of the loans lent to MDG HoldCo. As of December 31, 2022, the allowance for the loans lent to MDG HoldCo was partly reversed as a result MDG HoldCo repaying USD 2.45 million (PLN 9.9 million).

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

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 at the maturity date of the loan.

15. Interest in subsidiaries

	31.12.2022	31.12.2021
Medicalgorithmics US Holding Corporation	94 771	94 771
Medicalgorithmics US Holding Corporation - impairment of shares	(94 771)	(94 771)
Medicalgorithmics Polska Sp. z o.o. (formerly: Kardiosystem Monitoring Sp. z o.o.)	1 267	1 267
Medicalgorithmics India Pvt. Ltd (formerly Algotel Solutions Pvt. Ltd)	183	183
Kardiolytics Inc	49 989	-
	51 439	1 450

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, have been fulfilled, the Company and Biofund signed: an agreement under which Biofund contributed to the Company a total of 1,500 shares in Kardiolytics, representing 100% of its share capital (USD 44,890,589 according to the valuation report of BakerTilly TPA sp. z o.o. prepared in line with the Commercial Companies Code). The transaction made the Company the exclusive owner of all shares in Kardiolytics, which is a developer of AI algorithms for automated cardiac CT image analysis used in non-invasive diagnosis of e.g. coronary artery disease.

The transaction was posted in the books in accordance with the Court's decision, based on the valuation report of Baker Tilly TPA. According to IFRS 3 sections 8-9, the Company identified November 8, 2022 as the date when control of Kardiolytics was assumed and determined the fair value of the assets and liabilities acquired as at that date. To comply with the acquisition method, identifiable assets and liabilities that are acquired must meet the definition of assets and liabilities as at the date of their acquisition as formulated in IFRS.

The resulting value of the shares was determined in line with IFRS 3 section 32 as the difference between the value of the payment transferred (measured at fair value as of the acquisition date) and the provisional value of the identifiable assets and liabilities acquired (as of the acquisition date). The transaction led to the issue of 4,976,384 Medicalgorithmics shares to the seller, representing the entire consideration transferred in exchange. According to section 69 of IFRS 13 (*Fair Value Measurement*), a price quoted in an active market provides the most reliable evidence of the fair value of financial instruments. Accordingly, the closing price of Medicalgorithmics shares on November 8, 2022, which was PLN 12.82, was applied to determine the value of the subsidiary shares. Hence, PLN 63,797,242.88 represented the fair value of the issued shares and it was reduced by Biofund's cash contribution of PLN 13,807,810.30. Therefore, the value of the consideration in exchange (the payment) was assumed PLN 49,989,433 which represents the value of the shares in that subsidiary.

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 writing down 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 2.8 to the 2021 separate financial statements.

Selected financial data of subsidiaries as of December 31, 2022 in their functional currency:

	MDG HoldCo (USD '000)	Kardiolytics (USD '000)	MDG Polska (PLN '000)	MDG India (USD '000)
Statement of financial position				
Non-current assets	-	860	348	3
Current assets	3155	110	274	135
Equity	(18 482)	820	264	54
Long-term liabilities	16 345	150	-	-
Short-term liabilities	5 292	1	357	84
Statement of comprehensive income				
Sales revenue	-	-	1784	235

16. Inventory

	31.12.2022	31.12.2021
Materials	8 572	6 697
Finished products	229	468
Impairment losses on inventories	(30)	(27)
	8 771	7 138

Inventories include components, semi-finished and finished products. Component purchases are made in relatively large batches, mostly at the beginning of the financial year, and then replenished as quantities fall below a safety threshold, to ensure production continuity. Inventories are regularly reviewed for impairment of their value and, if so, disposed of – the related charges are applied to the Company's expenses on an ongoing basis. As of December 31, 2022, the allowance for inventories was PLN 30 thousand.

17. Receivables

	31.12.2022	31.12.2021
Trade receivables	5 510	50 301
Budgetary receivables	1 645	3 318
Other receivables	71	108
Prepayments and deferred expenses	84	231
	7 310	53 958
Long-term	-	-
Short-term	7 310	53 958

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 December 31, 2022, a provision of PLN 1.6 million was established as allowance for receivables from MDG India.

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 4.1 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 fair value of accounts receivable approximates their book value. The Company's exposure to credit risk and currency risk of receivables is presented in Note 24.

	31.12.2022	31.12.2021
Trade receivables from related entities	64 319	51 526
Impairment loss on receivables from related entities	(63 881)	(3 500)
Trade receivables from other entities	5 149	2 334
Impairment loss on receivables from other entities	(77)	(59)
Total net trade receivables	5 510	50 301

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

	Gross value as at 31 December 2022	Impairment loss as at 31 December 2022	Gross value as at 31 December 2021	Impairment loss as at 31 December 2021
Non-matured	2 071	-	7 962	-
Past due 1-30 days	2 642	-	3 603	-
Past due 31-60 days	158	-	3 155	-
Past due 61-360 days	22 998	22 385	25 590	-
Past due more than 361 days	41 598	41 572	13 550	3559
	69 467	63 957	53 860	3 559

Prepayments

	31.12.2022	31.12.2021
Insurance policies and deposits	51	47
Subscriptions	3	25
Advisory services	-	19
Commissions	0	114
Other	30	26
Total prepayments and deferred expenses	84	231
Long-term portion	-	-
Short-term portion	84	231

18. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in hand	8	8
Cash at banks	24 725	275
Short-term deposits	423	423
	25 156	706

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are in Note 24 to the financial statements.

19. Shareholders equity
19.1. Share capital

	Ordinary shares ('000)	
	31.12.2022	31.12.2021
Number of shares at beginning of period	4 976	4 328
Issue of series H shares	-	649
Issue of series I shares	995	-
Issue of series J shares	1 194	-
Issue of series K shares	1 433	-
Issue of series L shares	1 354	-
Number of fully-paid shares at end of period	9 953	4 976

19.2. Ordinary shares

On October 28, 2022, the Extraordinary General Meeting passed a resolution increasing the Company's share capital through issue of new ordinary bearer shares, series I, J, K and L.

The Shares subscription agreement was concluded on November 8, 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 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. The issue price was PLN 44.27 per share. The Shares were paid up:

- partly using a cash contribution of PLN 13,807,810.28;
- partly using an in-kind contribution of 1,500 shares in Kardiolytics Inc. based in Oklahoma, USA ("Kardiolytics"), based on their value of USD 44,890,589 (PLN 220,304,520 as converted for the purpose of the issue) according to the independent valuation report of BakerTilly TPA sp. z o.o.

The value of the offering was PLN 219,806,881.28. The cost of the issue was PLN 440,563, charged directly to the statutory capital reserve of Medicalgorithmics S.A. The resulting capital increase was registered by the District Court of Warsaw, on November 29, 2022. Proceeds from the issue were received at the Company on November 29, 2022. For more information on share issues, please see Current Reports 55/2022, 64/2022, 66/2022 and 67/2022.

The transaction was posted in the books in accordance with the Court's decision, based on the valuation report of Baker Tilly TPA. Next, according to IFRS 3 sections 8-9, the Company identified November 8, 2022 as the date when control of Kardiolitics was assumed and determined the fair value of the assets and liabilities acquired as at that date. To comply with the acquisition method, identifiable assets and liabilities that are acquired must meet the definition of assets and liabilities as at the date of their acquisition as formulated in IFRS.

The transaction led to the issue of 4,976,384 Medicalgorithmics shares to the seller, representing the entire consideration transferred in exchange for the acquired shares.

According to section 69 of IFRS 13 (*Fair Value Measurement*), a price quoted in an active market provides the most reliable evidence of the fair value of financial instruments. Accordingly, the Warsaw Stock Exchange closing price of Medicalgorithmics shares as at November 8, 2022, which was PLN 12.82, was applied to determine the fair value of the issued instruments. As a result, PLN 219,366,318.28 which had been initially recognized as share premium, according to a decision of the registry court and an in-kind contribution valuation report prepared by a certified auditor in line with the Commercial Companies Code, was adjusted by PLN 156,507,276.80 for accounting purposes. This is the difference between PLN 219,366,318.28 (the share premium) and PLN 49,989,433 (the assessed value of the in-kind contribution, cf. Note 15) with PLN 13,807,810.20 (the contributed sum of cash).

19.3. Dividends paid

In the financial year and the comparable period, no decision was made to pay dividends.

19.4. Basic and diluted earnings per share

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Profit for the period (PLN '000)	(29 513)	(172 369)
Weighted average number of ordinary shares (in thousands of shares)	5 701	4 547
Effect of dilution of the potential number of ordinary shares (in thousands of shares)	-	-
Basic profit per share in PLN (net profit weighted average number of shares)	(5,18)	(37,91)
Diluted profit per share in PLN (net profit weighted average number of diluted shares)	(5,18)	(37,91)

19.5. Shareholding structure as of the publication date (over 5% interest)

Shareholder	Number of shares	% of shares
Biofund Capital Management LLC	4 976 384	49,99%
PZU OFE	721 689	7,25%
Funds managed by NN PTE, including NN OFE	608 592	6,11%
Other shareholders	3 646 104	36,65%
Number of shares	9 952 769	100,0%

The Company has not acquired or has any treasury shares.

20. Provisions

	31.12.2022	31.12.2021
Holiday pay accrual	641	780
Retirement provision	191	105
	832	780
Long-term	191	105
Short-term	641	780

21. Borrowings

On November 29, 2022, the Company fully rapid its overdraft facility in line with the maturity date set in the underlying agreement. With this facility closed, all security collaterals set up in the 2020 agreement were lifted. The PLN 16.0 million overdraft was extended by Bank Millennium S.A. 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 secured 80% of the facility.

22. Trade and other payables and accruals

	31.12.2022	31.12.2021
Trade liabilities to other entities	2 327	3 185
Budgetary liabilities	329	678
Salaries and wages payable	562	405
Other liabilities	756	72
	3 974	4 340
Short-term accruals and deferred income	57	46
Long-term accruals and deferred income	4 178	3 440
	8 209	7 826

Trade payables from other entities mainly consists of liabilities related to the purchase of components that are used in the manufacture of equipment, liabilities for the supply of IT services, and rental and lease liabilities.

Accruals include the value of subsidies received by the Company from the European Union funds for its development work.

Exposure to foreign currency and liquidity risks related to liabilities is presented in Note 24. The fair value of accounts payable approximates their book value.

23. Other financial liabilities

	Long-term	Short-term	Total
Value as at 1 January 2022	1 246	1 067	2 313
Recognition of a previously disclosed contingent liability	2 930	4 342	7 272
Payments contingent liability	-	(1 398)	(1 398)
Reclassification from contingent liability	(1 002)	1 002	-
Repayment of finance lease liabilities	-	(1 080)	(1 080)
Interest on financial leasing	-	47	47
Reclassification of finance lease liabilities	(908)	908	-
Other	(21)	4	(17)
Value as at 31 December 2022	2 245	4 892	7 137

	Long-term	Short-term	Total
Value as at 1 January 2021	1 953	875	2 828
Repayment of finance lease liabilities	-	(1 015)	(1 015)
Interest on financial leasing	-	67	67
Reclassification of finance lease liabilities	(707)	707	-
Other	-	433	433
Value as at 31 December 2021	1 246	1 067	2 313

Financial liabilities include finance leases related to office rentals in Gdańsk and Warsaw, Poland, and a certain contingent liability.

As of June 30, 2022, the Company recognized a PLN 7.3 million 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 that had secured liabilities for the Holding's acquisition of Medi-Lynx Cardiac Monitoring, LLC 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.

24. Financial risk management

The Company is exposed to the following financial risks that stem from the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

The Management Board is responsible for establishing and overseeing the Company's risk management.

The risk management policies are designed to identify and analyze risks to which the Company is exposed, set appropriate limits and controls, and to monitor risks and the extent to which their limits are matched. The risk management policies and systems are regularly reviewed in order to update them for any changes in market conditions and changes in the Company's operations.

This note presents risks classified as financial risks. An analysis of other risk factors is presented in the Management Report.

24.1. Credit risk

Credit risk is the risk of the Company incurring a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is primarily related to accounts receivable and loan lending.

The Company continuously monitors arrears of customers / creditors in payments by analyzing credit risk in individual cases or for individual asset classes defined by credit risk (related to e.g. a given industry, region or customer structure). In addition, as part of its credit risk management, the Company transacts with counterparties of verified trustworthiness.

The Company's exposure to credit risk is mainly due to the individual characteristics of each customer. In 2022, there was a concentration of credit risks. The largest counterparty generated approximately 70% of sales revenue in 2022. However, the high level of receivables reported in previous years has been generated by Medi-Lynx but there are now sold. As of December

31, 2022, receivables from the largest counterparty were approx. 42% of total trade receivables (gross), and approx. 64% in the case of top two counterparties. Considering the above, the credit risk exposure of the Company has greatly alleviated.

The carrying amounts of financial assets represent the maximum exposure to credit risk. The maximum exposure to credit risk at the end of the reporting period is as follows:

	31.12.2022	31.12.2021
Loans and receivables	17 815	53 727
Cash and cash equivalents	25 156	706
	42 971	50 875

The maximum exposure to credit risk of trade receivables at the end of the reporting period, by geographical region and by customer type, is as follows:

	31.12.2022	31.12.2021
Poland	390	103
United States of America	2 609	47 865
Other regions	2 511	2 333
	5 510	50 301
Institutional clients	5 510	50 301

In USA, receivables are concentrated in relation to its chief client – React Health Holding. This entity is a significant revenue generating feature in the group. Canada is the runner-up market in terms of size.

24.2. Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in meeting its obligations that are associated with financial liabilities to be settled by outflow of cash or other financial assets.

The Company's liquidity management involves ensuring, to the greatest extent possible, that the Company always has sufficient liquidity to meet its outstanding liabilities, both under normal and emergency circumstances, without incurring unacceptable losses or undermining its own reputation.

	Carrying amount	Contractual cash flows	Up to a month	Less than 12 months	More than 12 months
31.12.2022					
Bank loans	-	-	-	-	-
Credit card debt	-	-	-	-	-
Trade and other liabilities	3 974	3 974	2 692	1 282	-
Finance lease liabilities	1 269	1 269	110	820	338
Contingent liabilities	5 867	5 867	330	3 631	1 906
	11 109	11 109	3 133	5 734	2 244
31.12.2021					
Bank loans	1 394	1 394		1 394	-
Credit card debt	40	40	40	-	-
Trade and other liabilities	4 340	4 340	4 340	-	-
Finance lease liabilities	2 313	2 313	111	956	1 246
	8 087	8 087	4 491	2 350	1 246

Funds for the development of its operations have been procured through the issue of Series I, J, K and L shares 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 Kardiolytics Inc. based in Oklahoma (USA).

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 addition, Medicalgorithmics U.S. Holding Corporation received USD 3.0 million from Medi-Lynx Cardiac Monitoring, LLC as part of an IRS tax refund (as mentioned in Current Report 47/2022). These funds were then transferred to the Company to repay the holding's liabilities towards the Company.

Earlier finance came from the sale of 1,000 shares in Medi-Lynx Cardiac Monitoring, LLC. The total price for the shares, which was paid in cash, was USD 1,750,000, incl. USD 1,375,000 for the acquisition and USD 375,000 for the cash held by Medi-Lynx as at the date of the transfer.

The Company signed a support agreement with Medi-Lynx and React Health Holdings, LLC that sets out the rules of their business collaboration starting July 1, 2022. 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 was a fixed fee of USD 666,000 per month.

In 2023, 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. 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.

As of December 31, 2022, the Company reported PLN 25 million in cash, and PLN 38 million on December 31, 2023.

24.3. Market risk

Market risk is the risk that changes in market prices, for example foreign exchange rates and interest rates, will affect the Company's results or the value of financial instruments held. The objective of market risk management is to maintain and control the Company's exposure to market risk within assumed parameters, while seeking to optimize the rate of return.

In order to manage market risk, the Company may buy / sell derivative instruments and assume certain financial liabilities. All transactions take place within the policies established by the Company's Management Board.

Currency risk

The Company's exposure to foreign exchange risk at the end of the reporting period is as follows:

Values in PLN '000	31.12.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	1 018	4 289	-	906	49 438	-
Loans granted	-	10 589	-	-	-	-
Trade liabilities	(552)	(428)	-	(939)	(888)	(7)
Finance lease liabilities*	(1 269)	-	-	(2 313)	-	-
Recognised contingent liabilities	-	(5 867)	-	-	-	-
Gross balance sheet exposure	(803)	8 583	-	(2 346)	48 550	(7)

The Company's foreign exchange risk involves mainly the volatility of foreign currencies against the Polish zloty. The company generates vast majority of its revenues and a share of its expenses in foreign currencies. The dominant currency in the stream of revenues is USD. The Company's expenses towards component purchases for production exist in USD, EUR, GBP and PLN. On the other hand, costs of services are incurred mainly in PLN and USD.

During the year, the following exchange rates were used for the major foreign currencies:

	Average exchange rates		End of the reporting period	
	01.01.2022-	01.01.2021-		
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
EUR	4,6883	4,5775	4,6899	4,5994
USD	4,4679	3,8757	4,4018	4,0600
GBP	5,4900	5,3308	5,2957	5,4846

Sensitivity analysis

The analysis is based on the assumption that exchange rate changes will remain at the most reasonable level possible at the end of the reporting period. The analysis also assumes that other variables, like interest rates, will remain constant. The following table includes examples of currencies and related changes expressed in percent:

Effect in PLN '000	Equity	Profit or loss for current period
31.12.2022		
EUR (appreciation of EUR by 5%)	(40)	(40)
USD (appreciation of USD by 5%)	429	429
31.12.2021		
EUR (appreciation of EUR by 5%)*	(117)	(117)
USD (appreciation of USD by 5%)	2 427	2 427

Weakening PLN in relation to USD (as of December 31, 2022), assuming other variables are constant, would result in increase of the current period profit. Weakening PLN in relation to EUR (as of December 31, 2022), assuming other variables are constant, would result in a lower profit of the current period.

Interest rate risk

At the end of the reporting period, the structure of floating rate financial instruments (interest bearing) was as follows:

	31.12.2022	31.12.2021
Credits and loans	-	1 434
	-	1 434

Sensitivity analysis of cash flows of financial instruments with floating interest rates

A 100 base point change of an interest rate would increase (decrease) shareholders equity and pre-tax earnings by the corresponding amounts shown below. The following analysis is based on the assumption that other variables, like exchange rates in particular, will remain constant.

Effect in PLN '000	Profit or loss for current period		Equity	
	Increase by 100 bps	Decrease by 100 bps	Increase by 100 bps	Decrease by 100 bps
31.12.2022				
Floating-rate financial instruments	-	-	-	-
Sensitivity of cash flows (net)	-	-	-	-
31.12.2021				
Floating-rate financial instruments	(178)	178	(178)	178
Sensitivity of cash flows (net)	(178)	178	(178)	178

Comparison of fair values with carrying amounts

The following table compares fair values of financial assets / liabilities to those recognized in the statement of financial position (PLN '000):

Category according to IFRS	31.12.2022		31.12.2021		
	Carrying amount	Fair value	Carrying amount	Fair value	
Loans granted	Financial assets at amortized cost	10 589	10 589	-	-
Trade and other receivables	Financial assets at amortized cost	7 310	7 310	53 958	53 958
Cash and cash equivalents	Financial assets at amortized cost	25 156	25 156	706	706
Trade and other liabilities	Other financial liabilities	3 974	3 974	4 340	4 340
Liabilities in respect of bonds and other financial liabilities	Other financial liabilities	7 136	7 136	2 313	2 313
Credits and loans	Other financial liabilities	-	-	1 434	1 434

24.4. Capital management

There were no changes in the Company's approach to capital management during the year. The Company is not subject to capital requirements that would be set externally.

It is the policy of the Company's Management Board to rebuild and maintain a strong capital base in order to secure the trust of capital market players, as well as to ensure future business growth. The Management Board seeks to maintain a balance between the higher rate of return achievable with higher debt levels and the benefits and security achieved based on solid capital.

At the end of the reporting period, the Company's debt to adjusted capital ratio was as follows:

Item	31.12.2022	31.12.2021
Interest-bearing credits loans and bonds	-	1 434
Trade and other liabilities	3 974	4 340
Finance lease liabilities*	1 269	2 313
Recognised contingent liabilities	5 867	-
Less cash and cash equivalents	(25 156)	(706)
Net debt	(14 046)	7 381
Equity	90 003	56 148
Equity and net debt	75 957	63 529
Leverage ratio	-18,5%	11,6%

25. Leases

The Company has identified two major categories of leases:

- real properties: offices (the Warsaw office and the manufacturing plant in Gdańsk, Poland);
- other leases.

As a result of IFRS 16, the Company (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. After the initial recognition, assets are measured based on the cost model (i.e. initial value less depreciation). Interest on lease liabilities is recognized in profit or loss, except when the interest qualifies for capitalization in the carrying amount of the asset under construction that is financed by such liability. Finance costs for finance leases are disclosed in Note 9 to these financial statements.

Right-of-use by category of leases

The Company includes right-of-use assets within the same reporting line under which the assets would be presented if they were owned by the lessee. This means that ROU assets are presented in the *non-current tangible assets* (PP&E) item. The following is a ROU breakdown by underlying asset class.

	Net value as at 1 January 2022	Increase 2022	Depreciation for 2022	Impairment losses	Net value as at 31 Decemeber 2022
Real property	2 128	-	(987)	-	1 141
	2 128	-	(987)	-	1 141

	Net value as at 1 January 2021	Increase 2022	Depreciation for 2022	Impairment losses	Net value as at 31 December 2021
Real property	2 599	513	(984)	-	2 129
	2 599	513	(984)	-	2 129

ROUs are amortized over the period of the lease. ROUs fully amortized in 2022 amounted to PLN 987 thousand.

Liabilities under leases of recognized ROU

Lease liabilities are presented in *Other financial liabilities* (short-term and long-term, respectively). The value of lease liabilities is disclosed in Note 24 to these financial statements.

Future undiscounted cash outflows included in lease liabilities

	31.12.2022	31.12.2021
up to 1 year	951	1 109
1–5 years	340	1 263
more than 5 years	-	-
	1 291	2 372

Costs and fees not included in lease liabilities

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Variable lease payments	27	19
	27	19

26. Contract liabilities related to PP&E acquisitions

During the period of the financial statements, the Company did not incur any contract liabilities with the aim of acquiring property, plant and equipment.

27. 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 (back up by deposited cash) 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 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 – as a result of this event, neither the Company nor the Group recognized related contingent liabilities.

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.

28. Related party transactions

Medicalgorithmics US Holding Corporation

Statement of financial position (in PLN '000) — as at

	<u>31.12.2022</u>	<u>31.12.2021</u>
Loans granted	85 007	75 883
Impairment of loans	(75 090)	(75 883)
Contribution to the supplementary capital	94 771	94 771
Impairment of shares	(94 771)	(94 771)

Statement of comprehensive income (in PLN '000)

	<u>01.01.2022- 31.12.2022</u>	<u>01.01.2021- 31.12.2021</u>
Interest on loans	3 943	3 446
Impairment of loans	(3 943)	(3 446)

Kardiolytics INC

Statement of financial position (in PLN '000) — as at

	<u>31.12.2022</u>	<u>31.12.2021</u>
Loans granted	672	-
Reinforcement of supplementary capital	49 989	-

Medicalgorithmics Polska Sp. z o.o.

Statement of financial position (in PLN '000) — as at

	<u>31.12.2022</u>	<u>31.12.2021</u>
Trade receivables	264	9
Contribution to equity	1 267	1 267

Statement of comprehensive income (in PLN '000)

	<u>01.01.2022- 31.12.2022</u>	<u>01.01.2021- 31.12.2021</u>
Revenue from sales of goods and services	376	297

Medicalgorithmics India Pvt. Ltd

Statement of financial position (in PLN '000) — as at

	<u>31.12.2022</u>	<u>31.12.2021</u>
Trade receivables	174	151
Contribution to the supplementary capital	183	183

Statement of comprehensive income (in PLN '000)	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Revenue from sales of goods and services	362	283

29. Transactions with officers

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

	31.12.2022	31.12.2021
Remuneration of the Management Board Members	1 941	1 094
Remuneration of the Supervisory Board	639	476

30. Headcount

	31.12.2022	31.12.2021
Number of employees (in FTEs)	106	110

As of the publication date (April 27, 2023), the Company employed 101 FTEs.

31. Significant litigations

In the reporting period, there were no proceedings pending before any court, arbitration authority or public administration that would concern amounts payable or receivable of the Company for a sum of 10% of the Group's shareholders equity or more, or other material disputes for a value less than 10% of the Company's shareholders equity. 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.

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, Wysocky 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.

On March 9, 2023, the parties entered into a legal settlement under which the Company agreed to pay to the Claimant a total amount of PLN 61,500.00 within 10 days of the settlement. In connection with that legal settlement, by order of the Warsaw District Court of March 9, 2023 (case ref. XXVI GC 756/22) in the action brought by Wysocky Zaborowscy Partners sp. k. against the Company was closed. On March 16, 2023, the Company transferred the entire settlement amount to the Claimant's bank account.

32. Certified auditor of financial statements

On May 18, 2021, the Company's Supervisory Board selected Grant Thornton Polska Sp. z o.o. Sp.k., a limited partnership based in Poznań, Poland (ul. abpa Antoniego Baraniaka 88 E, 61-131 Poznań, National Court Register No. 407558, entered in the Commercial Register of District Court in Poznań-Nowe Miasto and Wilda), which is registered with the Polish Chamber of Statutory Auditors (KRBR) under number 4055, as the entity authorized to audit individual and consolidated financial statements of the Company for 2021 and 2022 as well as to review interim individual and consolidated financial statements of the Company for the first half of 2021 and 2022. The auditor's remuneration for auditing the 2022 individual / consolidated financial statements was PLN 216 thousand, and for the review of the interim individual / consolidated financial statements

for the first half of 2022 was PLN 134 thousand. The auditor changed its legal form to Grant Thornton Polska Prosta Spółka Akcyjna.

33. Events after balance sheet date

On January 6, 2023, Medi-Lynx Cardiac Monitoring, LLC received a tax refund from IRS (cf. Current Report 2/2023 of January 16, 2023 as well as Current Report 47/2022). Consequently, on January 16, 2023, Medicalgorithmics US Holding Corporation received USD 3.0 million from Medi-Lynx Cardiac Monitoring, LLC as part of the tax refund. These funds were then transferred to the Company to repay MDG Holdco's liabilities towards the Company.

On January 19, 2023, the Company signed a strategic distribution agreement with Express Diagnostics Limited based in Plymouth, UK. It is the biggest provider of cardiac monitoring services and ECG signal analysis in the Great Britain. The Agreement involves the distribution of PocketECG and AI, including Deep Rhythm AI and analytics technology in the future. As of the date of this report, the Company is not able to estimate the potential financial effect of the above.

On January 31, 2023, Ms Iwona Zatorska-Pańtak resigned from the Supervisory Board, effective on the date of submission.

On February 3, 2023, the Management Board of Medicalgorithmics S.A. received information that on February 2, 2023, an agreement was signed with React Health Holdings, LLC and Medi-Lynx Cardiac Monitoring LLC, its affiliate, which amended the Medi-Lynx support agreement and license agreement – the Issuer informed about it in Current Report 52/2022. In addition, on February 3, 2023, the Issuer received information about the conclusion of support and license agreements with React Health and Medicomp Inc., its affiliate, which had occurred on February 2, 2023. The new agreements with Medicomp, including their financial terms, are analogous to the terms of the support and license agreements previously signed with Medi-Lynx (described below), as stated in the Amendment.

The Company has agreed that it will not grant any other parties the exclusive rights to distribute and provide products and services in the U.S. territory for two years of the date of the Medi-Lynx share purchase agreement, namely until July 28, 2024 (unless the support agreement is terminated earlier by the other party). According to the Amendment, as of March 31, 2023 the period of notice to terminate the support agreement is reduced to 60 days. The amended license agreement provides for expiration of the license after two months, instead of two years, counted from a termination event under the agreement, subject to certain exceptions stipulated in the license agreement signed with Medicomp, for example in the event of termination for reasons of discontinuation of the Company's or its insolvency at any time during the two-year period.

Remaining clauses of the Medi-Lynx support and license agreements and the other agreements made with Medicomp, including those related to the consideration receivable by the Company in exchange (which agreements are described in Current Report 52/2022) have not changed significantly. Payments to the Company under the concluded or amended agreements continue to be guaranteed by React Health. More information can be found in Current Report 6/2023.

On February 8, 2023, the Company was notified by Miri Capital Management LLC of a reduction in the number of General Meeting votes held by The Miri Strategic Emerging Markets Fund LP in Medicalgorithmics S.A.

On March 3, 2023, the Polish Securities Depository (KDPW) issued Notice 196/2023 informing that 995,276 Series I bearer ordinary shares would be registered on March 07, 2023 under number (ISIN): PLMDCLG00031 and 1,194,331 Series J, 1,433,197 Series K and 1,353,580 Series L bearer ordinary shares would be registered on March 07, 2023 under number (ISIN): PLMDCLG00049.

On March 27, 2023, the Company received from the following executives: Mr Jaroslaw Jerzakowski (Member of Management Board), Mr Maciej Gamrot (Member of Management Board and CFO) and Mr Przemysław Tadla (Member of Management Board), share acquisition notices concerning a total of 9,193 shares in the Company which were bought through Warsaw Stock Exchange from March 22 to 24, 2023, according to Article 19 (1) of the MAR Regulation. More information can be found in Current Report 9/2023.

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.

34. Consolidated statements

Medicalgorithmics S.A. prepared consolidated financial statements as the parent company. The consolidation covered statements of the Company and its subsidiaries.



MEDICAlgorithmics
INNOVATIVE SOLUTIONS IN MEDICINE

MEDICALGORITHMICS GROUP

AND

MEDICALGORITHMICS S.A.

MANAGEMENT REPORT

I.	Capital Group information	3
I. 1.	Business profile	3
I. 2.	Capital Group structure	3
I. 3.	Strategy and business model.....	4
I. 4.	Segment details	6
I. 5.	Parent shareholding structure.....	6
I. 6.	Dividend policy	7
I. 7.	Acquisition of treasury shares	8
I. 8.	Management Board of Medicalgorithmics S.A.	8
I. 9.	Supervisory Board of Medicalgorithmics S.A.	10
I. 10.	Parent Branches	13
I. 11.	Employment.....	13
I. 12.	Financial statements audit contract	13
I. 13.	Changes of Company and Group key management policies	14
II.	Development factors and summary of significant events related to 2022 operations	14
III.	Commentary on results and Group's assets and financial position	17
III 1.	Commentary on achieved results	17
III 2.	Group assets and financial position.....	21
III 3.	Financial resources and financial assets	23
IV.	Commentary on the result, assets and financial position	25
IV 1.	Commentary on achieved results	25
IV 2.	Company's assets and financial position	29
IV 3.	Cash and financial assets.....	31
V.	Other relevant information about Issuer and Group	32
V 1.	Ongoing R&D projects	32
V 2.	Staff issues	33
V 3.	Environment	33
V 4.	Other domestic and foreign investments	34
V 5.	Factors and events, also extraordinary, of material impact on financial results	34
V 6.	Relevant proceedings before courts, arbitration authorities or public administration	34
V 7.	Related party transactions	34
V 8.	Financial forecasts.....	34
V 9.	Factors in the Issuer's opinion that will affect its results in the next year or later	35
V 10.	Outlook for Group's operational development in the next year	35
V 11.	Feasibility assessment of planned investments	35
V 12.	Supply sources and target markets	35
V 13.	Other agreements significant to Group's operations	36
V 14.	Liabilities towards pensions and similar benefits	36
VI.	Material risk management factors and methods.....	36
VII.	Corporate governance statement.....	40
VII 1.	Principles of corporate governance applied by the Parent	40
VII 2.	Summary of Group internal control and risk management systems in the context of separate and consolidated financial statements.....	42
VII 3.	Parent shareholders and their rights	43
VII 4.	General Meeting	44
VII 5.	Management Board	44
VII 6.	Supervisory Board	45
VII 7.	Audit Committee of Supervisory Board	47
VIII.	Parent Company details	49
IX.	Issuer details	49
X.	Other statements and information from Management Board.....	50

I. Capital Group information

I. 1. 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.

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

The Group's main competitive advantages are:

- advanced technology in mobile cardiac telemetry featuring AI algorithms and certified for use in major markets around the world, including by FDA in the US;
- 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, artificial intelligence, 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.

Kardiolytics has been developing VCAST technology for non-invasive diagnosis and imaging of the circulatory system using artificial intelligence since 2018. The technology features 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. 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.

I. 2. Capital Group structure

The parent company in the Group is Medicalgorithmics S.A. ("Parent", "Company", "Issuer"), which is a joint-stock company registered in Poland. It was established in 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.

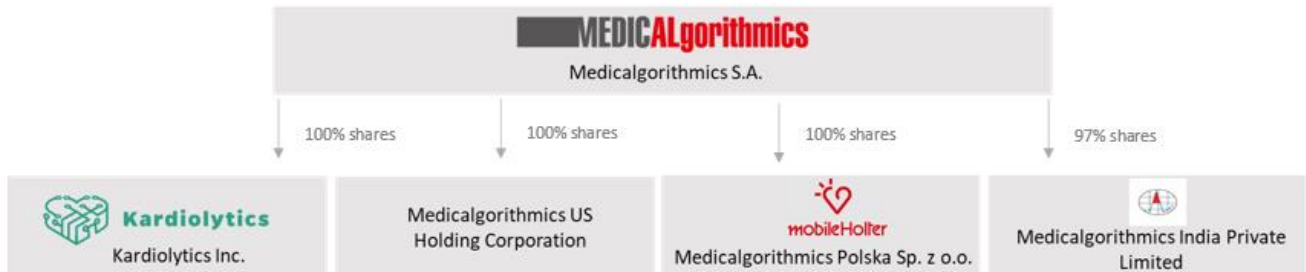
Medicalgorithmics Capital Group consists of Medicalgorithmics S.A. and its subsidiaries. The Parent owns:

- 100% shares in Kardiolytics Inc. ("Kardiolytics") based in Oklahoma, USA;
- 100% shares in Medicalgorithmics US Holding Corporation ("MDG HoldCo");
- 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.

There were no changes in the Group structure in 2021. In 2022, there have occurred certain major changes. 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. On November 8, 2022, an agreement was signed under which Biofund Capital Management LLC ("Biofund") contributed to Medicalgorithmics S.A. a total of 1,500 shares in Kardiolytics, representing 100% of its share capital.

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 composition of Medicalgorithmics Capital Group and its organizational/equity interests as of December 31, 2022 were as follows:



Outside the Group, there are no organizational and equity interests in other entities.

1.3. Strategy and business model

The strategic goal of Medicalgorithmics Capital Group is to become a leading provider of state-of-the-art technology solutions and services in the area of cardiac arrhythmia diagnostics in Americas, Asia, Europe and Australia. The Group focuses on growing organically and through acquisitions, maintaining its rapid growth rate and ensuring a high level of customer satisfaction thanks to flexibly customized product / service offering targeted at identified market niches.

The Group is working to strengthen its position in the U.S. medical services market, develop the scale of operations overseas, and continue territorial expansion towards new markets. In each new market, Medicalgorithmics establishes partnerships with one or more strategic partners (sales and operational processes) to minimize its own business costs and focus on technology support for the patient service processes and on development of cardiology solutions.

In the U.S., the medium-term goal is to transform the business model which is based on new long-term contracts with business partners. The bigger picture is to change the model so that Group is able to roll out its business growth strategy as well as improve the certainty and stability of its revenue.

According to the new US growth strategy, the Group wants to collaborate with business partners on a non-exclusive basis to offer the existing comprehensive service package, namely ECG analysis using the Group's device or only the ECG signal processing service based on the Group's proprietary algorithms and PocketECG system that features AI.

The Group employs highly qualified staff and puts great emphasis that only products and services of the highest quality are offered. The Group's products are patented in the key markets and are regularly awarded necessary quality and safety certificates.

The Group is focused on developing devices and services in the field of cardiac diagnostics for both inpatient and remote use.

The core strategic plans include:

- to introduce new products;
- to bring innovation in medical diagnostics;
- To develop new generations of PocketECG systems;
- to launch new IT technologies (like PocketECG web client);
- to offer integration and programming services to healthcare partners.

The first market in which Medicalgorithmics S.A. offered its product was Poland. Following up, since 2010 the primary sale market has been the U.S. The decision to expand into the U.S. was motivated by how open the U.S. market is to medical innovation and the high level of cardiac diagnostics reimbursement available there from private and public insurers, translating into the high value of the US telemedicine market and its good prospects towards dynamic growth. Initially, in the U.S. the PocketECG system was sold based on a subscription fee, in cooperation with two strategic partners that provide diagnostic services to hospitals, clinics, cardiology centers and other healthcare facilities. In March 2016, through a special purpose vehicle, Medicalgorithmics S.A. acquired 75% of the interest in one of its business partners (Medi-Lynx). In December 2016, a customer base was acquired from another business partner. Thus, since 2017, Medi-Lynx had been the exclusive provider of

PocketECG system services in the U.S. The above acquisitions have led to creation of the Capital Group that merges both technology-oriented operations related to the development of innovative products as well as the service operations related to the supply of top-quality remote cardiac diagnostic services, with the use of its proprietary products. Medi-Lynx was divested based on an agreement of July 28, 2022.

In the PocketECG manufacturing process, the Parent uses a number of suppliers providing electronic components and subassemblies. Sources of supply are diversified and the Group constantly establishes new business relationships with other potential suppliers.

In addition to the cardiac telemetry, its products and solutions are used in clinical trials that assess cardiac safety. The Company also works closely with many cardiac diagnostics and vigilance centers.

In addition to its flagship system (PocketECG), the Company also develops other innovative cardiac monitoring solutions. The fourth quarter of 2020 saw the launch of the 4th generation of PocketECG which allows, among other functions, to connect via LTE. The company is also applying to certify a patch device for single-channel cardiac monitoring use. More information on current new products is presented in Section V.1 of this Report.

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 agreement was later amended on February 2, 2023, as described in Current Report 6/2023 of February 03, 2023. In addition, on February 2, 2023, the Company signed agreements with React Health and Medicomp Inc., its affiliate ("Medicomp"), concerning further support services and licensing. The new agreements with Medicomp, including their financial terms, are analogous to the terms of the support and license agreements previously signed with Medi-Lynx (described below), as stated in the Amendment. According to the Amendment, on February 28, 2023, the exclusive license to the Company's intellectual property previously issued to Medi-Lynx and React Health has expired and they no longer held the exclusive right to sell, market and distribute the Company's products and services in the U.S., which followed the Company's U.S. market strategy objective (cf. Current Report 72/2022, December 6, 2022).

Notably, the divested assets did not include the Company's intellectual property 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). 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.

The Support Agreement (amended on February 2, 2023) was concluded for an indefinite time but may be terminated by either party upon a prior notice of 60 days. 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).

In performance of the Preliminary Agreement, as a condition precedent of the transaction, the Company signed an agreement under which 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).

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.

On October 1, 2022, the Company informed of the completed review of strategic options and the signing of an investment agreement between the Company and Biofund Capital Management LLC based in Miami, USA ("Biofund") based on which Biofund acquired 4,976,384 new shares in the Company, representing 49.99% of general meeting votes in the Company ("Agreement") ("Transaction") 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 ("Kardiolytics"), as announced in the Company's consolidated financial statements and relevant current reports, including Current Report 55/2022, October 1, 2022.

Kardiolytics has been developing VCAST technology for non-invasive diagnosis and imaging of the circulatory system using artificial intelligence since 2018. The technology features 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. 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. On April 3, 2023, a US patent covered the autonomous method of modeling blood vessels using imaging data from medical tests.

I. 4. Segment details

The Group operates mainly outside Poland, and especially in the U.S. It operates a one-segment business, namely the supply of complete systems and algorithm-based software for cardiovascular diagnostics, in particular ECG signal analysis, including diagnostics services, IT services and cardiac diagnostic devices.

I. 5. Parent shareholding structure

The chart and the table below show Medicalgorithmics S.A. shareholders who hold at least 5% of the General Meeting votes, as of the date of this report and to the best of the knowledge of the Company. The table reflects information received from shareholders according to Article 69 of *Public Offering, Financial Instruments Trading and Public Companies Act*.

Chart 1. Medicalgorithmics S.A. shareholder structure

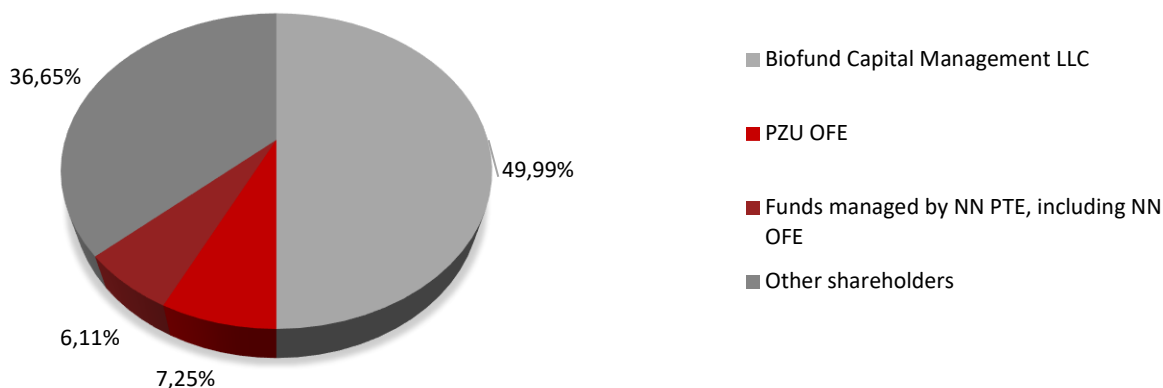


Table 1. Medicalgorithmics S.A. shareholder structure

Shareholder	Number of shares (pcs) as at 30.09.2022	% of share capital	Votes	% of total number of votes	Change in the period 29.11.2022-27.04.2023
Biofund Capital Management LLC	4 976 384	49,99%	4 976 384	49,99%	Unchanged
PZU OFE	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
Other shareholders	3 646 104	36,65%	3 646 104	36,65%	Unchanged
Number of shares	9 952 769	100%	9 952 769	100%	

* based on announcements made according to Article 70(1) of the Public Offering Act (acquisition or disposal of a significant share package).

Upon the issue of series I, J, K and L shares, the total number of shares increased by 4,976,384 from their number published in the 2021 annual report.

Contracts potentially resulting in future changes of shareholding interests held by existing shareholders and bondholders

The Parent is not aware of any contracts or agreements potentially resulting in future changes in the shareholding interest held by the existing shareholders and bondholders.

There are no employee stock schemes at the Company.

I. 6. Dividend policy

According to Article 395 of the Polish Commercial Companies Code (“Code”), the Annual General Meeting is the relevant corporate body that decides profit distribution (or how to cover losses) and dividend payments. It must be convened within 6 months of the end of a financial year. The Annual General Meeting of the Company determines through a resolution how to distribute profit for the last financial year, the amount of dividend, the dividend date, and the date for its payment, according to Article 348 § 3 of the Code. And according to Article 27 (3) of the Articles of Association, the Company’s Management Board is authorized to make advances to shareholders on account of the planned dividend, upon prior approval of the Supervisory Board.

On May 29, 2017, the Management Board adopted Resolution 03/05/2017 recommending a dividend policy concerning profits achieved by the Company in 2016 and later years.

The Management Board wants to make dividend payments from profits earned by the Company in the financial years following 2016 at the maximum level of 50% of the consolidated net profit of Medicalgorithmics Group attributable to shareholders of

its parent entity, based on the consolidated financial statements, with the remainder of the profit to be allocated to the statutory capital reserve.

The Management Board's final decision on profit distribution will be impacted from time to time by the Group's market, financial and liquidity position, any existing and future liabilities, and any related clauses preventing certain levels of indebtedness. If and when recommending dividend payments, the Management Board also takes into account the need to secure the capital as necessary for further development of the business.

The Management Board sets the dividend day based on which a list of dividend-entitled shareholders is composed and dividend payment dates are determined, as needed to ensure the efficient course of the dividend process.

The ultimate decision to pay the Company's net profit in subsequent financial years is made by the Annual General Meeting.

Distribution of 2021 net profit

On June 3, 2022, the Management Board of Medicalgorithmics S.A. passed Resolution 3/05/2022 which recommended that the Annual General Meeting covered the 2021 net loss (PLN 172,369 thousand), in line with Article 396 § 5 of the Commercial Companies Code, by using the statutory capital reserve to cover the part of PLN 166 thousand and from future profits to cover the remaining part of PLN 172,203 thousand.

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 of PLN 172,203 thousand was to be covered from the statutory capital reserve in the part of PLN 166 thousand and from future profits in the remaining part of PLN 172,203 thousand.

I. 7. Acquisition of treasury shares

The Parent and Group companies did not purchase any treasury shares during the reported period. Neither have any individuals acting on their behalf purchased any treasury shares during the reported period. After the balance sheet date, shares were acquired as described below.

I. 8. Management Board of Medicalgorithmics S.A.

As of the date of this report, the Management Board of Medicalgorithmics S.A. consisted of the following members:

Maciej Gamrot – Member of Management Board, CFO

Mr Maciej Gamrot is a graduate of University of Lodz, Business Administration Faculty. He has been certified by ACCA (UK Association of Chartered Certified Accountants) and is a Certified Internal Auditor (qualified by US Institute of Internal Auditors). His professional career started off in audit departments of PWC and EY. Maciej Gamrot held many managerial positions in finance and audit in the past years. During his 14 years at Agora Group S.A. he moved through various functions (inc. financial reporting manager, group internal audit manager and acting CFO). Maciej Gamrot was a member of the management board and CFO at Platige Image S.A., Audioteka S.A., Dobroplast Fabryka Okien Sp. z o.o. (after its acquisition by Arbonia A.G. Group). On August 23, 2021, Maciej Gamrot was appointed the Member of the Management Board and CFO at Medicalgorithmics S.A. Since January 24, 2023, he has been sitting on the board of directors in Kardiolytics Inc.

Jaroslaw Jerzakowski – Member of Management Board

Mr Jaroslaw Jerzakowski is a graduate of the Cracow University of Economics where he majored in Foreign Trade and International Business, and University of Mannheim where he completed the European Master of Business Sciences (EMBS) program with honors. Jaroslaw Jerzakowski has been professionally involved in foreign sales development and marketing since 2004. He held management positions at Konica Minolta Business Solutions and Adrem Software. Starting February 2013, he is responsible at Medicalgorithmics S.A. for foreign business development (non-US). Jaroslaw Jerzakowski has built from the scratch and further developed the overseas sales of tele-cardiology services to a level of over 70,000 patients per year, across 17 countries of diverse healthcare systems.

Przemyslaw Tadla – Member of Management Board (since December 6, 2022)

Mr Przemyslaw Tadla has 23 years of professional experience gained across various large multinational companies operating in electronics, automotive, certification and medical sectors.

Since 2008, he has been involved in safety compliance assessment and product certification on US and other major markets. He had joined Medicalgorithmics S.A. in mid 2013 and stayed until 2021. he moved across several positions, including Strategy

Development Manager and the Board's QMS Expert. When in charge of the corporate strategy, he supported the board in the development, communication, implementation and maintenance of the Company's strategic initiatives. Among his crucial projects there was the development of the new PocketECG CRS hybrid cardiac rehabilitation system, in 2018 certified by FDA and CE mark. In addition, being the Product Compliance Manager for many years he oversaw the medical device certification unit which was responsible for all regulatory affairs related to medical devices, including worldwide certification and registrations. On his last position at Medicalgorithmics S.A. he was Chief Operating Officer managing the Company's production facility.

After leaving Medicalgorithmics S.A., he hired as a consultant for RASC Sp. z o.o. and worked with various med-tech players from both Europe and the U.S., supporting their product development, certification and approval strategies. Since early 2022, he has been Chief Operating Officer he has been responsible for product development at U.S.-based startups Biometrics LLC and Kardiolytics Inc.

Przemysław Tadla graduated from Poznan University of Technology and completed his postgraduate studies at the Warsaw School of Economics.

On December 6, 2022, Przemysław Tadla was been appointed the Member of the Management Board and CTO at Medicalgorithmics S.A. Since January 24, 2023, he has been sitting on the board of directors in Kardiolytics Inc.

Przemysław Tadla certified in a statement that he is not listed in the Insolvent Debtor Register kept pursuant to the National Court Register Act, he is engaged in any activity that is competitive to the Company's business, and he is not a partner/shareholder in any competing partnerships or companies, or a member of bodies in any other competing entities.

Table 2. Management Board remuneration in 2022 (PLN '000)

Person	Function held in the issuer's governing bodies	Remuneration
Maciej Gamrot	Member of the Management Board, Chief Financial Officer	958
Jarosław Jerzakowski	Member of the Management Board	967
Peter Pellerito	Member of the Management Board	5
Przemysław Tadla	Member of the Management Board (since 6 December 2022)	11

Table 3. Management Board remuneration in 2022 related to positions held in subsidiaries (PLN '000)

Person	Function held in the issuer's governing bodies	Remuneration
Maciej Gamrot	Member of the Management Board, Chief Financial Officer	-
Jarosław Jerzakowski	Member of the Management Board	-
Peter Pellerito	Member of the Management Board	78
Przemysław Tadla	Member of the Management Board (since 6 December 2022)	-

The financial statements do not include the base salary and accrued bonuses of a member of the Parent's Management Board who performed work and held functions in managing bodies of Medi-Lynx LLC, the U.S. subsidiary, as that company has been divested and is presented as discontinued operation.

In February 2022, a lawsuit was filed in the American Arbitration Association's International Centre for Dispute Resolution 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 Medi-Lynx Cardiac Monitoring LLC, Mr Peter Pellerito.

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 – as a result of this event, neither the Company nor the Group recognized a related contingent liability.

There are no agreements between the Company and board members that would provide for compensation in the event of their resignation or dismissal without good cause or in case of a merger through acquisition of the issuer.

I. 9. Supervisory Board of Medicalgorithmics S.A.

As of the date of this report, the Supervisory Board of Medicalgorithmics S.A. consisted of the following members:

Andrzej Gładysz – Chairman of Supervisory Board (since October 28, 2022), Member of Supervisory Board, Chairman of Nomination and Remuneration Committee, Member of Audit Committee

One of the most experienced insurance market managers and a co-author of insurance regulations and the insurance supervision system in Poland, with 30 years of experience in insurance. In 1991, Andrzej Gładysz advanced his career from the Ministry of Finance and the State Insurance Supervisory Authority, through Commercial Union group entities (now Aviva), Prudential, to the PZU Group (the largest financial group in CEE). In 1996-1998, he was the Audit Manager at PUNU, and in 1998-2011 he held a number of positions in the Aviva group (CEO, company agent, member of management and supervisory boards). From 2011 to 2017, Andrzej Gładysz was a manager of the Prudential branch in Poland and the company agent for proxy Prudential Poland, and since 2017 he has been the legal office manager, a member of steering committees and supervisory board chairman for many companies of PZU Group. A Polish attorney licensed in 1997. Since 1998, Andrzej Gładysz has been an active member of the insurance self-governing body of the Polish Insurance Chamber where he contributes on a no-fee voluntary basis in addition to his regular job. In the Polish Insurance Chamber, Andrzej Gładysz was a community chairperson, member of several committees, teams and working groups in charge of Legal and Legislative, Intermediation, Good Practices Council, Bancassurance, etc. He is a co-author of the Chamber's new organization model and Code of Ethics and Good Practices. An active and effective insurance sector advocate during parliamentary and government works (for example, his activity has led to development of the latest regulations on personal data protection in insurance, on group insurance, and on anti-money laundering). A participant and a speaker at many conferences and workshops on the Polish and foreign financial markets, often representing Poland and the Polish insurance market. Winner of many awards and prizes in the area of insurance. Awarded the Bronze Cross of Merit of the Republic of Poland.

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

Mr Michał Wnorowski is a graduate of the Warsaw School of Economics and the Cracow University of Economics. Currently, he is an independent supervisory board member in a number of listed companies: Medicalgorithmics, Develia, Alumetal, Voxel, Arteria. Michał Wnorowski has been involved in the financial market since 1995. In 2012-2016, he was Chief Investment Officer in charge of Long-Term Shares Portfolio for PZU Group. Previously, he was a long-time manager of the analysis and corporate governance team at PZU Group. Michał Wnorowski is experienced in investment project management, market analysis, business analysis and valuation, and securities portfolio management. He has also dealt with corporate restructuring and corporate governance. Michał Wnorowski was a member of supervisory boards of: Robyg, Elektrobudowa, Travelplanet.pl, EMC Instytut Medyczny, Braster, Enter Air, Armatura Kraków, ARM Property.

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

Graduate of University of Lodz, foreign trade major. Ms Anna Sobocka holds a postgraduate degree in personnel management psychology from University of Warsaw, and an International Executive MBA from IE Business School (Instituto de Empresa) in Madrid. She is a Certified Public Accountant, FCCA, Certified Internal Auditor (CIA), and Certified Fraud Examiner (CFE). As a finance professional Anna Sobocka combines strategic and tactical experience gained while being CFO for over 3 years and over 5 years as a private entrepreneur, with an in-depth understanding of multinational organizations from multiple sectors, topped with more than 15 years in audit and financial consulting at EY.

Sławomir Kościak – Member of Supervisory Board, Member of Nomination and Remuneration Committee (since July 1, 2022)

Licensed Investment Advisor (lic. 303) and a certified Chartered Financial Analyst (CFA). Mr Sławomir Kościak graduated from the Warsaw School of Economics, with finance and banking major, and also studied at the Aarhus School of Business (Denmark) and Universität zu Köln (Germany). He completed CEMS MIM program for executives (Community of European Management Schools - Master's in International Management). He won a scholarship from Educational Enterprise Foundation. He taught official courses for securities broker (ZMiD) and investment advisors (PERK). He has over 10 years of experience in asset management. He worked in the European Investment Fund (Luxembourg) and Morgan Stanley's real estate fund (Frankfurt), among others. In 2009 and 2020, he managed a number of different investment funds and strategies for TFI PZU fund manager, including money funds based on PZU's own resources and client money, stock-based funds, hybrid funds and absolute return funds. The range of investments covered Warsaw Stock Exchange companies and others listed in the EU and the U.S. A member of the Investment Committee, with AUM exceeding PLN 20 billion. Since 2014, he has been Chief Medical Officer responsible for investments in healthcare sector companies. He is the Second Chairman of the Supervisory Board at Mabion SA where he also sits in the Audit Committee. Also, a member of the Supervisory Board at Urteste S.A.

Paweł Lewicki – Member of Supervisory Board (since November 16, 2022)

Mr Paweł (Paul) Lewicki is a cognitive scientist, entrepreneur and an investor. He was a professor of cognitive psychology at the University of Tulsa from 1984 to 2009, where he founded the Unconscious Information Processing Laboratory, benefiting from a number of research grants from the National Science Foundation and the National Institutes of Health. He was one of the first to publish evidence that advanced knowledge acquired by humans from experience involves multidimensional and highly interactive data patterns that are far more complex than what humans can consciously express or even communicate. The approach became popular and was quickly adopted by the corporate world as so-called *predictive data mining*, thanks to which computers derive more complex patterns from Big Data than humans can understand, and then use those patterns to make new predictions. Paweł Lewicki founded StatSoft where he was CEO and a major shareholder. StatSoft pioneered the commercial applications of data mining. StatSoft has quickly become a major manufacturer of data mining solutions for all industries, with offices across 30 countries and more than 1 million accounts. StatSoft was sold to Dell in 2014. As a cognitive scientist, he continues to develop AI technologies that make computers smarter. As a businessman, he invests in and supports the development of companies that seek to ‘make a difference’ using artificial intelligence to promote overall prosperity by accelerating the technological advance, especially in the medicine which has traditionally been slower to implement artificial intelligence.

Krzysztof Siemionow – Member of Supervisory Board (since November 16, 2022)

Mr Krzysztof (Kris) Siemionow, MD, PhD) is a trained orthopedic surgeon but an real-life entrepreneur who has founded and co-founded a number of medical companies that use advanced technology to improve clinical outcomes. Krzysztof Siemionov completed an orthopedic ward internship at the Cleveland Clinic Foundation and a fellowship in spine surgery at Rush University Medical Center. His PhD thesis focused on the effects of inflammation on nerve cell function. He co-founded Global Spine Outreach, a non-profit organization with a mission ‘to save children with severe spinal deformities’. He also is a co-founder of Holo Surgical Inc, a digital surgery company that has developed an AI-based surgical guidance system that now has clinical applications. He co-founded Inteneural Networks Inc., a company that uses machine learning to diagnose neurodegenerative disorders. He also is a co-founder of Kardiolytics Inc. which takes advantage of AI machine learning to develop algorithms for automated analysis of cardiovascular CT images. He is the author of more than 100 peer-reviewed articles, abstracts and chapters in books dedicated to surgery and scientific research. He holds 50 patents and patent applications that have been successfully commercialized. He sits on the boards of Dystrogen Therapeutics, Kardiobot, Dystrogen Gene Therapeutics, and Biometryks.

David Cash – Member of Supervisory Board (since November 16, 2022)

Mr David Cash is a co-founder and Managing Partner of Medvest Capital, a venture capital fund that invests in early-stage developers of medical technology designed to improve the quality of patient services while lowering healthcare costs. David Cash specializes in the development of business strategy for early-stage projects, sales multiplication, clinical advantages, and follow-up project finance for such projects. David Cash currently serves as a director at Providence Medical Technology, Osteal Therapeutics and BrightSpec. He is also a board observer at FreeSpria and Mercator Medical Systems. Prior to founding Medvest Capital, he established companies specializing in the development of healthcare facilities and outpatient surgery centers. Earlier in his career, he was a financial analyst in CIBC World Markets' Investment Banking Division. David Cash is a MBA graduate of Darden School of Business, University of Virginia, where he was awarded Genovese Fellowship. His thesis earned a distinction at Colgate University.

Audit Committee details are presented in Section VII.7 of this report.

The following table shows Parent shares held, directly or indirectly, 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 quarterly report. The information is based on declarations received from members of the Management Board and the Supervisory Board, according to Article 160.1 of *Financial Instruments Trading Act*.

Table 3. Company shares held by members of the Parent's Management and Supervisory Boards

Person	Function held in the issuer's governing bodies	Number of shares		Change in the period from 15 November 2022 to 27 April 2023
		Number of directly held shares	held indirectly ¹	
Maciej Gamrot	Member of the Management Board, Chief Financial Officer	3 175	-	+3 175
Jarosław Jerzakowski	Member of the Management Board	3 014	-	+3 014
Przemysław Tadla	Member of the Management Board (since 6 December 2022)	3 004	-	+3 004
Michał Wnorowski	Vice-Chairman of the Supervisory Board	-	-	Unchanged
Anna Sobocka	Member of the Supervisory Board	-	-	Unchanged
Andrzej Gładysz	Chairman of the Supervisory Board (since 28 October 2022), Member of the Supervisory Board	1 135	-	+1 135
Sławomir Kościak	Member of the Supervisory Board	-	-	Unchanged
Paweł Lewicki	Member of the Supervisory Board (since 16 November 2022)	-	2 488 192	+2 488 192
Krzysztof Siemionow	Member of the Supervisory Board (since 16 November 2022)	-	2 488 192	+2 488 192
David Cash	Member of the Supervisory Board (since 16 November 2022)	-	-	Unchanged

1) Indirect shareholding means that a given person has an interest in an entity that is a direct shareholder, without implying a dominant position in such direct shareholder.

On March 27, 2023, the Company received from the following executives: Mr Jarosław Jerzakowski (Member of Management Board), Mr Maciej Gamrot (Member of Management Board and CFO) and Mr Przemysław Tadla (Member of Management Board), share acquisition notices concerning a total of 9,193 shares in the Company which were bought through Warsaw Stock Exchange from March 22 to 24, 2023, according to Article 19 (1) of the MAR Regulation. More information can be found in Current Report 9/2023.

According to the notices received by the Company:

- 1) Mr Jarosław Jerzakowski, a Member of the Management Board, acquired a total of 3,014 shares in the Company;
- 2) Mr Maciej Gamrot, a Member of the Management Board, acquired a total of 3,175 shares in the Company;
- 3) Mr Przemysław Tadla, a Member of the Management Board, acquired a total of 3,004 shares in the Company.

Table 4. Parent Supervisory Board remuneration in 2022 (PLN '000)

Person	Function held in the Issuer's governing bodies	Remuneration
Marek Dziubiński	Chairman of the Supervisory Board (until 30 June 2022)	43
Michał Wnorowski	Vice-Chairman of the Supervisory Board	121
Anna Sobocka	Member of the Supervisory Board	94
Stanisław Borkowski	Member of the Supervisory Board (until 30 June 2022)	31
Brandon von Tobel	Członek Rady Nadzorczej (do 22 marca 2022 roku)	15
Martin Jasinski	Member of the Supervisory Board (until 30 June 2022)	34
Andrzej Gładysz	Chairman of the Supervisory Board (since 28 October 2022), Member of the Supervisory Board	126
Grzegorz Janas	Member of the Supervisory Board (until 30 April 2022)	16
Werner Engelhardt	Member of the Supervisory Board (until 21 March 2022)	11
Iwona Zatorska-Pańtak	Member of the Supervisory Board (from 1 July 2022 to 31 January 2023)	60
Sławomir Kościak	Member of the Supervisory Board	60
Paweł Lewicki	Member of the Supervisory Board (since 16 November 2022)	0
Krzysztof Siemionow	Member of the Supervisory Board (since 16 November 2022)	12
David Cash	Member of the Supervisory Board (since 16 November 2022)	15

I. 10. Parent Branches

Medicalgorithmics S.A. does not have branches, as referred to in the Accounting Act, however in 2022 it operated in two locations: the headquarters based in Warsaw, with the production plant located in Gdańsk (Poland).

Table 5. Branches and their locations

Name of the location	City	Address
Registered office – registered office of the Management Board	Warszawa	Al. Jerozolimskie 81, 02-001 Warszawa
Manufacturing plant	Gdańsk	Ul. Marynarki Polskiej 100, 80-557 Gdańsk

I. 11. Employment

The number of employees is shown in the table below.

Table 6. Parent and Group headcount

Number of employees (in FTEs)	31.12.2022	31.12.2021
Medicalgorithmics Capital Group	122	125
Medicalgorithmics S.A	106	110

As of the publication of this report (April 27, 2023), the Parent and the Group employed, respectively: 106 and 122 people (FTEs).

As of the publication of this report (April 27, 2023), the average headcount in the year was:

Average annual employment (in FTEs)	31.12.2022	31.12.2021
Medicalgorithmics Capital Group	124	131
Medicalgorithmics S.A	108	105

I. 12. Financial statements audit contract

On May 18, 2021, the Company's Supervisory Board selected Grant Thornton Polska Sp. z o.o. Sp.k., a limited partnership based in Poznań, Poland (ul. abpa Antoniego Baraniaka 88 E, 61-131 Poznań, National Court Register No. 407558, entered in the Commercial Register of District Court in Poznań-Nowe Miasto and Wilda), which is registered with the Polish Chamber of Statutory Auditors (KRBR) under number 4055, as the entity authorized to:

- Review the interim financial statements of Medicalgorithmics S.A. for the reporting periods ending June 30, 2021 and June 30, 2022;
- Review the interim consolidated financial statements of the Group for the reporting periods ending June 30, 2021 and June 30, 2022;
- Audit the financial statements of Medicalgorithmics S.A. for the financial years ended December 31, 2021 and December 31, 2022;
- Audit the consolidated financial statements of the Group for the financial years ended December 31, 2021 and December 31, 2022;

The audit contract covering the above was concluded on August 30, 2021 for a period of two years. During the contract, the auditor changed its legal form to Grant Thornton Polska Prosta Spółka Akcyjna.

Table 7. Remuneration of the financial statements auditor (PLN '000)

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021
Audit of the annual standalone and consolidated financial statements	216	217
Review of the interim standalone and consolidated financial statements	134	135
Other services (agreement on the performance of agreed upon procedures)	-	-

I. 13. Changes of Company and Group key management policies

In the year ended December 31, 2022, there have been no changes in the key management policies of the Parent or the Group. The Management Board is seeking further consolidation of management policies across the Medicalgorithmics Capital Group units by implementing appropriate procedures and standards of ownership control.

II. Development factors and summary of significant events related to 2022 operations

In August 2021, a review of strategic options was initiated to identify potential directions for the Group's business and, consequently, to enable it to select the most favorable way towards its long-term goal which is to secure the best possible market position in the advanced cardiology technology sector as well as to maximize the value for the Company's shareholders.

The primary stream of revenue for the Group has been its diagnostic services that are provided to patients worldwide. The Group's proceeds in fact come from insurers (mainly) who reimburse medical services supplied through PocketECG devices. Recipients of such services provided by the Group are primarily hospitals, hospital network, outpatient clinics, physicians and their groups.

On July 28, 2022, the Management Board of Medicalgorithmics S.A. announced in Current Report 52/2022 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 could 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). According to Current Report 2/2023 of January 16, 2023, the Seller received USD 3.0 million as 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 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 agreement was later amended on February 2, 2023, as described in Current Report 6/2023 of February 03, 2023. In addition, on February 2, 2023, the Company signed agreements with React Health and Medicomp Inc., its affiliate ("Medicomp"), concerning further support services and licensing. The new agreements with Medicomp, including their financial terms, are analogous to the terms of the support and license agreements previously signed with Medi-Lynx (described below), as stated in the Amendment. According to the Amendment, on February 28, 2023, the exclusive license to the Company's intellectual property previously issued to Medi-Lynx and React Health has expired and they no longer held the exclusive right to sell, market and distribute the Company's products and services in the U.S., which followed the Company's U.S. market strategy objective (cf. Current Report 72/2022, December 6, 2022).

Notably, the divested assets did not include the Company's intellectual property 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). 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.

The Support Agreement (amended on February 2, 2023) was concluded for an indefinite time but may be terminated by either party upon a prior notice of 60 days. 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).

In performance of the Preliminary Agreement, as a condition precedent of the transaction, the Company signed an agreement under which 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).

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.

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, value of USD 44,890,589 (according to an independent valuation report of Baker Tilly TPA), in Kardiolytics Inc. based in Oklahoma (USA) (“Kardiolytics”), namely all (100%) Kardiolytics shares.

2) an agreement under which Biofund contributed to the Company a total of 1,500 shares in the Kardiolytics 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.

As a result of the Transaction, the Company became 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. 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.

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.

The Company's and the Group's ability to continue as a going concern is affected by the risk related to the achievement of the expected growth in revenues, while maintaining the assumed level of the Group's operating expenses, including costs of equipment manufacturing and technology / sales development. When creating its financial plans and estimating its financing needs, the Group assumes various scenarios of, for example, sales growth and level of expenses. To achieve its sales targets the Group increased the sales team.

Previous financial projections have assumed that the above changes, which are the basis for monetizing the ongoing business model transformation, would be financed from the cash flow generated by the increase in the number of tests performed. 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 at the assumed level and allowed the originally assumed improvement of operational profitability and liquidity of the Group subsidiaries.

Business development outside USA

In 2022, the Parent sold over a thousand of new PocketECG devices in non-US markets (OUS). The placement and activation of new equipment in the overseas markets translated into a continued increase in sales revenue from non-U.S. partners by about 30% year on year. The largest OUS markets continue to be Canada, Denmark and Australia. In the reporting period, there was also a higher number of patients screened with PocketECG in non-US markets, amounting to about 85,000. There was an increase of about 25% in the number of non-US patients tested throughout the year. At the end of the year, there were also 3,927 total active devices for which the Company charges monthly fees as its recurring revenue. This is 21% more active devices than in 2021.

At the same time, in 2022 the Company signed contracts with new strategic partners in Israel and Sweden (in the area of clinical studies).

Marketing activities

2022 continued the legacy strategy with the main objective of the marketing efforts being to support sales and develop ways to reach the target group. These actions relied heavily on clinical marketing, traditional content marketing strategies, and inbound marketing. Throughout the year, promotional activities were carried out on social media platforms, with the main focus on LinkedIn.

By taking active measures in the area of clinical research, the Group took part in industry publications and signed a large clinical trial contract which involves the use PocketECG technology for post-procedure patient monitoring. The Company also carried out other activities in order to establish its expert image in the community, with successful webinars for healthcare professionals.

Product development and R&D activities

In 2022, the Company continued its research and development work. The product being developed is, among others, PatchECG, which is expected to launch in late 2022 or early 2023. The device is limited to one ECG channel and its functionality focuses on the ease of use, while providing good quantitative data over a period of 7-14 days.

The development work is underway also 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 2022, efforts also continued on ECG TechBot, for which the Parent received funding from the Polish National Research and Development Center (NCBiR). It is software that uses a set of algorithms for automatic analysis and interpretation of ECG signal based on deep learning methods.

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.

III. Commentary on results and Group's assets and financial position

III 1. Commentary on achieved results

In 2022, 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 cooperation, including strategic business 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 use the equipment as well as the related software and server infrastructure.

Upon the divestment of shares in Medi-Lynx Cardiac Monitoring LLC, based on the agreement of July 28, 2022, according to IFRS 5.(12) the Group results were recast in notes and presented as continuing operations, including the disclosure of assets held for sale and their related liabilities. Medi-Lynx's results are presented as discontinued operations. For comparability of the current report with the recent period report, the Group's comparative data has not been recast according to the requirements of IFRS 5.(40).

Table 8. Key items from the statement of comprehensive income for 2022 and 2021 and the change dynamics in the last financial year

	01.01.2022-	01.01.2021-		
	31.12.2022	31.12.2021	Change	Change %
Sales revenue	62 719	48 349	14 370	30%
Operating expenses	(46 342)	(36 190)	(10 152)	28%
Profit/ (loss) on sales	16 377	12 159	4 218	35%
Other operating revenue/(expenses), net	835	(21 794)	22 629	(104%)
Operating profit/ (loss)	17 212	(9 635)	26 847	(279%)
Net finance costs	660	2 625	(1 965)	(75%)
Profit/ (loss) before tax	17 872	(7 010)	24 882	(355%)
(Loss)/Net profit from continuing operations	18 088	(6 572)	24 660	(375%)
Net profit/(loss) from discontinued operations	(48 492)	(174 066)		
Net profit attributable to Shareholders of the Parent Company	(30 404)	(180 638)	150 234	(83%)
Net profit/ (loss) attributable to non-controlling interests	-	(0)	0	(100%)
EBITDA	21 232	(5 448)	26 680	(490%)

Revenue from sales

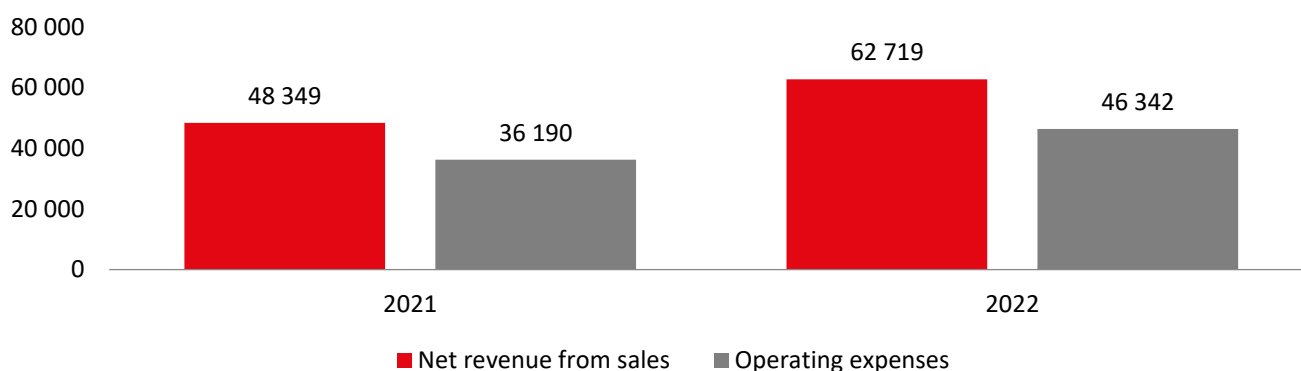
In 2022, the Group's revenue amounted to PLN 62.7 million and increased by 30% compared to 2021. The increase has been influenced by the change in the compensation model applied to services which are provided to strategic partner Medi-Lynx.

As of July 1, 2022, the business cooperation between the Parent and Medi-Lynx and React Health, and (since 2023) Medcomp Inc. are governed by the Support Agreement according to which the Company has agreed to: provide its products, in particular the PocketECG system, repair and service its products, provide support and maintain their software, render technical support and monitoring services – details of the agreements are described in Note 4.1 to 2022 consolidated financial statements and Current Report 6/2023.

The combined impact of the factors described above translated into an increased revenue of the Group, both nominal (excluding the impact of USD/PLN exchange rate) and from the perspective of IFRS 5 (after adjustment of 2021 results by Medi-Lynx divestment) – up by PLN 2.8 million compared to 2021. The rising average USD/PLN exchange rate caused the revenue to increase by PLN 1.1 million. An increase in revenue from unrelated parties was recorded by the Parent (PLN +14.1 million) as well as Medicalgorithmics Polska (PLN +0.2 million) and Medicalgorithmics India (PLN +0.1 million).

Upon the divestment of shares in Medi-Lynx Cardiac Monitoring LLC, based on the agreement of July 28, 2022, according to IFRS 5 the Group results are recast and presented (in 2021 and 2022) as continuing operations, including the disclosure of assets held for sale and their related liabilities. Medi-Lynx's results are presented as discontinued operations. For comparability of the current report with the recent period report, the Group's comparative data has also been recast according to the requirements of IFRS 5.

Chart 2. Group sales revenues and operating expenses by year (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 51.9 million (PLN 38.5 million in the same period of 2021), i.e. nearly 83% of total revenue, and revenue from sales of equipment to unrelated parties: PLN 10.8 million (PLN 9.8 million in the comparative period). Revenues from Medi-Lynx, which represent the discontinued operations, are classified as belonging to 'unrelated parties'. The great majority of revenue (just like in the previous year) was denominated in U.S. dollars.

Cost of operating activities

Table 9. Structure of operating expenses in 2022 and 2021 (PLN '000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Raw materials and consumables used	12 354	9 918	2 436	25%
Employee benefits	17 093	12 893	4 200	33%
Amortization and depreciation	4 020	4 187	(167)	(4%)
External services	12 218	8 695	3 523	41%
Other	657	497	159	32%
TOTAL:	46 342	36 190	10 152	28%

Consumed raw materials and supplies

The cost of raw materials and consumable supplies increased by 28% year-on-year. At the Parent level, there was also an increase of approx. PLN 2.4 million in 'non-eliminating entries' in the consolidated expense account, attributable to the higher

prices of raw and other materials majority of which are imported, with their prices rising together with rising USD rates, and to the changed rules of fixed assets classification on Group level.

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

The cost of employee benefits increased by approx. PLN 4.2 million (+33%) compared to 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 0.1 million;
- (2) in the Parent, the employee benefit costs increased by approx. PLN 4.2 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) in Medicalgorithmics Polska Sp. z o.o., the employee costs increased by approx. PLN 3.9 million.

Employee benefit costs represent the most significant item in the Group's operating expense structure (37%). 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 at the subsidiary level, where employees include ECG technicians and customer service / sales specialists, the business is based largely on human capital.

Depreciation/amortization

In 2022, a drop of PLN 0.2 million (-4%) in depreciation/amortization expense was noted 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.

As a result of IFRS 16, the Group recognized right-of-use assets. ROU is depreciated over a period of a lease contract, and the expense in 2022 was PLN 0.1 million (PLN 0.1 million in the comparable period).

Third-party services

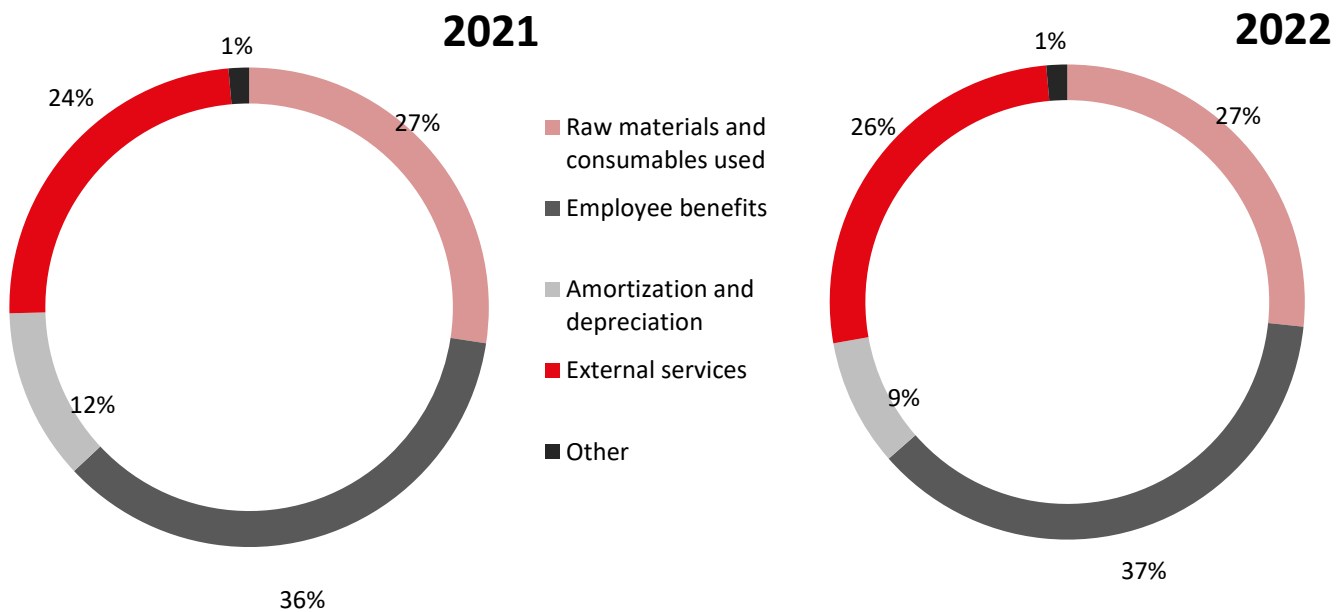
Third-party services account for 26% of the Group's operating expenses, and they increased by 41% compared to the comparative period, amounting to PLN 12.2 million. Among the expenses for third-party services, the key items are Internet services, consulting, accounting and auditing. The structure of the third-party service expense in the reporting period and the comparative period is presented in Note 10 of the 2022 consolidated financial statements.

When comparing 2022 to 2021, there was a significant increase in consulting and legal expenses, in particular as a consequence of certain 2022 transactions which are described in the 2022 consolidated financial statements. There were also higher expenses for accounting and auditing services as well as IT services related to the development of technology.

Since 2021, the Group has been gradually committing more resources to marketing activities after the lockdown period, compared to 2020 when due to the pandemic and the lockdown the Group did not participate in industry scientific conferences, leading to lower marketing costs for the Group then.

In the reporting period as well as in the comparable period, a major part of rental and lease expenses was cloud storage services, which are not subject to recognition under IFRS 16. In addition, the rent and lease items described in Note 10 to the consolidated financial statements include operating expenses related to office space rental and the cost of leasing low-value office equipment.

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



Result on financial activities

Table 10. Financial income and cost in 2022 and 2021 (PLN '000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Finance income	955	3 245	(2 290)	(71%)
Finance cost	(295)	(620)	325	(52%)
Net finance income	660	2 625	(1 965)	(75%)

As presented in Note 12 to the consolidated financial statements, the key item affecting the financial income in 2022 is positive unrealized foreign exchange differences (PLN 0.7 million). In the comparative year, positive unrealized exchange differences were PLN 2.9 million. Financial costs mainly include interest on borrowings and interest on finance leases.

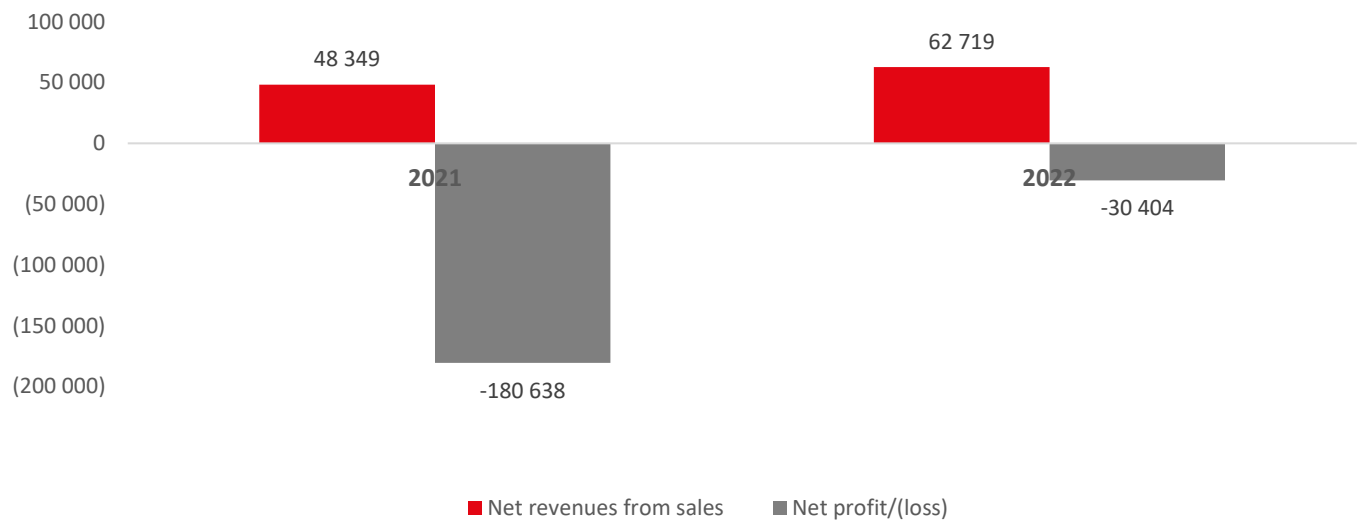
At the balance sheet date, the Parent had a loan (in USD) lent to consolidated foreign entities (MDG HoldCo and Kardiolytics). Under IAS 21, this monetary item is part of its net investment in its foreign entities. In the consolidated financial statements, foreign exchange differences (recognized in profit or loss in its separate financial statements) are recognized in other comprehensive income.

Profit and profitability

The net loss generated in 2022 was PLN 30.4 million. The key factor affecting MDG Group's negative financial result was the Medi-Lynx receivables written off at PLN 65.6 million.

Subsequently to the Medi-Lynx divestment, MDG S.A. signed an agreement to sell its claims against Medi-Lynx, in the amount of 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).

There was a positive impact on net financial result coming from the recognition of the result on discontinued operations, in the amount of PLN 19.7 million including a gain on the divested assets and related liabilities (PLN 6.4 million) and an adjustment of the sale price (PLN 13.3 million) received in January 2023.

Chart 4. Sales revenue and net profit per year (PLN '000)


In 2022, return on assets (ROA) was -28%, up by 133 p.p. from -158% in 2021. Meanwhile return on equity (ROE) in 2022 was -38%, up by 343 p.p. from 2021. The higher level of this ratio was affected by the decline in net loss, the reasons for which are commented above.

Table 11. ROA and ROE ratios in 2022 and 2021 including change dynamics in the last financial year

	2022	2021	Change (p.p.)
ROA	-28%	-158%	130%
ROE	-38%	-381%	343%
ROCE	18%	-13%	31%

ROA = net income/total assets at the end of period

ROE = net income/shareholders equity at the end of period

Cash flows

In 2022, the Group generated a positive balance of operating cash flows. The Group recorded negative flows from investing activities, caused by expenditures on non-current tangible assets (PP&E) (PLN 63.6 million), including chiefly the Kardiolytics assets acquired, and proceeds from the divestment of Medi-Lynx (PLN 20.0 million). Positive cash flows from financing activities resulted mainly from share issue proceeds (PLN 63.4 million).

Table 12. Selected cash flow items in 2022 and 2021 (PLN '000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Net cash from operating activities	6 331	(6 479)	12 810	(199%)
Net cash from investing activities	(1 812)	(15 776)	13 964	(89%)
Net cash from financing activities	9 979	17 725	(7 746)	(44%)
Total net cash flows	14 498	(4 530)	19 028	(420%)
Closing balance of cash	26 165	11 667	14 498	124%

III 2. Group assets and financial position

As of December 31, 2022, the balance sheet sum was PLN 108.7 million, a significant decrease compared to the end of 2021, mainly caused by the alienation of the Medi-Lynx business upon its divestment in 2022.

The following tables show the Group's key assets and related sources of finance, as well as their changes over the last financial year.

Table 13. Key assets items at the end of 2022 and 2021 including change dynamics in the last financial year

ASSETS (PLN '000)	31.12.2022	31.12.2021	Change	Change %
Fixed assets including:	65 943	77 664	(11 721)	(15%)
Intangible assets	63 920	50 571	13 349	26%
Property plant and equipment	2 003	26 996	(24 993)	(93%)
Long-term financial assets	20	97	(77)	(79%)
Current assets including:	42 792	36 746	6 046	16%
Inventories	8 771	-	8 771	-
Trade and other receivables	7 856	25 079	(17 223)	(69%)
Cash and cash equivalents	26 165	11 667	14 498	124%
TOTAL ASSETS	108 736	114 410	(5 674)	(5%)

As of the balance sheet date, total non-current assets were PLN 66 million and their share in all assets reached 61%. The key item in non-current assets was intangible assets, and among them the goodwill of Kardiolytics (PLN 18.2 million) and development work in progress expenditure (PLN 44.3 million). The sum of non-current assets increased by PLN 11.7 million (+15%) compared to December 31, 2021. The change was mainly due to the acquisition of Kardiolytics, with provisional goodwill of PLN 18.2 million and development work in progress of PLN 40.7 million. In 2022, the development work in progress expenditure of the Parent was activated at the level of PLN 4.6 million. In addition, the changed value of non-current assets was affected by a decrease in their net value resulting mainly from amortization/depreciation accrued during the period (PLN -1.5 million) and a decrease resulting from reductions in the value of the non-depreciated portion of non-current tangible assets (PP&E) (PLN -0.1 million). The net increase in PP&E assets was driven by increases in plant & machinery items and other non-current tangible assets (PLN 0.5 million).

In 2021, the net value of intangible assets decreased upon the recognition of the write-down adjusting for the asset impairment test of Medi-Lynx CGU and MDG S.A. CGU (aggregated reduction by 162.2 million) and accrued amortization/depreciation expense (-9.2 million). This decrease was partially offset by development work in progress and other expenses activated in 2021 (PLN 6.0 million) and foreign exchange gains (PLN 14.3 million).

Current assets were PLN 42.8 million as of December 31, 2022, an increase of PLN 6.1 million (+16%) compared to December 31, 2021. The share of current assets in all assets reached nearly 39%. Cash (24%, up by PLN 14.5 million from previous year) was the largest part of this asset group, while in 2021 it used to be trade receivables (68%).

In connection with the Medi-Lynx divestment, the method for recognizing PocketECG devices changed and they are now disclosed in inventories instead of non-current tangible assets (PP&E) as before. As a result of the data restatement, in the presented results 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.

Table 14. Key liabilities and equity items at the end of 2022 and 2021 including change dynamics in the last financial year

EQUITY AND LIABILITIES (PLN '000)	31.12.2022	31.12.2021	Change	Change %
Equity attributable to Shareholders of the Parent Company	80 070	47 385	32 685	69%
Non-controlling interests	9	9	1	9%
Long-term liabilities including:	17 053	26 761	(9 708)	(36%)
Credits and loans	0	8 123	(8 123)	(100%)
Liabilities in respect of bonds and other financial liabilities	4 245	10 784	(6 541)	(61%)
Provisions	191	105	86	82%
Deferred tax liabilities	8 293	4 378	3 915	89%
Other financial liabilities	147	144	3	2%
Suspense accruals	4 178	3 227	951	29%
Short-term liabilities including:	11 604	40 255	(28 651)	(71%)
Credits and loans	9	1 519	(1 510)	(99%)
Provisions	641	3 200	(2 559)	-
Liabilities from bonds and other financial liabilities	5 006	8 008	(3 002)	(37%)
Trade and other liabilities	5 788	18 416	(12 628)	(69%)

Income tax liabilities	125	113	12	10%
Suspense accruals	35	8 999	(8 964)	(100%)
Total liabilities	28 657	67 016	(38 359)	(57%)
TOTAL EQUITY AND LIABILITIES	108 736	114 410	(5 674)	(5%)

As of December 31, 2022, shareholders equity attributable to the Parent's shareholders was PLN 80.1 million, up by PLN 32.7 (+69%) compared to December 31, 2021. The ratio of equity to the balance sheet sum reached 74%. The change in equity attributable to the Parent's shareholders was mainly due to the acquisition of Kardiolytics upon the issue of Series I, J, K and L shares of the Parent (PLN 63.4 million).

As of the balance sheet date, long-term liabilities were PLN 17.1 million (16% of balance sheet sum) and the key item in this group of liabilities was the provision for deferred income tax (8% of balance sheet sum). Also included in long-term liabilities was the public aid for development work, long-term liabilities under finance lease (PLN 0.9 million) and liabilities to the seller of Medi-Lynx interest (PLN 1.9 million). The value of long-term liabilities increased by PLN 2.4 million (+16%) compared to December 31, 2021.

As of the balance sheet date, short-term liabilities were PLN 11.6 million (10% of balance sheet sum). The key item in this group of liabilities was trade payables (5% of balance sheet sum). The value of short-term liabilities dropped by PLN 28.7 million (-71%) compared to December 31, 2021 as a result of the recognition of the Medi-Lynx business as 'held for sale' (PLN 41.4 million). Other financial liabilities included short-term liabilities under leases (PLN 0.3 million) and liabilities to the seller of Medi-Lynx interest (PLN 4.0 million).

In Q3 2022, the Parent repaid its overdraft facility. At the end of 2021, the overdraft balance had been PLN 1.4 million. The remaining changes resulted from exchange rates (USD/PLN conversions).

III 3. Financial resources and financial assets

In 2022, the Group's cash balance increased by PLN 14.5 million (+124%) and amounted to PLN 26.1 million as of December 31, 2022. As described in Section III.2 of this report, the change was primarily the result of negative flows from investing activities (related to the acquisition of Kardiolytics and divestment of Medi-Lynx), offset by positive flows from financing activities (related to the share issues) and positive flows from operating activities.

The Management Board monitors the risk of the Group experiencing difficulty in meeting its obligations that are associated with financial liabilities settled through cash disbursements or other financial assets. According to the business model change assumptions, the Group is expecting increasing revenues after a temporary decline. The financial surplus held in PLN as well as USD were placed in fixed-time deposits.

Table 15. Group's financial resources at the end of 2022 and 2021 (PLN '000)

Financial assets	31.12.2022	31.12.2021	Change	Change %
Cash in hand	7	8	(1)	(8%)
Cash in bank accounts	25 735	11 236	14 498	129%
Term deposits	423	423	0	0%

Divestment of Medi-Lynx Cardiac Monitoring LLC

On July 28, 2022, the final share transfer agreement was signed resulting in the sale of 1,000 shares in Medi-Lynx Cardiac Monitoring, LLC which represented 100% of its share capital. The total price for the shares, which was paid in cash, was USD 1,750,000, incl. USD 1,375,000 for the acquisition of the shares and USD 375,000 for the cash held by Medi-Lynx as at the date of the transfer.

The Company signed a support agreement with Medi-Lynx and React Health Holdings, LLC that sets out the rules of their business collaboration starting July 1, 2022. 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 was a fixed fee of USD 666,000 per month.

In 2023, 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. 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.

Medicalgorithmics U.S. Holding Corporation received USD 3.0 million from Medi-Lynx Cardiac Monitoring, LLC as part of an IRS tax refund (as mentioned in Current Report 47/2022). These funds were then transferred to the Company to repay the holding's liabilities towards the Company in January 2023.

Share issue

On October 28, 2022, the Extraordinary General Meeting passed a resolution increasing the Company's share capital through issue of new ordinary bearer shares, series I, J, K and L.

The Shares subscription agreement was concluded on November 8, 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 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. The issue price was PLN 44.27 per share. The Shares were paid up:

- partly using a cash contribution of PLN 13,807,810.28;
- partly using an in-kind contribution of 1,500 shares in Kardiolytics Inc. based in Oklahoma, USA ("Kardiolytics"), based on the value of USD 44,890,589 according to an independent valuation report of Baker Tilly TPA sp. z o.o.

The value of the offering was PLN 220.3 million. The cost of the issue was PLN 440.5 thousand, charged directly to the statutory capital reserve of Medicalgorithmics S.A. The resulting capital increase was registered by the District Court of Warsaw, on November 29, 2022. Proceeds from the issue were received at the Company on November 29, 2022. For more information on share issues, please see Current Reports 55/2022, 64/2022, 66/2022 and 67/2022.

The funds raised through the issue will be used towards research and development work related to the Company's product portfolio (including VCAST technology), which in the short to medium time horizon presents the greatest chance of rapid commercialization and monetization.

Borrowings

On November 29, 2022, the Company fully rapid its overdraft facility with Bank Millennium S.A., in line with the maturity date set in the underlying agreement. With this facility closed, all security collaterals set up in the agreement were lifted.

The Company had opened the PLN 16 million overdraft with Bank Millennium S.A. on December 4, 2020. According to the agreement, the overdraft was gradually reduced over a period of 24 months. The interest rate was a sum of WIBOR 1M reference rate and the bank's mark-up. The overdraft limit was gradually reduced, at a rate of PLN 860 thousand monthly, 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 secured 80% of the facility.

Thanks to the proceeds generated from the issue of shares, no additional credit finance is needed for current operations.

Lending

The Group did not make any loans other than intra-group loans that would be excluded from the consolidation. According to a loan agreement of November 3, 2022, the Parent issued a loan to an affiliate of Kardiolytics, in the amount of USD thousand to be repaid within 180 days of the date of the agreement. The first installment of USD 150,000 (PLN 672,000) was paid in 2022. The loan will be repaid by December 31, 2026. It bears interest at SOFR 3M plus a margin of 2.0 p.p. per year.

Financial guarantees and sureties granted or received

Medicalgorithmics S.A. is a party to EU agreements for joint financing of investment projects that are aimed at development of its products and services. If the conditions of a development work project are not met, there may occur a risk that the subsidies

will need to be returned. The received funding is secured by promissory notes. As of the balance sheet date, the risk described above was assessed as low. The Company is implementing the development work timely as scheduled.

In 2018, the Parent 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 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 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 – as a result of this event, neither the Company nor the Group recognized a related contingent liability.

Significant off-balance sheet items

Other than the guarantee described above, there are no other significant off-balance sheet items.

IV. Commentary on the result, assets and financial position

IV 1. Commentary on achieved results

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

- Amendments to IFRS 9, examples of IFRS 16, IAS 41 in Annual Improvements 2018 – 2020:
 - o IFRS 1: additional exemption for the determination of cumulative exchange differences on consolidation;
 - o IFRS 9: (1) when the 10% test is applied to determine whether a modification should result in the removal of a liability, only fees that are exchanged between the debtor and creditor should be taken into account; (2) clarification: fees incurred when a liability is removed are recognized in profit or loss, and if the liability is not removed, it should be applied to the value of the liability;
 - o IFRS 16: the lessor's incentive to cover the lessee's fit-out costs was removed from Example 13
 - o IAS 41: the ban on the recognition of tax flows in the measurement of biological assets was removed.

The amendments are effective towards annual periods that begin on or after January 1, 2022 (except for the IFRS 16 example which is effective upon its publication).

- Amendment to IAS 16 *Property, Plant & Equipment* clarifies that production performed as part of non-current asset testing before the asset is put to use should be recognized as (1) inventory under IAS 2 and (2) once sold, as revenue (no impact on the value of the asset). The asset testing procedure is part of its cost, while the cost of production is recognized in profit or loss at the time of recognising proceeds from the disposal of inventory that has been created during the testing. The amendment is effective towards annual periods that begin on or after January 1, 2022.
- Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* clarifies that the cost of fulfilling onerous contracts include incremental costs (e.g. labor costs) and an allocated portion of other costs directly related to the contract fulfillment, such as depreciation. The amendment is effective towards annual periods that begin on or after January 1, 2022.
- Amendment to IFRS 3 *Business Combinations* clarifies references to references to the definition of liabilities contained in the Conceptual Framework and the definition of contingent liabilities in IAS 37. The amendment is effective towards annual periods that begin on or after January 1, 2022.
- Amendment to IFRS 16 *Lease* – in 2020, the IAS Board published certain expedients for lessees who receive COVID-19 pandemic relief. One of the conditions was that the relief could be applied only to payments with maturity not later

than the end of June 2021. The amendment postponed this date to June 2022. The amendment is effective towards annual periods that begin on or after April 1, 2021, with earlier application allowed.

The changes introduced have been reviewed by the Management Board and do not have a material impact on the Company's financial position, results of the Group's operations or the scope of information presented in these financial statements. In 2022, the Company continued its strategy and operated based on a subscription model which involves selling devices and then charging a monthly subscription fee for their use and as well as for the use of the related software and server infrastructure. The below table shows the key items in the statement of comprehensive income for 2022 and 2021.

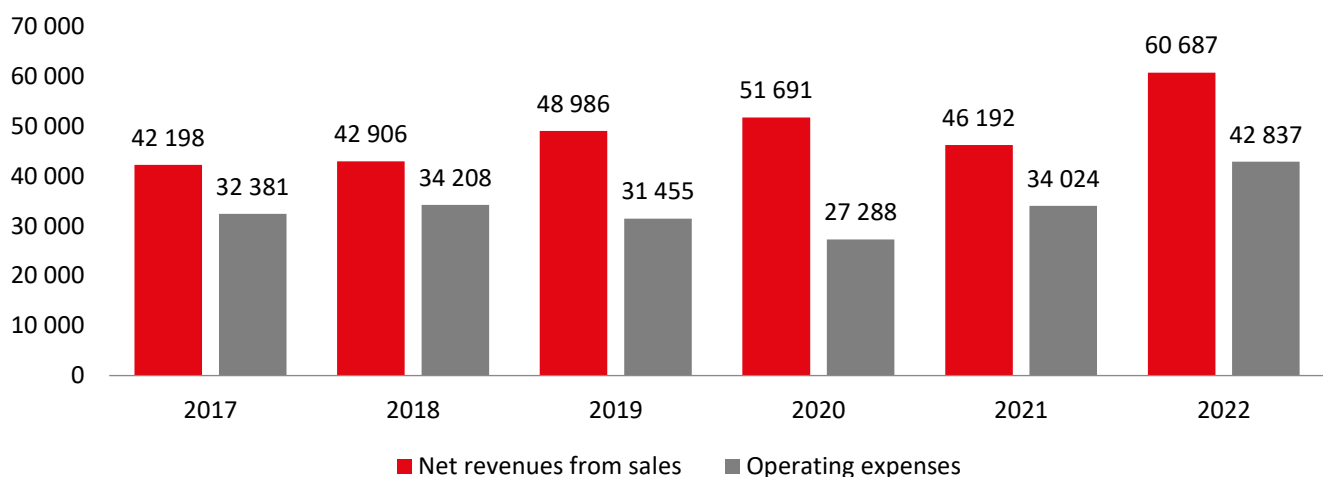
Table 16. Key items from the statement of comprehensive income for 2022 and 2021 and the change dynamics in the last financial year (PLN '000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Sales revenue	60 687	46 192	14 495	31%
Operating expenses	42 837	34 024	8 813	26%
Profit on sales	17 850	12 168	5 682	47%
Other operating revenue	619	220	399	181%
Other operating expenses	57 170	25 558	31 612	(124%)
Other operating revenue/(expenses), net	(56 551)	(25 338)	(31 213)	(123%)
Net finance income/(costs)	10 992	(158 841)	169 834	(107%)
Profit before tax	(27 709)	(172 011)	144 302	(84%)
Net profit	(29 513)	(172 369)	142 856	(83%)
EBITDA	(34 810)	(9 168)	(25 642)	(280%)

Revenue from sales

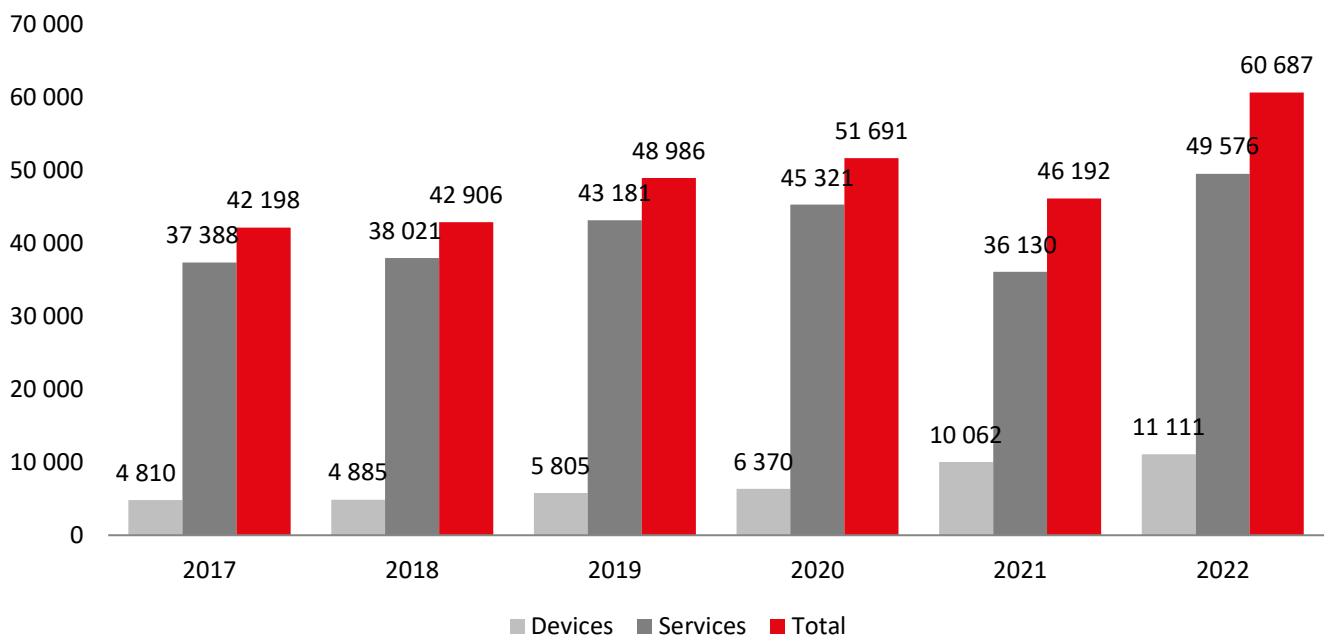
In 2022, revenue of Medicalgorithmics S.A. was PLN 60.7 million, an increase by 31% compared to 2021. The Company's revenue is generated mainly in the U.S. by providing equipment, maintenance services and collecting subscription fees from Medi-Lynx. This revenue was PLN 42.6 million in 2022, up by 32.2% from 2021. It generated higher sales of goods and services in its overseas markets (Europe, Australia and Canada), with 2.9 million more year-on-year. In addition, the higher average EUR/PLN exchange rate had a positive impact on the sum of revenue in 2022.

Chart 6. Company sales revenues and operating expenses by year (PLN '000)



In 2022, all of the Company's revenue came from sales of PocketECG system, including revenue from sales of devices: PLN 11.1, and revenue from sales of services: PLN 49.6 million (compared to 2021: PLN 10.1 million and 36.1 million, respectively). Revenues from sales of services included software user fees, data analysis services and maintenance services, and in 2022 amounted to 82% of total revenues (and 78% in the compared period).

Chart 7. Structure of sales revenue by year (PLN '000)



The Company earns a great majority of its sales revenue in USD. In 2022, 87% of the sales revenue was in USD (84% in 2021).

Cost of operating activities

Table 17. Structure of operating expenses in 2022 and 2021 (PLN '000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Raw materials and consumables used	12 501	10 026	2 475	25%
Employee benefits	15 497	11 604	3 893	34%
Amortization and depreciation	3 891	4 002	(111)	(3%)
External services	10 353	7 944	2 409	30%
Other	595	448	147	33%
TOTAL:	42 837	34 024	8 813	26%

Employee benefits, which included payroll and related surcharges, were the key item in operating expenses. The high share of this cost in the overall expense structure (36% of all operating expenses) is caused by the business profile of Medicalgorithmics S.A. which is based mainly on the development of new technologies related to manufacturing and software. The Company builds its competitive advantage by leveraging its highly qualified team. During the reporting period, the Company recorded an increase in the salaries and wages expense compared to the previous year 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.

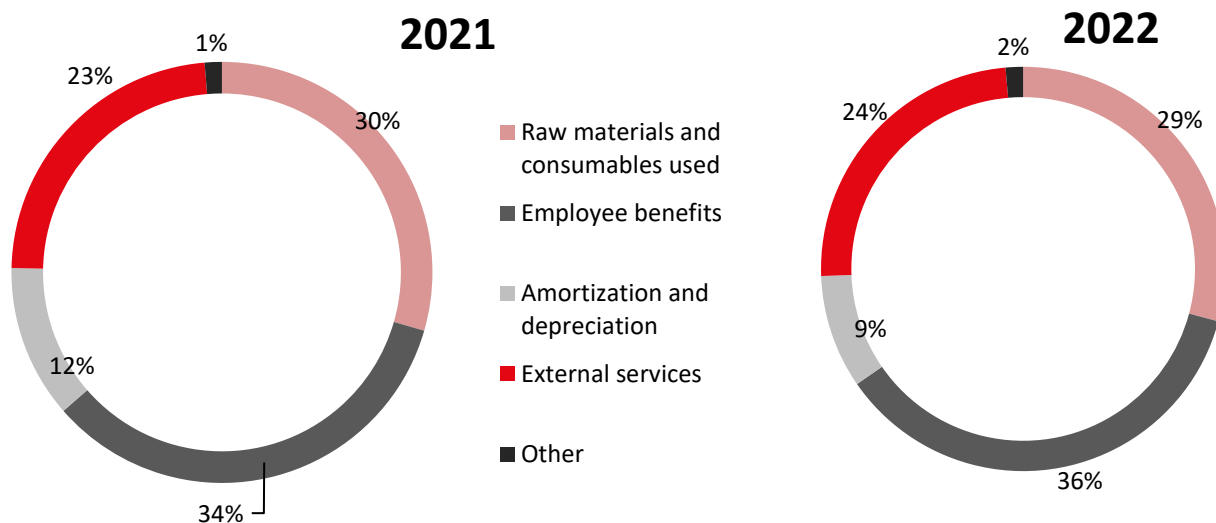
The second largest item in 2022 operating expenses was raw materials and supplies consumed (29%). During the reporting period, increasing prices of raw materials and supplies have been observed as most of them are imported and tend to rise together with the rising USD rate.

The higher device sales in 2022 compared to 2021 resulted from the device replacements in the U.S. GSM and CDMA frequencies are being phased out in the US and the technology change requires LTE-enabled devices.

Another key item in 2022 operating expenses was third-party services (24%). Among them there were primary IT, consulting, accounting and financial audit services. In the reporting period, the Company recorded an increase in costs of third-party services, compared to the comparable period. It resulted mainly from the increased expenses for the consulting services as the Company was preparing and consulting ahead of the 2022 transactions. In 2022, the Company incurred high cost of IT services,

which included software and IT maintenance consulting – a major component in the development of the Company’s new technology.

Chart 8. Structure of operating expenses in 2022 and 2021 (%)



Result on financial activities

Table 18. Financial income and cost in 2022 and 2021 (PLN ‘000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Finance income	21 188	12 059	9 129	76%
Finance cost	(10 196)	(170 900)	160 705	(94%)
Net finance income	10 992	(158 841)	169 834	(107%)

In 2022, the Company reported a profit from its financing activities (PLN 11.0 million). Financial income mainly consisted of the reversed allowance for loans lent to MDG Holdco upon their repayment (USD 2.5 million) in January 2023 – the allowance of PLN 9.9 million was reversed as of December 31, and foreign exchange gains (PLN 7.1 million). Financial cost primarily included the recognized contingent liability towards Andrew Bogdan (PLN 7.3 million) and foreign exchange differences on the valuation of Medi-Lynx receivables and liabilities (PLN 2.7 million). More information on impairment testing and credit risk estimation are presented in Note 2.7 to the 2022 separate financial statements.

Profit and profitability

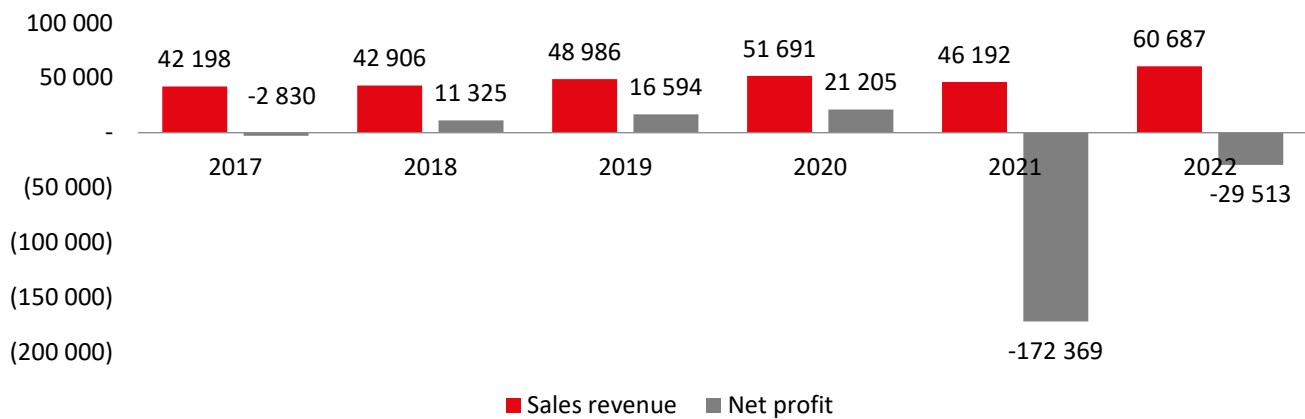
In 2022, Medicalgorithmics S.A. reported a net loss of PLN 29.5 million (compared to a loss of PLN 172.4 million in the same period last year). The return on sales in 2022 was -49% (compared to -373% in 2021) as a result of the following factors:

- subsequently to the Medi-Lynx divestment, MDG S.A. signed an agreement to sell its claims against Medi-Lynx, in the amount of USD 14 million (PLN 65.9 million), for a sale price of USD 1.3 million (PLN 6.1 million). All receivables outstanding as of March 31, 2022 were written off in Q1 2022. The result on the sold claims (PLN -59.7 million), less the reversed allowance from 2021 (PLN 3.5 million), was charged to other operating expenses in 2022;

- upon the recognition of the contingent liability towards the seller of Medi-Lynx shares, a liability of PLN 7.3 million was posted and charged to the financial cost of 2022.

The sales margin and EBITDA were 29% and 131%, respectively (26% and -20% in 2021).

Chart 9. Sales revenue and net profit by year (PLN '000)



Cash flows

In 2022, Medicalgorithmics S.A. generated a positive balance of operating cash flows. The Company recorded negative cash flows from investing activities due to the cost incurred for development work (PLN 4.6 million) and the acquisition of Kardiolytics shares (PLN 50.0 million). Positive cash flows from financing activities resulted mainly from proceeds generated from the issued shares (PLN 63.4 million).

Table 19. Selected cash flow items in 2022 and 2021 (PLN '000)

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change %
Net cash from operating activities	18 240	(3 138)	21 378	(681%)
Net cash from investing activities	(5 807)	(7 705)	1 898	(25%)
Net cash from financing activities	12 017	10 720	1 297	12%
Total net cash flows	24 450	(123)	24 573	(19 966%)
Closing balance of cash	25 156	706	24 450	3 465%

IV 2. Company's assets and financial position

As of December 31, 2022, the balance sheet sum was PLN 109.4 million, an increase by PLN 39.4 million (56%) compared to the end of 2021. The following tables show the key assets of the Company and related sources of finance, as well as their changes over the last financial year.

Table 20. Key assets items at the end of 2022 and 2021 including change dynamics in the last financial year

ASSETS (PLN '000)	31.12.2022	31.12.2021	Change	Change %
Fixed assets including:	68 201	8 270	59 931	725%
Intangible assets	4 277	3 707	570	15%
Property plant and equipment	1 875	3 016	(1 141)	(38%)
Long-term financial assets	10 609	97	10 512	10 785%
Shares in subsidiaries	51 439	1 450	49 989	3 449%
Current assets including:	41 238	61 802	(20 564)	(33%)
Inventories	8 771	7 138	1 633	23%
Trade and other receivables	7 311	53 958	(46 647)	(86%)
Cash and cash equivalents	25 156	706	24 450	3 465%
TOTAL ASSETS	109 439	70 072	39 367	56%

As of December 31, 2022, total non-current assets were PLN 68.2 million and their share in all assets reached 62%. They included primarily interest in subsidiaries (75%) and non-current financial assets (16%).

The main item in intangible assets was development work in progress (PLN 3.3 million) as described in Note 12 to the Company's separate financial statements for 2021. The key item in non-current tangible assets (PP&E) was right-of-use assets (PLN 1.1 million).

In 2020, non-current financial assets primarily included loans lent to MDG Holdco to finance the acquisition of the Medi-Lynx interest and to provide finance for this subsidiary's operations (PLN 65.5 million). 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. Credit risk losses were estimated in relation to loans lent to this subsidiary (Medi-Lynx CGU). The conducted test has shown an impairment loss on shares and they were adjusted by writing down PLN 15.7 million. As a result of the impairment test and the estimation of credit risk (as of December 31, 2021), the write-down was increased by PLN 79.1 million and a new allowance was opened (PLN 75.9 million) for the loans lent to MDG Holdco. Details of impairment tests and credit risk estimates are presented in Note 2.7 to the separate financial statements.

Subsequently to the repayment of the principal balance (USD 2.45 million), which MDG Holdco made in January 2023, as of December 31, 2022 the related loan allowance of PLN 9.9 million was reversed. In December 2022, a loan was granted to Kardiolytics (USD 150,000).

At the end of 2022, current assets were PLN 41.2 million or 38% of the balance sheet sum. Cash and cash equivalents were the top item in this asset group with 61% of total current assets. The value of current assets decreased by nearly PLN 20.6 million y/y mainly due to the sale of claims against Medi-Lynx (part of the divestment described in Note 2.7 of the separate financial statements). As of December 31, 2021, receivables largely consisted of the balance owned by Medi-Lynx, covered by the allowance of PLN 3.5 million. The value of Medi-Lynx receivables was finally and fully written off in Q1 2022.

Table 21. Key liabilities and equity items at the end of 2022 and 2021 including change dynamics in the last financial year

EQUITY AND LIABILITIES (PLN '000)	31.12.2022	31.12.2021	Change	Change %
Equity	89 992	56 148	33 844	60%
Long-term liabilities including:	9 883	6 257	3 626	58%
Other liabilities	144	144	0	0%
Provisions	191	105	86	82%
Deferred tax liabilities	3 125	1 322	1 803	136%
Other financial liabilities	2 244	1 246	998	80%
Accruals	4 178	3 440	738	21%
Short-term liabilities including:	9 564	7 667	1 897	25%
Short-term provisions	641	780	(139)	(18%)
Credits and loans	-	1 434	(1 434)	(100%)
Other financial liabilities	4 892	1 067	3 825	359%
Trade and other liabilities	3 974	4 340	(366)	(8%)
Accruals	57	46	11	24%
Total liabilities	19 447	13 924	5 523	40%
TOTAL EQUITY AND LIABILITIES	109 439	70 072	39 367	56%

As of December 31, 2022, shareholders equity was 90 million (60% year on year). Its value was affected by the issue of shares, Series I, J, K and L, with PLN 498 thousand charged to the share capital as cost of issue. The value of issue, which has lead to the acquisition of 100% in Kardiolytics, was PLN 220.3 million (adjusted value PLN 156.5 million).

Long-term liabilities as of December 31, 2022 were PLN 9.9 million and increased by PLN 3.6 million year on year (+58%). The increase was caused by the changed value of provisions, namely a higher income tax provision. The value of long-term liabilities was also affected by subsidies received by the Company from the European Union funds for its development work (recognized in accruals). Other long-term financial liabilities consist of: recognized liabilities towards the seller of Medi-Lynx shares (PLN 1.9 million) and lease liabilities (PLN 0.3 million).

As of December 31, 2022, short-term liabilities were PLN 9.6 million and increased by PLN 1.9 million year on year (+25%). In Q4 2022, the Company repaid the overdraft facility which was PLN 1.4 million as of December 31, 2021, recognized in borrowings (short term liabilities). Other short-term financial liabilities consist of lease liabilities (PLN 0.9 million) and recognized liabilities towards the seller of Medi-Lynx shares (PLN 4.0 million).

IV 3. Cash and financial assets

In 2022, the Company's cash balance increased by PLN 24.7 million (+3465%) and amounted to PLN 25.1 million as of December 31, 2022. The change resulted mainly from the divestment of Medi-Lynx and the Support Agreement signed between the parties of the transaction, as well as the issue of shares (I, J, K and L series).

Table 22. Structure of Company's cash and financial assets at the end of 2022 and 2021 (PLN '000)

Financial assets	31.12.2022	31.12.2021	Change	Change %
Cash in hand	8	8	(1)	(8%)
Cash in bank accounts	24 725	275	24 451	8 897%
Term deposits	423	423	0	0%

Divestment of Medi-Lynx Cardiac Monitoring LLC

On July 28, 2022, the final share transfer agreement was signed resulting in the sale of 1,000 shares in Medi-Lynx Cardiac Monitoring, LLC which represented 100% of its share capital. The total price for the shares, which was paid in cash, was USD 1,750,000, incl. USD 1,375,000 for the acquisition of the shares and USD 375,000 for the cash held by Medi-Lynx as at the date of the transfer.

The Company signed a support agreement with Medi-Lynx and React Health Holdings, LLC that sets out the rules of their business collaboration starting July 1, 2022. 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 was a fixed fee of USD 666,000 per month.

In 2023, 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. 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.

Medicalgorithmics U.S. Holding Corporation received USD 3.0 million from Medi-Lynx Cardiac Monitoring, LLC as part of an IRS tax refund (as mentioned in Current Report 47/2022). These funds were then transferred to the Company to repay the holding's liabilities towards the Company in January 2023.

Share issue

On October 28, 2022, the Extraordinary General Meeting passed a resolution increasing the Company's share capital through issue of new ordinary bearer shares, series I, J, K and L.

The Shares subscription agreement was concluded on November 8, 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 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. The issue price was PLN 44.27 per share. The Shares were paid up:

- partly using a cash contribution of PLN 13,807,810.28;
- partly using an in-kind contribution of 1,500 shares in Kardiolytics Inc. based in Oklahoma, USA ("Kardiolytics"), based on the value of USD 44,890,589 according to an independent valuation report of BakerTilly TPA sp. z o.o.

The value of the offering was PLN 220.3 million. The cost of the issue was PLN 440.5 thousand, charged directly to the statutory capital reserve of Medicalgorithmics S.A. The resulting capital increase was registered by the District Court of Warsaw, on

November 29, 2022. Proceeds from the issue were received at the Company on November 29, 2022. For more information on share issues, please see Current Reports 55/2022, 64/2022, 66/2022 and 67/2022.

Borrowings

On November 29, 2022, the Company fully repaid its overdraft facility with Bank Millennium S.A., in line with the maturity date set in the underlying agreement. With this facility closed, all security collaterals set up in the agreement were lifted.

On December 4, 2020, the Company opened an overdraft with Bank Millennium S.A. (PLN 16 million). As of December 31, 2021, PLN 1.4 million had been used. The overdraft limit was gradually reduced, at a rate of PLN 860 thousand monthly, until fully repaid at the end of November 2022.

Lending

In 2016, the Company lent a total of USD 11.7 million to subsidiary MDG HoldCo. The purpose of the loans was to finance the acquisition of Medi-Lynx shares and provide finance for the subsidiary's operations. In 2017, the Company lent a total of \$6.8 million to subsidiary MDG HoldCo, with the funds utilized towards the liabilities it owed to AMI/Spectacor for the acquired customer base. In Q1 2021, a loan of USD 400 thousand, with a maturity date of December 30, 2026 and a fixed interest rate of 4%, was granted to enable the settlement of liabilities to the seller of Medi-Lynx shares.

As of December 31, 2021, the Management Board recognized an impairment loss on financial assets and has fully written off the value of the loans granted. Details of impairment tests related to the lending are presented in Note 2.7 to the 2021 separate financial statements.

As of December 31, 2022, the allowance for the loans lent to MDG HoldCo was partly reversed as a result of the January 2023 repayment of the principal balance (USD 2.45 million).

According to a loan agreement of November 3, 2022, the Parent issued a loan to an affiliate of Kardiolytics, in the amount of USD thousand to be repaid within 180 days of the date of the agreement. The first installment of USD 150,000 (PLN 672,000) was paid in 2022. The loan will be repaid by December 31, 2026. It bears interest at SOFR 3M plus a margin of 2.0 p.p. per year.

Financial guarantees and sureties granted or received

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

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 – as a result of this event, neither the Company nor the Group recognized related contingent liabilities.

V. Other relevant information about Issuer and Group

V 1. Ongoing R&D projects

In 2020, the Group successfully launched yet another one, the fourth generation of PocketECG system, as well as a software update enabling the Extended Holter service. The fourth generation primarily enables the PocketECG device to connect over LTE for more efficient transmission of a continuous ECG signal. The Extended Holter service became an official medical procedure starting in 2020 and is now reimbursed by both public and private insurers in USA. Changes to the software have expanded the list of viable medical procedures up to four, thus complementing the Company's offer under PocketECG system. In addition, the Company implemented a number of minor software upgrades and completed the PocketECG Connect project (software for end-to-end integration of PocketECG with a hospital's network infrastructure).

At the same time, further development work has been carried out to improve the latest version of the PocketECG system and to innovate new solutions in the area of cardiac monitoring. Currently, the key new development projects include:

- PatchECG - a device that enables single-channel offline monitoring.
- ECG TechBot - software that uses a set of algorithms for automatic analysis and interpretation of ECG signal based on deep learning methods.
- NextGen - a new software version for PocketECG;

In 2021, the priority is given to completing the PatchECG certification procedure. The device 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. It will complement the current PocketECG device and provide solutions that are eligible for reimbursement in the US. The decision to expand the portfolio with PatchECG was based on the recommendation of the Advisory Council (Medi-Lynx's advisory body gathering key opinion leaders in the US) and in response to the needs of the US market where competitors offer such patch devices. The expanded portfolio with PatchECG included in it give the Group access to medical facilities that collaborate with providers of both more advanced but also more expensive diagnostics (online devices such as PocketECG) as well as simpler but less expensive offline diagnostic tools (like patch devices).

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. Being the first product in the world, the system will be able to provide real-time analytical results and interpretation of ECG signal that do not require a third-party expert review.

The development work is underway on the new software for PokcetECG, 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.

The PatchECG and NextGen projects are financed with own funds. 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.

The main costs capitalized from the open development work are salary of the research and development staff. As of the balance sheet date, the Group updated its assessment of the target market potential and the impact of new product commercialization on the Group's performance.

The following table shows the structure of development work expenditures currently in progress.

Table 23. Structure of development work in progress at the end of 2022 and 2021 (PLN '000)

	31.12.2022	31.12.2021	Change	Change %
Salaries including overheads	13 795	14 601	(806)	(6%)
Other	2 001	4 829	(2 828)	(59%)
TOTAL:	15 796	19 429	(3 634)	(19%)

V 2. Staff issues

The Group does not have any employee programs in place as of the date of 2022 financial statements.

V 3. Environment

Due to the nature of its operations, the Group does not have a significant impact on the environment.

V 4. Other domestic and foreign investments

The Group currently has no significant investments other than those described in this report.

V 5. Factors and events, also extraordinary, of material impact on financial results

In the reporting period, there were no factors or events other than those described above in III - IV that would have a material impact on the activity of the Issuer and Group or on 2021 financial statements.

V 6. Relevant proceedings before courts, arbitration authorities or public administration

In the reported period, there were no relevant proceedings pending before any court, arbitration authority or public administration that would concern amounts payable or receivable claimable by the Parent.

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.

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, Wysocky 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.

On March 9, 2023, the parties entered into a legal settlement under which the Company agreed to pay to the Claimant a total amount of PLN 61,500.00 within 10 days of the settlement. In connection with that legal settlement, by order of the Warsaw District Court of March 9, 2023 (case ref. XXVI GC 756/22) in the action brought by Wysocky Zaborowscy Partners sp. k. against the Company was closed. On March 16, 2023, the Company transferred the entire settlement amount to the Claimant's bank account.

V 7. Related party transactions

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

Transactions with members of the Parent's Management Board and Supervisory Board are described in sections I.8 and I.9 of this report.

A list of transactions with the Parent's related parties are described in Note 28 to 2022 financial statements of Medicalgorithmics S.A.

Related shareholders

In the financial year and in the compared period, no decision was made to pay dividends.

V 8. Financial forecasts

The Group and the Parent published financial forecasts for the period covered by this report or future periods.

V 9. Factors in the Issuer's opinion that will affect its results in the next year or later

There are other factors, both internal and external, that will directly or indirectly affect financial results achieved in the next year.

Among the most important ones, there are:

- possible changes in test reimbursement rates offered by insurers with whom business partners signed contracts;
- decrease in average service payments to the business partners covered by the collaboration with insurers with whom there are no contracts signed (out-of-network);
- changes on the US medical services market where the Group derives most of its revenue;
- increases in sales to partners with whom the Parent has contracts – it will contribute to further diversification and increase in revenue;
- development of the cardiac diagnostics sector in countries where the Group offers products, and the level of reimbursement available for PocketECG services;
- R&D work on new PocketECG features that will maintain its technological cutting edge ahead of competing solutions;
- VCAST technology development and commercialization;
- shortages of components that are necessary to manufacture the devices;
- fluctuations of exchange rates in countries where the Group operates.

V 10. Outlook for Group's operational development in the next year

The goal of the Parent and Group is to provide shareholders with long-term growth of the Company's value. To this end, the Management Board seeks further developments that will strengthen the Group's position among the leading providers of cutting-edge technology in the field of cardiac telemetry, not only in the United States but also overseas globally. The Group pursues its business objectives by improving its proprietary telemedicine technology and services, conducting research and exploring new directions, developing new algorithms and products (services), as well as by acquiring new customers in both existing and new markets.

The obvious priorities for the coming months are to achieve the assumed revenue growth rate while maintaining an appropriate level of operating costs, and to develop the current technology and commercialize the inventions developed by Kardiolytics. At the same time, the Management Board monitors and actively supports sales efforts under contracts that have already been signed with private insurers. Completion of the PatchECG device certification process will be another priority for 2022.

In order to develop and strengthen its market position overseas, the Parent plans to make contracts with new business partners and further develop cooperation with current clients.

At the same time, it is going to continue the research and development work to improve the latest version of PocketECG system and innovate new solutions in the area of cardiac monitoring, assuming more finance can be secured. For more information on the products under development, please see Section V.1. of this report.

V 11. Feasibility assessment of planned investments

As a result of the additional cash raised in connection with the share capital increase, the Group will continue spending resources on R&D work related to the development of PocketECG features and VCAST technology in 2022.

V 12. Supply sources and target markets

In the PocketECG manufacturing process, the Parent uses a number of suppliers providing electronic components and subassemblies. Sources of supply are diversified and the Group constantly establishes new business contacts with potential suppliers. The value of deliveries from any single source does not exceed 10% of net sales revenue.

V 13. Other agreements significant to Group's operations

The Group and the Parent have not entered into any agreements that would be material to its operations, other than those already mentioned above.

V 14. Liabilities towards pensions and similar benefits

The Group does not create provisions for retirement gratuities and jubilee awards as their impact is immaterial.

VI. Material risk management factors and methods

The Group is exposed to various risks related to its operations and environment and they may affect achievement of its strategic commitments and goals. Threats and risks are classified into three main categories:

- operational risks;
- financial risks;
- legal risks.

Medi-Lynx divestment, the finance obtained through tax refund and the share capital increase in 2022 have allowed eliminating the uncertainty and risks related to the procurement of additional finance as well as other circumstances already described in Note 4.1 to 2021 consolidated financial statements in relation to certain significant factors that had originally been expected in 2022.

The Parent's Management Board is responsible for establishing and overseeing the Group's risk management. The risk management policies are designed to identify and analyze risks to which the Group is exposed, set appropriate limits and controls, and to monitor risks and the extent to which their limits are matched. The risk management policies and systems are regularly reviewed in order to update them for any changes in market conditions and changes in the Group's operations. Through appropriate training as well as adopted management standards and procedures, the Group aims at building an activating and nurturing environment of control in which employees understand their roles and responsibilities.

Operational risks

Risk related to strategic objectives

The Group's strategic goal is to become a leading provider of cutting-edge technology in the field of remote cardiac diagnostics in the US as well as in the EU and any developing countries. The Group wants to achieve this through technology development, expansion of sales network in the US, and geographic and product diversification. Due to a number of factors affecting how effective its development strategy is, the Group cannot fully guarantee that all of its strategic goals will be attained. The risk of making wrong decisions due to poor judgment or the Group's inability to adapt to the changing market environment may cause the development strategy to be realized in part only, and any future financial result may turn out below the original assumptions.

Risk associated with technical failures and technology development

The Group's operations are exposed to the risk of failures in software, electronic equipment and IT / telecommunications infrastructure. Frequent technical issues could encourage clients (healthcare centers and electrophysiology professionals) to go for competing solutions. The Group is also subject to data integration process errors and cyber-attacks that could affect the Group's operations and financial results.

The Group's business is heavily dependent on highly specialist systems and ICT technology, and as such it needs to ensure continuous development of the technology it uses in order to maintain its competitive edge on the market. The risk of failing to adapt the Company's product to the dynamic technology environment, including LTE parameters, may prevent its planned growth in markets worldwide.

At the same time, there is a risk related to new breakthrough technology being invented and potentially replacing the technology commercialized and developed by the Group, mainly Pocket ECG and DRAI for ECG analysis or VCAST technology for non-invasive diagnosis of cardiovascular diseases and imaging.

Risk related to recipient scattering

The Group provides its medical services to a scattered group of recipients (patients across many different medical facilities), however the number of actual payers (insurers) is limited. If one of the key insurers were to decide to stop reimbursing a given medical procedure that is serviced by the Group, this change could have a noticeable adverse effect on its operating result. In addition, in most markets the Group achieves sales through a single sales partner. Exclusivity clauses incorporated in agreements limit the Group's ability to use any alternative distribution channels. Legal disputes between the Group and individual sales partners could result in prolonged periods of reduced value of PocketECG systems that are distributed by a given partner, or even ended distribution. There is also a risk that a sales partner will not achieve the predefined business target of improving sales output in its market.

Risk related to product concentration

The Group's operations are based mainly on the sale of a single solution, the PocketECG system, plus complementary services available upon sale of a PocketECG device. In the event of a major decline in market demand for the PocketECG system should the Group's technology lose its competitive advantage or the cardiac diagnostics market break down or any other adverse event occur, either internal or external one, the Group would be exposed to the risk of a significant decline in its sales revenue and, consequently, a deteriorated financial performance and liquidity.

Risk related to key staff

The Group's business is based on high-level executives and professionals specializing in IT systems, software programming, medical devices, digital signal processing, project management, cardiac diagnostics, electrophysiology, and sale of medical services. High demand for staff on the labor market and a limited number of such highly specialized workers and managers in the telemedicine sector make it a significant challenge for the Group to attract and retain the right workforce. The loss of any key individuals may adversely affect continuity of the Group's operations.

Risk related to suppliers

The Group purchases components for the PocketECG manufacturing from a limited number of verified counterparties who guarantee high quality products. In the event of delays in the delivery of the required quantity of a component or a decline in its quality or a significant change in its price, the Group would be forced to seek supplies from alternative sources. Given that the counterparty selection and verification process is a lengthy one, any delay, lower quality of supplied components or interrupted supply could limit or delay the production of PocketECG devices.

Risk of delayed deliveries by the Group

As the PocketECG manufacturing process is a multi-stage one and there is only a limited number of new devices available, there is a risk of delays in deliveries should there be significant raise in orders placed. If the number of PocketECG device ordered grows rapidly, there is a risk of insufficient production capacities at hand to meet the demand from recipients.

Risk related to new and existing certificates

The marketing of the Group's products in new markets requires appropriate certificates, official registrations and approvals of relevant authorities. The Group's solutions are classified as medical devices under U.S. law and subject to many FDA regulations. The Company has the necessary certificates, registrations and approvals for its products but there is a risk these could be cancelled, suspended or otherwise withheld. In addition, the Group may not be able to obtain certificates for new or modified products.

Risk related to sector development and competition

The global telemedicine market has been developing rapidly, with product changes as well as frequent modifications of industry standards and formal patent requirements. As a result, there is a risk that the Group will not be able to adapt to rapid market changes which may lead to deteriorating competitive and financial positions.

Risk related to unforeseeable events

The Group is exposed to effects of numerous events the occurrence of which cannot be predicted or the probability of which it is not able to estimate. Among such events there may be, for example, geopolitical conflicts, terrorism, natural disasters, economic crisis, or public health hardships. If occurred, such unforeseeable events, especially should they accumulate at one time, would cause significant disruption to the Group's operations.

Risk related to SARS-CoV-2

Despite the further waves of the pandemic arriving in 2022, the decline in the test quantity has not repeated this time. The Management Board is not expecting the situation to worsen, however any sudden increase in the number of new cases or a

decision to impose social and economic lock-down measures could significantly affect the current scale of operations and the ability to achieve the targets as planned.

Financial risks

The following is a summary of financial risks. A detailed description of financial risk management methods and the sensitivity analysis is presented in Note 25 to the 2022 consolidated financial statements and in Note 24 to 2022 financial statements of Medicalgorithmics S.A.

Liquidity risk

In the current situation, the Group's liquidity risk does not materialize (defined as loss of ability to repay its liabilities timely and raise funding to finance operations).

Credit risk

The Group is exposed to risk of incurring a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk of the Group is primarily related to the significant concentration of receivables. Recipients of the Group's services are scattered and include, mainly, hospitals, hospital networks, outpatient clinics, private physicians and their groups. Payers, on the other hand, are insurers, which are a smaller group. In connection with the return to the business partner model in the U.S., the Group wanted greatly reduced its credit risk because generally this model provides for a better collection rate. The Group monitors the types of services provided to mitigate such risks.

Risks related to macroeconomic situation

The Group's operations depend on the macroeconomic situation prevailing in the markets where products and services are or will be distributed, including mainly the United States. The efficiency and, in particular, the profitability of the Group's business depend on, among other things, the economic growth of these countries, their fiscal and monetary policies, the inflation rate, and the level of health care spending. All of these factors have an indirect impact on the Group's revenues and financial performance and may also affect the Group's growth strategy assumed.

With the ongoing war in Ukraine and ongoing SARS-CoV-2 pandemic, the global economic outlook has clearly deteriorated. Sanctions imposed and measures taken to prevent the further spread of SARS-CoV-2, as well as the falling sentiment and changing attitudes among consumers and companies, contribute to the weakening of many economies. Unemployment is expected to rise along with other unfavorable events phenomena, such as payment bottlenecks and more bankruptcies among businesses. All of these factors could have a negative impact on the Group's performance. The Group's companies take the effort to monitor the impact of the global situation on their markets and, to the extent possible, adapt their operations to the changing situation as much as they can.

Risk related to exchange rate volatility

The Group is exposed to foreign exchange risk primarily related to fluctuations in the U.S. dollar against the Polish 'złoty' (PLN). The Group presents financial results in PLN, while most of the Group's transactions are in US dollars. Exchange rate volatility affects mainly the value of the Group's revenue and receivables when converted to PLN. As such, there is a risk of the Polish currency becoming stronger, resulting in lower margins earned on sales by the Polish company. The impact of exchange rate volatility on the financial result is naturally offset (to a significant degree) as about 79% of expenses are incurred in US dollars. The Group does not use hedging of open foreign currency positions.

Risk related to changing structure of tests prescribed by physicians

The Company's business partners offer different types of tests based on the PocketECG system. The Group has no influence on the choice of the tests actually performed, however in the case of adverse changes, such as lower quantity of the high-payment tests but more tests with lowest reimbursement, the average rate per test will drop, thus making the Group's revenue lower. As the US healthcare market is dynamically developing, changes in physician preferences regarding diagnostic methods could significantly impact the Group's revenue in the U.S.

Risk related to cancelled or reduced reimbursement rates

The Group distributes its products through public healthcare systems as well as collaborates with a number of private insurers. If one of the key insurers were to decide to discontinue reimbursing a given medical procedure that the Group supports, or to significantly reduce the rates at which the insurer pays back, this change could have a noticeable adverse effect on the Group's operating result. In addition, market player consolidation ongoing on the private insurer market and the resulting bargaining power of insurers that has been growing may also lead to lower rates of reimbursement than before. The growing negotiating

power of insurers, backed by changing legislation, is putting increasing price and legal pressure on those healthcare providers who lack long-term service contracts, further affecting future rates for tests and the ability to attract new clients.

Legal risks

Risk related to newly-marketed product liability

Since the Group's devices monitor strategic vital parameters of their users (cardiovascular performance), any malfunction of such device may result in an action or omission by its user or his/her physician that could be contrary to the user's actual health status, further translating into significant risks to life or health of the user. In addition, the Group's equipment may (in case of design defects or technical failures) be a source of electrical shocks, burns, poisoning or contamination with harmful substances. As a result of the above circumstances, the Group may be required to pay legal damages to users of the Group's products or to the heirs or other parties, or to settle recourse claims sought by, in particular, physicians, hospitals or distributors against whom such users may directly lodge claims.

The Group has liability insurance in connection with its operations, purchased from a reputable insurance company with product liability coverage and worldwide territorial coverage.

Risks related to material contracts

The Group identifies risks associated with non-performance, improper performance or termination of material contracts, including as a result of their termination by the counterparty. Any misconduct on the part of the Group against a material contract could give rise to the Company's liability, including legal damages. If terminated, an individual material contract may cause a partial or total loss of revenue planned by the Group from such contract, while not necessarily involving a proportionate reduction in cost planned in connection with such contract.

Risks related to intellectual property, corporate secrets and related violations

The Group's operations and its competitive position depend on ensuring that the unique character of the technical solutions marketed by the Company in the successive product generations products is comprehensively protected. There is a risk of a competitor marketing a device that will use the protected technical solutions of the Company as well as possible violation of its software copyright. Such violations of the Company's intellectual property rights may require legal actions on the part of the Company and payment of related costs. At the same time, the Company has no guarantee whether such actions would turn out successful.

Also, any solutions introduced by the Group may be recognized as violating intellectual property rights of third parties, therefore exposing the Group to the risk of being faced with third party claims and related legal costs.

Risks related to personal data processing

In its operations, the Company processes various types of personal data (including sensitive data) of different categories of individuals. In particular, the Company processes data concerning the health of users of its products. Accordingly, the Company is subject to the data protection laws applicable in jurisdictions where the Company markets its products. Far-reaching regulations in this regard have been adopted in the European Union, including Poland. It leads to the risk of potential violations of data protection regulations and any consequent heavy fines or other sanctions on the Company as may be imposed by supervisory authorities.

Risk of changes related to legal environment, including tax laws

Observed and expected changes in legal regulations, especially those related to business, labor and social security, medical and healthcare system, personal data protection, and commercial law, may evolve towards negative consequences for the Group's business. New legal regulations may cause issues with their interpretation, inconsistent court rulings, unfavorable application by public administration, inconsistencies between rulings of Polish courts and EU tribunals, etc. This risk exists especially in the field of tax law where legal norms and their interpretation have high impact on the Company's financial situation.

Planned and possible changes in regulations on medical device marketing and the financing of medical services on the Group's target markets remain a significant source of the risk. Should certain changes be enacted in the current regulations, it could significantly hinder or even limit the scale of the business.

Likewise, the goods and service tax, corporate income tax, personal income tax, social security regulations are subject to frequent changes and therefore there is often insufficient reference available to stable regulations or legal precedence. Also, authorities are entitled to audit ledgers and accounting records of the Group. There is a risk that the Group will be subject to additional financial charges plus interest and various penalties.

VII. Corporate governance statement

VII 1. Principles of corporate governance applied by the Parent

When the Company's shares were admitted to trading on the regulated market, Medicalgorithmics S.A. has adopted the corporate governance principles set forth in *Best Practices of WSE Listed Companies* ("WSE BP 2016") according to WSE's Supervisory Board Resolution No. 26/1413/2015 of October 13, 2015.

Since July 1, 2021, the Company has been following *Best Practices of WSE Listed Companies 2021* ("WSE BP 2021") according to Resolution No. 13/1834/2021 of March 29, 2021).

WSE (Primary Market) Best Practices 2021

1) WSE BP 2021

From July 1, 2021 to 31 December 31, 2021, the Company followed all corporate governance principles set forth in WSE BP 2021, except as described below.

According to the current application, in DPSN 2021 the Company does not apply 17 principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 3.3., 3.4., 3.5., 3.6., 3.7., 4.8., 5.6., 5.7., 6.2., 6.3.

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

Company's commentary: This principle has not been applied. The Management Board is currently reviewing strategic options and, depending on the outcome, the Company's business strategy for 2022-2023 may also be subject to review. The strategy is going to address environmental issues.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

Company's commentary: This principle has not been applied. The Company complies with all applicable laws in Poland, including the Labor Code. The Company's strategy for 2022-2023 will be reviewed and social / labor issues are going to be incorporated.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. Information concerning the ESG strategy should among others:

Company's commentary: This principle has not been applied. The Management Board is currently reviewing strategic options and, depending on the outcome, the Company's business strategy for 2022-2023 may also be subject to review. The strategy is going to address ESG issues.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

Company's commentary: This principle has not been applied. The Management Board is currently reviewing strategic options and, depending on the outcome, the Company's business strategy for 2022-2023 may also be subject to review. The strategy is going to address environmental issues.

1.4.2. present the equal pay index for employees, defined as the difference (%) between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

Company's commentary: This principle has not been applied. The Management Board is currently reviewing strategic options and, depending on the outcome, the Company's business strategy for 2022-2023 may also be subject to review. The strategy is going to address social / labor issues.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and

criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

Company's commentary: This principle has not been applied. There is no formalized diversity policy applicable to the Management Board and the Supervisory Board. The Company is going to take steps to prepare such diversity policy.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in Principle 2.1.

Company's commentary: This principle has not been applied. There is no formalized diversity policy applicable to the Management Board and the Supervisory Board. The Company is going to take steps to prepare such diversity policy.

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

Company's commentary: This principle has not been applied. The Company is listed outside WIG20, mWIG40 and sWIG80 indices. The Audit Committee is taking steps to introduce an internal auditor function. To date, effective internal control and risk management systems have been ensured by the Management Board, key managers, the legal department and the Audit Committee of the Supervisory Board.

3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.

Company's commentary: This principle has not been applied. The Company does not have an internal audit manager or a risk & compliance manager. To date, effective internal control and risk management systems have been ensured by the Management Board, key managers, the legal department and their charge of conformity of operation, production processes and services with ISO and other standards applicable to medical device manufacturers (including in the US). In addition, the Company established the Audit Committee within the Supervisory Board.

3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.

Company's commentary: This principle has not been applied. To date, effective internal control and risk management systems have been ensured by the Management Board, key managers, the legal department and the Audit Committee of the Supervisory Board. The Audit Committee is taking steps to introduce an internal auditor function soon.

3.6. The head of internal audit organizationally reports to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

Company's commentary: This principle does not apply because the Company does not have an internal audit manager.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

Company's commentary: This principle has not been applied. In Medi-Lynx, which is a material subsidiary, there is Compliance Officer but there is no separate internal audit manager function.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

Company's commentary: This principle has not been applied. Draft general meeting resolutions concerning items put on the general meeting agenda are notified according to Article 401(4) and (5) of the Polish Commercial Companies Code.

5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in Principle 5.5.

Company's commentary: This principle has not been applied. Corporate documents do not provide that a general meeting approval is needed to enter into transactions with related parties. According to *Related Party Transactions Procedure* adopted by the Company, such approval belongs to the Supervisory Board.

5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.

Company's commentary: This principle has not been applied. Corporate documents do not provide that a general meeting approval is needed to enter into transactions with related parties. According to *Related Party Transactions Procedure* adopted by the Company, such approval belongs to the Supervisory Board.

- a. If companies' incentive schemes include a stock option program for managers, the implementation of the stock option program should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such program was approved.

Company's commentary: This principle has not been fully applied as the Company does have *Management Board and Supervisory Board Remuneration Policy* but not an incentive program for key managers.

6.3. If in the company one of the incentive programs is a management option program, then the implementation of the option program should be subject to the fulfillment by the eligible persons, within at least 3 years, of pre-determined, realistic and appropriate financial and non-financial and sustainable development goals for the company, and the determined price for the purchase of shares by the eligible persons or the settlement of options may not deviate from the value of shares from the period of enactment of the program.

Company's commentary: This principle has not been applied. The Company does not currently have a manager options scheme.

VII 2. Summary of Group internal control and risk management systems in the context of separate and consolidated financial statements

The management boards of the Group companies are responsible for the internal control and risk management systems, and their effective and proper functioning within the framework of the financial reporting process. The internal control and risk management system incorporates identification and evaluation of risk areas while defining and ensuring measures that minimize or eliminate them.

The Group's internal control system helps ensure that the Group's activities are carried out, its long-term profitability goals are achieved and its financial reporting is maintained reliable. It includes a series of controlling tasks, responsibility allocations, and identification and evaluation of risks that may adversely affect the achievement of the Group's goals. As regards organizational aspects, the internal control system features functional controls which are implemented by the Management Board, business unit managers and staff, according to their responsibilities.

For the effective functioning of the Parent's internal control and risk management in the financial reporting process, the Parent's Management Board adopted and approved an accounting policy for Medicalgorithmics S.A. which follows the principles of International Financial Reporting Standards, with regular updates based on new regulations.

The circulation of information across the Group companies is under strict control ensuring current, reliable and complete financial reporting that is prepared fairly and in line with accounting regulations and policies. In 2021, the bookkeeping processes of the Group companies and the preparation of 2021 financial statements were commissioned to experienced accounting firms that apply their own report preparation controls.

Ledgers and records are kept in IT systems that provide a clear division of competences, entry consistency and ongoing ledger cross-checks. Data access with different sectional views and layouts is possible thanks to an extensive reporting system. The IT systems are continuously updated to match the changing accounting principles or other legal standards, thanks to their high functional flexibility.

The systems are password protected against unauthorized access and feature role-based access restrictions. Access control is ensured at every stage of the financial report preparation, from the data input stage, through data processing, up to generation of the output information.

The process of preparing individual financial statements of respective companies of the Group is closely coordinated with the Parent's financial unit which reports directly to its Management Board. Both in the subsidiaries as well as the entities in charge of the bookkeeping for the Group subsidiaries, there are policies in place that regulate the control system and the identification and assessment of risks arising from the Group's operations, including entering of account records only based on properly prepared and approved evidence, control of such evidence for its formal conformity, accounting and content, etc. The circulation of information across Group companies and the entities in charge of bookkeeping is also subject to control.

Substantive control over the consolidated accounts preparation process is carried out by the Parent's Management Board which approves, prior to publication, quarterly, semi-annual and annual financial statements. Annual and semi-annual reports are subject to audit/review by an independent statutory auditor who is selected by the Supervisory Board of Medicalgorithmics S.A.

VII 3. Parent shareholders and their rights

As of the date of this report, the major shareholding stakes in the Parent were as presented in Section I.5.

All Parent shares are ordinary bearer shares with no special control rights attached to them. Medicalgorithmics S.A. Articles of Association do not impose any restrictions on voting rights, for example their exercise is not limited only to holders of any certain series or number of votes or in certain time, and they do not contain any provisions that would separate equity rights from the holder of underlying securities. As of the date of this report, there are also no restrictions on transfer of the ownership rights in the Parent shares.

The chart and the table below show Medicalgorithmics S.A. shareholders who hold at least 5% of the General Meeting votes, as of the date of this report and to the best of the knowledge of the Company. The table reflects information received from shareholders according to Article 69 of *Public Offering, Financial Instruments Trading and Public Companies Act*.

Chart 1. Medicalgorithmics S.A. shareholder structure

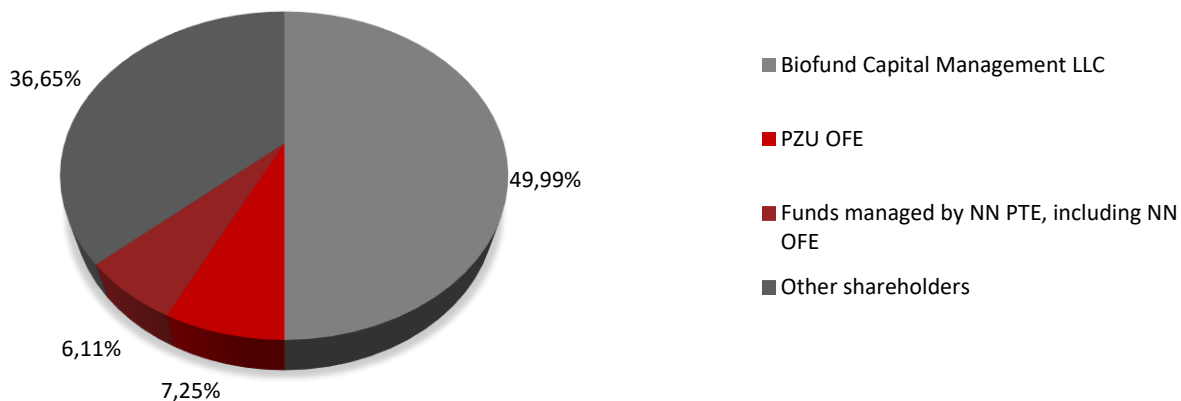


Table 1. Medicalgorithmics S.A. shareholder structure

Shareholder	Number of shares (pcs) as at 30.09.2022	% of share capital	Votes	% of total number of votes	Change in the period 29.11.2022-27.04.2023
Biofund Capital Management LLC	4 976 384	49,99%	4 976 384	49,99%	Unchanged
PZU OFE	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
Other shareholders	3 646 104	36,65%	3 646 104	36,65%	Unchanged
Number of shares	9 952 769	100%	9 952 769	100%	

* based on announcements made according to Article 70(1) of the Public Offering Act (acquisition or disposal of a significant share package).

Upon the issue of series I, J, K and L shares, the total number of shares increased by 4,976,384 from their number published in the 2021 annual report.

VII 4. General Meeting

The General Meeting of Medicalgorithmics S.A. is the top corporate body of the Parent. It convenes as either ordinary annual meeting or an extraordinary one, according to generally applicable regulations and Medicalgorithmics S.A. Articles of Association (available on the Parent's website).

The competences of the General Meeting include, but are not limited to:

- examination and approval of the Parent's management reports and financial statements for the past financial year;
- selection and dismissal of the Chairperson, the Vice Chairperson and members of the Supervisory Board;
- discharge of duties for members of the Management Board and of the Supervisory Board;
- increases and decreases of the share capital;
- resolutions on profit distribution or covering of loss;
- creation and liquidation of capital reserves;
- remuneration principles applicable to members of the Supervisory Board;
- amendments to the Parent's Articles of Association;
- examination of issues requested by the Supervisory Board, the Management Board or shareholders;
- resolutions on dissolution or liquidation of the Parent, or its merger;
- selection of liquidators;
- issue of convertible bonds and bonds with priority rights;
- issue of subscription warrants;
- adoption of the Supervisory Board Regulations;
- determination of the dividend date (creation of the list of shareholders entitled to dividends for a financial year) and the related payment date.

Shareholders of the Parent may exercise their rights in line with generally applicable laws and Medicalgorithmics S.A. Articles of Association.

Amendment of the Articles of Association requires a resolution of the General Meeting, to be adopted by a three-fourths majority, followed by its effective registration in the Polish National Court Register. Amendments of Medicalgorithmics S.A. Articles of Association are decided by the General Meeting in compliance with applicable laws as well as based on the procedure set forth in Commercial Companies Code.

VII 5. Management Board

The Management Board manages the Parent and represents it towards third parties. As of the publication of this report, two members of the Management Board acting jointly or one member acting together with a company agent are authorized to represent the Parent. In the reporting period, when the Management Board had more than one member, statements could be issued on behalf of the Parent by either two members of the Management Board or one member together with a company

agent. In addition, the Management Board may authorize company agents by issuing a power of attorney, upon prior the approval of the Supervisory Board. No such authorized agents were appointed.

This corporate body operates based on generally applicable laws and Medicalgorithmics S.A. Articles of Association. Its competence includes any matters related to the ongoing handling of the Parent's activities, unless reserved by virtue of law or in the Articles of Association as the competence of the General Meeting or of the Supervisory Board. The Management Board's authority to decide to issue or redeem of shares is limited by the Articles of Association. According to Article 14.5 of Medicalgorithmics S.A. Articles of Association, a resolution of the General Meeting is required in order to increase the share capital and issue shares. Subject to peremptory legal regulations, the Management Board decides on all matters related to share capital increases within the limits of the authorized capital.

In the reporting period and as of the publication of this report, the Management Board can consist of 2 to 5 members, each appointed for a three-year term of office. The composition of the Management Board is decided by the Supervisory Board which appoints and dismisses respective members.

In 2022, the composition of the Management Board changed as follows:

- January 1 to January 14, 2022
 - Maciej Gamrot - Member of Management Board, Chief Financial Officer
 - Jaroslaw Jerzakowski - Member of Management Board
 - Peter Pellerito - Member of Management Board
- January 15 to December 5, 2022
 - Maciej Gamrot - Member of Management Board, Chief Financial Officer
 - Jaroslaw Jerzakowski - Member of Management Board
- December 6 to December 31, 2022
 - Maciej Gamrot - Member of Management Board, Chief Financial Officer
 - Jaroslaw Jerzakowski - Member of Management Board
 - Przemyslaw Tadla - Member of Management Board
- As of the publication of this report, the Management Board consists of the following persons:
 - Maciej Gamrot - Member of Management Board, Chief Financial Officer
 - Jaroslaw Jerzakowski - Member of Management Board
 - Przemyslaw Tadla - Member of Management Board

VII 6. Supervisory Board

The Supervisory Board of Medicalgorithmics S.A. constantly supervises the Parent's activities. This corporate body operates based on generally applicable laws and Medicalgorithmics S.A. Articles of Association. According to the Articles of Association, the Supervisory Board consists of 5 to 9 members, appointed and dismissed by the General Meeting in line with the procedure set forth in the Articles of Association. Members of the Supervisory Board are appointed for a collective term of three years.

During the reporting period, the composition of the Supervisory Board changed as follows:

- January 1 to March 21, 2022
 - Marek Dziubiński - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Andrew Gładysz - Member of Supervisory Board
 - Stanisław Borkowski - Member of Supervisory Board
 - Martin Jasinski - Member of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Grzegorz Janas - Member of Supervisory Board
 - Werner Engelhardt - Member of Supervisory Board
 - Brandon von Tobel - Member of Supervisory Board

- March 22 to March 22, 2022
 - Marek Dziubiński - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Andrew Gładysz - Member of Supervisory Board
 - Stanisław Borkowski - Member of Supervisory Board
 - Martin Jasinski - Member of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Grzegorz Janas - Member of Supervisory Board
 - Brandon von Tobel - Member of Supervisory Board

- March 23 to April 30, 2022
 - Marek Dziubinski - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Andrew Gładysz - Member of Supervisory Board
 - Stanisław Borkowski - Member of Supervisory Board
 - Martin Jasinski - Member of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Grzegorz Janas - Member of Supervisory Board

- May 1 to June 30, 2022
 - Marek Dziubiński - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Andrew Gładysz - Member of Supervisory Board
 - Stanisław Borkowski - Member of Supervisory Board
 - Martin Jasinski - Member of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board

- July 1 to October 27, 2022
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Andrew Gładysz - Member of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Sławomir Kościak - Member of Supervisory Board
 - Iwona Zatorska-Pańtak - Member of Supervisory Board

- October 28 to November 15, 2022
 - Andrzej Gładysz - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Sławomir Kościak - Member of Supervisory Board
 - Iwona Zatorska-Pańtak - Member of Supervisory Board
 - Paweł Lewicki - Member of Supervisory Board
 - Krzysztof Siemionow - Member of Supervisory Board
 - David Cash - Member of Supervisory Board

However, the actual enactment of the following resolutions adopted by the Extraordinary General Meeting of the Company on October 28, 2022: (i) Resolution 8/10 appointing a member of the Supervisory Board of the Company, Mr Paweł Lewicki; (ii) Resolution 9/10 appointing a member of the Supervisory Board of the Company, Mr Krzysztof Siemionow; (iii) Resolution 10/10 appointing a member of the Supervisory Board of the Company, Mr David Cash – depends on certain conditions precedent that are reserved in the respective resolutions. 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: (i) Mr Paweł Lewicki, (ii) Mr Krzysztof Siemionow and (iii) Mr David Cash to serve as members of the Company's Supervisory Board.

- Members of the Supervisory Board, November 16 to December 31, 2022:
 - Andrzej Gładysz - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Sławomir Kościak - Member of Supervisory Board
 - Iwona Zatorska-Pańtak - Member of Supervisory Board
 - Paweł Lewicki - Member of Supervisory Board
 - Krzysztof Siemionow - Member of Supervisory Board
 - David Cash - Member of Supervisory Board

- As of the publication of this report, the Supervisory Board consists of the following persons:
 - Andrzej Gładysz - Chairman of Supervisory Board
 - Michał Wnorowski - Vice Chairman of Supervisory Board
 - Anna Sobocka - Member of Supervisory Board
 - Sławomir Kościak - Member of Supervisory Board
 - Paweł Lewicki - Member of Supervisory Board
 - Krzysztof Siemionow - Member of Supervisory Board
 - David Cash - Member of Supervisory Board

Meetings convened

In 2022, the Supervisory Board held 19 meetings and, in addition, it passed resolutions nineteen times using remote procedures and means of distance communication.

VII 7. Audit Committee of Supervisory Board

According to the Parent's Articles of Association, members of the Audit Committee, including the Chairperson, are appointed by the Supervisory Board from among its own members and for the term of office of the Supervisory Board. In the reporting period, the Audit Committee consisted of four members, including the Chairperson, and they work jointly. As of the date of publication of this report, the Audit Committee consists of four members, including the chairperson.

The Audit Committee is in charge for overseeing the financial reporting of the Parent.

Members of the Audit Committee

January 1 to December 5, 2022

- Michał Wnorowski - Chairman of Audit Committee
- Anna Sobocka - Member of Audit Committee
- Andrzej Gładysz - Member of Audit Committee

December 6 to December 31, 2022

- Michał Wnorowski - Chairman of Audit Committee
- Anna Sobocka - Member of Audit Committee
- Andrzej Gładysz - Member of Audit Committee
- David Cash - Member of Audit Committee

As of the publication of this report, the composition of the Audit Committee has not changed.

All members of the Audit Committee satisfy the criteria of independence as set forth in Article 129 of Auditor, Audit Firm and Public Supervision Act of May 11, 2017 (Polish Official Journal: Dz.U. 2020.1415).

All members of the Audit Committee have the knowledge and skills in the area of accounting or report auditing.

Michał Wnorowski and Andrzej Gładysz have expertise and skills in the operating sector of the Parent. Both have many years of professional experience in managing advanced technology companies.

Individual bios are available in Section I.9 of this report.

Assessment of independence of Parent's financial statements auditor

In 2021, the Parent was serviced by audit firm Grant Thornton Polska Spółka z o.o. sp.k. based in Poznań (Poland) which reviewed and audited the Company's financial statements as well as the consolidated financial statements of Medicalgorithmics Group for the first half of 2021 and entire year 2021. The auditor changed its legal form to Grant Thornton Polska Prosta Spółka Akcyjna.

In line with *Auditor, Audit Firm and Public Supervision Act* of May 11, 2017, the Audit Committee adopted the following documents in its Resolution No. 1 of October 20, 2017:

- Policy on additional non-audit services provided to the Parent and the Group by the financial statements auditors, their associated entities or members of their network;
- Policy and procedure for selection of auditor/reviewer of the Parent's and Group's financial statements.

Auditor selection policy – main principles

- The audit firm is selected by the Company's Supervisory Board after reviewing the recommendation formulated by the Audit Committee;
- If in a given case the selection of the audit firm does not result from renewal of the current audit contract, the Audit Committee will prepare and submit to the Supervisory Board a recommendation of at least two audit firms, selected based on a bidding procedure arranged by the Company, including a reasoned statement of preference for one of them;
- The audit firm is selected well in advance so that the audit contract can be signed or renewed in time for the auditor to participate in any material asset counting procedures;
- When selecting the auditor, the Audit Committee and the Supervisory Board pay special attention to the need for independence of such audit firm and the person auditing, and will also take into account its experience in regulatory audits of financial statements of entities which are public interest organizations, including those listed on the Warsaw Stock Exchange, as well as its knowledge of the IT or high-tech industry;
- The selection of the audit firm takes into consideration the rules of necessary change of audit firms and key auditors as stemming from generally applicable laws;
- The initial audit contract with an audit firm is concluded for at least two years, with option to renew it for successive periods of two years or more, taking into consideration the rules of necessary change of audit firms and key auditors.

Auditor's non-audit services policy – main principles

- Non-audit services which are provided by an audit firm require prior approval of the Audit Committee, in the form of a resolution to be adopted at the request of the Board of Directors;
- These services, for which the auditor is licensed, are carried out in line with generally applicable regulations as well as the criteria of independence applicable to such services which are set forth in professional codes and best practice standards of such services;
- The auditor may provide the licensed services to the Company (or its controlled entities) only insofar as it is justified by the interest of the Parent (or its controlled entities), and in particular when based on the knowledge of the Company and its environment the auditor is able to offer the Company high-quality licensed services on competitive terms.

Auditor selection recommendation

By Resolution No. 6/2021 of 17 May 2021, the Audit Committee recommended selection of audit firm Grant Thornton Polska Spółka z o.o. sp.k. based in Poznań (Poland) to review and audit the Company's financial statements as well as the consolidated financial statements of Medicalgorithmics Group for the first half of 2021 and entire year 2021, and the first half of 2022 and entire year 2022. Such recommendation complied with the applicable conditions. It was formulated consequently to an auditor selection procedure which the Company arranged to ensure the regulatory audit/review of the financial statements of the Parent and the Group. The auditor changed its legal form to Grant Thornton Polska Prosta Spółka Akcyjna.

The Audit Committee by-laws are regulated in the Audit Committee Regulations which were adopted in Resolution No. 1 of the Supervisory Board on October 20, 2017.

Meetings convened

In 2022, the Audit Committee held 12 meetings and, in addition, it passed six resolutions using remote procedures and means of distance communication.

VIII. Parent Company details

Medicalgorithmics S.A. is a joint-stock company registered in Poland, established by Notarial Deed No. A 1327/2005 of June 23, 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.

Headquarters:	Al. Jerozolimskie 81, 02-001 Warsaw, Poland
Email address:	finanse@medicalgorithmics.com
Corporate website:	www.medicalgorithmics.com
Investor Relations page:	www.medicalgorithmics.pl
Investor contact:	Robert Mrozowski tel.: +48 513 083 322 r.mrozowski@innervalue.pl
Media contact:	Mariusz Gawrychowski (Inner Value) tel.: +48 501 520 598 m.gawrychowski@innervalue.pl

IX. Issuer details

Public register data

District Court in Warsaw, 12th Commercial Division of National Court Register

Company number (KRS): 0000372848; Tax number (NIP): 5213361457 Statistical number (REGON): 140186973

Share capital

Share capital registered with the National Court Register is, as of the date of this annual report: PLN 995,276.90, divided into 9,952,769 ordinary bearer shares, par value PLN 0.10 each, including:

- 1,747,200 series A ordinary bearer shares
- 508,200 series B ordinary bearer shares
- 236,926 series C ordinary bearer shares
- 929,600 series D ordinary bearer shares
- 33,600 series E ordinary bearer shares
- 151,000 series F ordinary bearer shares
- 721,303 series G ordinary bearer shares
- 648,556 series H ordinary bearer shares
- 995,276 series I ordinary bearer shares
- 1,194,331 series J ordinary bearer shares
- 1,433,197 series K ordinary bearer shares
- 1,353,580 series L ordinary bearer shares

X. Other statements and information from Management Board

To the best knowledge of the Management Board of the Parent, the 2022 annual consolidated financial statements of Medicalgorithmics Group as well as the 2022 separate financial statements of Medicalgorithmics S.A. (and 2021 comparative data) have been prepared in compliance with the applicable accounting principles, are a true, fair and clear presentation of the assets and the financial position of Medicalgorithmics Group and Medicalgorithmics S.A., and the financial result of Medicalgorithmics Group and Medicalgorithmics S.A., while the 2021 management report of Medicalgorithmics Group and of Medicalgorithmics S.A. gives a true picture of the development, achievements and the situation of Medicalgorithmics Group and Medicalgorithmics S.A., including a summary of key threats and risks.

On behalf of the Management Board of Medicalgorithmics S.A.:

Based on the statement of the Supervisory Board of Medicalgorithmics S.A. concerning the selection of the auditor of the 2022 financial statements of Medicalgorithmics S.A. and the 2021 consolidated financial statements of Medicalgorithmics Group, which has been made in compliance with regulations including those applicable to the auditor selection and related procedures, the Management Board hereby informs that:

- the audit firm and members of the audit team met the requirements allowing preparation of an impartial and independent report from the audit of the 2022 financial statements of Medicalgorithmics S.A. as well as an impartial and independent report from the audit of the 2022 consolidated financial statements of Medicalgorithmics Group, in accordance with applicable regulations, professional standards and best ethical practices,
- Medicalgorithmics S.A. follows applicable regulations related to necessary change of audit firms and key auditors as well as mandatory grace periods;
- Medicalgorithmics S.A. has an audit firm selection policy as well as a policy concerning additional non-audit services provided to Medicalgorithmics S.A. by audit firms, their associated entities or members of their network (including auditor services legally permitted on certain conditions).

Warszawa, dnia 27 kwietnia 2023 roku

OCENA RADY NADZORCZEJ MEDICALGORITHMICS S.A.
dotycząca jednostkowego sprawozdania finansowego MEDICALGORITHMICS S.A. za rok zakończony
dnia 31 grudnia 2022 roku, skonsolidowanego sprawozdania finansowego Grupy MEDICALGORITHMICS
S.A. za rok zakończony dnia 31 grudnia 2022 roku, sprawozdania z działalności Spółki i Grupy za rok
zakończony dnia 31 grudnia 2022 roku, w zakresie ich zgodności z księgami i dokumentami, jak i ze
stanem faktycznym

Rada Nadzorcza spółki **MEDICALGORITHMICS Spółka Akcyjna z siedzibą w Warszawie**, adres: Al. Jerozolimskie 81, wpisanej do rejestru przedsiębiorców Krajowego Rejestru Sądowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy w Warszawie, XII Wydział Gospodarczy Krajowego Rejestru Sądowego pod numerem KRS: 0000372848, NIP: 5213361457, REGON: 140186973 („**Spółka**”), zgodnie z § 70 ust. 1 pkt 14) oraz § 71 ust. 1 pkt. 12) rozporządzenia Ministra Finansów z dnia 29 marca 2018 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (Dz.U. z 2018 r. poz. 757) („**Rozporządzenie**”) oraz art. 382 § 3 ustawy z dnia 15 września 2000 r. - Kodeks spółek handlowych (t. j. Dz. U. z 2022 r. poz. 1467 ze zm.), po rozpatrzeniu, niniejszym dokonuje, według najlepszej wiedzy, pozytywnej oceny:

1. sprawozdania finansowego Spółki za rok obrotowy zakończony dnia 31 grudnia 2022 roku,
2. skonsolidowanego sprawozdania finansowego grupy kapitałowej Medicalgorithmics S.A. („**Grupa**”; „**Grupa Kapitałowa**”) za rok obrotowy zakończony dnia 31 grudnia 2022 roku,
3. sprawozdania Zarządu z działalności Spółki i Grupy w 2022 roku,

w zakresie ich zgodności z księgami, dokumentami i stanem faktycznym.

Rada Nadzorcza Spółki dokonała oceny wyżej wymienionych sprawozdań na podstawie:

1. treści wyżej wymienionych sprawozdań, przedłożonych przez Zarząd Spółki,
2. sprawozdań niezależnego biegłego rewidenta z badania sprawozdań finansowych Spółki i Grupy za rok obrotowy zakończony dnia 31 grudnia 2022 roku,
3. sprawozdania dodatkowego dla Komitetu Audytu sporządzonego na podstawie art. 11 Rozporządzenia Parlamentu Europejskiego i Rady (UE) nr 537/2014 z dnia 16 kwietnia 2014 r. w sprawie szczegółowych wymogów dotyczących ustawowych badań sprawozdań finansowych jednostek interesu publicznego, uchylające decyzję komisji 2005/909/WE (Dz.Ur.z.UE.L Nr 158, str. 77) oraz stosownie do przepisów ustawy z dnia 11 maja 2017 r. o biegłych rewidentach, firmach audytorskich oraz nadzorze publicznym (t. j. Dz. U. z 2022 r., poz. 1302 ze zm.),

Załącznik do Uchwały nr 4/2023 Rady Nadzorczej Medicalgorithmics S.A. z siedzibą w Warszawie z dnia 27 kwietnia 2023 r. / Attachment to Resolution No. 4/2023 of the Supervisory Board of Medicalgorithmics S.A. with its registered office in Warsaw of April 27, 2023

4. omawiania przebiegu badania podczas posiedzeń Komitetu Audytu w trakcie badania oraz podczas spotkań z przedstawicielami firmy audytorskiej, w tym z kluczowym biegłym rewidentem w okresie: od listopada 2022 roku do 25 kwietnia 2023 r.

Badanie sprawozdania finansowego Spółki za rok obrotowy zakończony dnia 31 grudnia 2022 roku oraz skonsolidowanego sprawozdania finansowego Grupy za rok obrotowy zakończony dnia 31 grudnia 2022 roku (łącznie jako „**Sprawozdania Finansowe**”) zostało przeprowadzone przez firmę audytorską **Grant Thornton Polska P.S.A.** z siedzibą w Poznaniu („**Audytorka**”; „**Biegły rewident**”), która została wybrana przez Radę Nadzorczą do przeprowadzenia badania jednostkowego sprawozdania finansowego Spółki i skonsolidowanego sprawozdania finansowego Grupy za rok obrotowy zakończony dnia 31 grudnia 2022 roku.

Zgodnie z opinią Audytora, sprawozdanie finansowe Spółki za rok obrotowy zakończony dnia 31 grudnia 2022 roku:

- a) przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej Spółki na dzień 31 grudnia 2022 roku oraz jej wyniku finansowego i przepływów pieniężnych za rok obrotowy zakończony w tym dniu zgodnie z Międzynarodowymi Standardami Rachunkowości, Międzynarodowymi Standardami Sprawozdawczości Finansowej oraz związanymi z nimi interpretacjami ogłoszonymi w formie rozporządzeń Komisji Europejskiej i przyjętymi zasadami (polityka) rachunkowości,
- b) zostało sporządzone na podstawie prawidłowo prowadzonych ksiąg rachunkowych,
- c) jest zgodne co do formy i treści z obowiązującymi Spółkę przepisami prawa i postanowieniami statutu Spółki,

oraz skonsolidowane sprawozdanie finansowe Grupy Kapitałowej, w której jednostką dominującą jest Medicalgorithmics S.A. („**Jednostka Dominująca**”) za rok obrotowy zakończony dnia 31 grudnia 2022 roku:

- a) przedstawia rzetelny i jasny obraz sytuacji majątkowej i finansowej Grupy Kapitałowej na dzień 31 grudnia 2022 roku oraz jej wyniku finansowego i przepływów pieniężnych za rok obrotowy zakończony w tym dniu zgodnie z Międzynarodowymi Standardami Rachunkowości, Międzynarodowymi Standardami Sprawozdawczości Finansowej oraz związanymi z nimi interpretacjami ogłoszonymi w formie rozporządzeń Komisji Europejskiej i przyjętymi zasadami (polityka) rachunkowości,
- b) jest zgodne co do formy i treści z obowiązującymi Grupę Kapitałową przepisami prawa i postanowieniami statutu Jednostki Dominującej.

W odniesieniu do sprawozdania z działalności Spółki oraz Grupy Kapitałowej Medicalgorithmics za rok zakończony dnia 31 grudnia 2022 roku Biegły rewident stwierdził, że sprawozdanie zostało sporządzone zgodnie z obowiązującymi przepisami prawa oraz jest zgodne z informacjami zawartymi w Sprawozdaniach Finansowych. Ponadto, Biegły rewident oświadczył, iż w świetle wiedzy o Spółce, Grupie i ich otoczeniu uzyskanej podczas badania Sprawozdań Finansowych, nie stwierdza w sprawozdaniu z działalności istotnych zniekształceń.

Załącznik do Uchwały nr 4/2023 Rady Nadzorczej Medicalgorithmics S.A. z siedzibą w Warszawie z dnia 27 kwietnia 2023 r. / Attachment to Resolution No. 4/2023 of the Supervisory Board of Medicalgorithmics S.A. with its registered office in Warsaw of April 27, 2023

W odniesieniu do oświadczenia o stosowaniu ładu korporacyjnego Biegły rewident stwierdził, iż jego zdaniem w oświadczeniu o stosowaniu ładu korporacyjnego Spółka zawarła informacje określone w § 70 ust. 6 punkt 5 Rozporządzenia oraz, że informacje wskazane w § 70 ust. 6 punkt 5 lit. c) -f), h oraz lit. i) Rozporządzenia zawarte w oświadczeniu o stosowaniu ładu korporacyjnego są zgodne z mającymi zastosowanie przepisami oraz informacjami zawartymi w Sprawozdaniach Finansowych.

Zarząd Spółki wskazał w nocie 2.1. dodatkowych not objaśniających do jednostkowego sprawozdania finansowego Spółki oraz w nocie 4.1. dodatkowych not objaśniających do skonsolidowanego sprawozdania finansowego Grupy, że sprawozdania te zostały sporządzone przy założeniu kontynuacji działalności Spółki i Grupy Kapitałowej. Ponadto Zarząd wskazał, iż w jednostkowym i skonsolidowanym sprawozdaniu finansowym za 2021 rok, zatwierdzonym do publikacji dnia 28 kwietnia 2022 roku, Zarząd Jednostki Dominującej wskazał na szereg czynników powodujących znaczącą niepewność co do możliwości kontynuacji działalności przez Jednostkę Dominującą oraz Grupę w okresie kolejnych 12 miesięcy od dnia bilansowego. Niepewność dotyczyła przede wszystkim możliwości uzyskania finansowania w zakładanej wysokości lub możliwości sprzedaży aktywów Grupy. W związku z ówczesną istotnością tamtych okoliczności oraz dla zachowania porównywalności w notach tych Zarząd Spółki ponownie je przytoczył oraz zaktualizował w rocznym jednostkowym i skonsolidowanym sprawozdaniu finansowym za 2022 rok.

Na podstawie treści Sprawozdań Finansowych, sprawozdania Zarządu z działalności Spółki i Grupy oraz sprawozdań niezależnego Biegłego rewidenta z badania Sprawozdań Finansowych, Rada Nadzorcza Spółki niniejszym stwierdza, według najlepszej wiedzy, że:

1. sprawozdanie finansowe Spółki za rok zakończony dnia 31 grudnia 2022 roku sporządzone zostało w ustalonym przepisami terminie, zgodnie z przepisami prawa, Międzynarodowymi Standardami Sprawozdawczości Finansowej zatwierdzonymi przez Unię Europejską, a także przyjętymi zasadami rachunkowości,
2. skonsolidowane sprawozdanie finansowe Grupy za rok zakończony dnia 31 grudnia 2022 roku sporządzone zostało w ustalonym przepisami terminie, zgodnie z przepisami prawa, Międzynarodowymi Standardami Sprawozdawczości Finansowej zatwierdzonymi przez Unię Europejską, a także przyjętymi zasadami rachunkowości,
3. sprawozdanie Zarządu z działalności Spółki i Grupy w 2022 roku sporządzone zostało w ustalonym przepisami terminie, zgodnie z przepisami prawa, a także przyjętymi zasadami rachunkowości.

W związku z powyższym, Rada Nadzorcza ocenia, według najlepszej wiedzy, że sprawozdania finansowe Spółki oraz Grupy za rok zakończony dnia 31 grudnia 2022 roku oraz sprawozdanie Zarządu z działalności Spółki i Grupy w 2022 roku są zgodne z księgami, dokumentami, jak i ze stanem faktycznym.

Załącznik do Uchwały nr 4/2023 Rady Nadzorczej Medicalgorithmics S.A. z siedzibą w Warszawie z dnia 27 kwietnia 2023 r. / Attachment to Resolution No. 4/2023 of the Supervisory Board of Medicalgorithmics S.A. with its registered office in Warsaw of April 27, 2023

Rada Nadzorcza Medicalgorithmics S.A.:

Andrzej Gładysz - Przewodniczący Rady Nadzorczej

Michał Wnorowski - Wiceprzewodniczący Rady Nadzorczej

Anna Sobocka - Członek Rady Nadzorczej

Sławomir Kościak - Członek Rady Nadzorczej

David Cash - Członek Rady Nadzorczej

Paweł Lewicki - Członek Rady Nadzorczej

Krzysztof Siemionow - Członek Rady Nadzorczej

Warsaw, 27 April 2023

ASSESSMENT OF THE SUPERVISORY BOARD OF MEDICALGORITHMICS S.A.

concerning the standalone financial statements of MEDICALGORITHMICS S.A. for the year ended 31 December 2022, the consolidated financial statements of the MEDICALGORITHMICS S.A. Group for the year ended 31 December 2022, the report on the activities of the Company and the Group for the year ended 31 December 2022, in terms of their compliance with the books and documents as well as with the facts

The Supervisory Board of **MEDICALGORITHMICS Spółka Akcyjna with its registered office in Warsaw**, address: Al. Jerozolimskie 81, entered into the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register under KRS number: 0000372848, NIP: 5213361457, REGON: 140186973 ("**Company**"), in accordance with § 70 section 1 point 14) and § 71 section 1 point 12) of the Regulation of the Minister of Finance of 29 March 2018 on information current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757) ("**Regulation**") and art. 382 § 3 of the Act of 15 September 2000 - Code of Commercial Companies (consolidated text: Journal of Laws of 2022, item 1467, as amended), after consideration, hereby makes, to the best of our knowledge, positive assessment:

1. the Company's financial statements for the financial year ended 31 December 2022,
2. consolidated financial statements of the capital group Medicalgorithmics S.A. (the "**Group**"; "**Capital Group**") for the financial year ended 31 December 2022,
3. the Management Board's report on the activities of the Company and the Group in 2022,

in terms of their compliance with the books, documents, and facts.

The Company's Supervisory Board evaluated the above-mentioned reports based on:

1. the content of the above-mentioned reports submitted by the Management Board of the Company,
2. reports of the independent statutory auditor on the audit of the financial statements of the Company and the Group for the financial year ended 31 December 2022,
3. an additional report to the Audit Committee prepared pursuant to Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements regarding statutory audits of public-interest entities, repealing Commission Decision 2005/909/EC (OJ L 158, p. 77) and pursuant to the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (consolidated text: Journal of Laws of 2022, item 1302, as amended),

Załącznik do Uchwały nr 4/2023 Rady Nadzorczej Medicalgorithmics S.A. z siedzibą w Warszawie z dnia 27 kwietnia 2023 r. / Attachment to Resolution No. 4/2023 of the Supervisory Board of Medicalgorithmics S.A. with its registered office in Warsaw of April 27, 2023

4. discussing the audit process during meetings of the Audit Committee during the audit and during meetings with representatives of the audit firm, including the key statutory auditor in the period: from November 2022 to 25 April 2023.

The audit of the Company's financial statements for the financial year ended 31 December 2022 and the Group's consolidated financial statements for the financial year ended 31 December 2022 (jointly as the "**Financial Statements**") was carried out by the audit company **Grant Thornton Polska P.S.A.** with its registered office in Poznań ("**Auditor**"; "**Statutory auditor**"), which was elected by the Supervisory Board to audit the Company's standalone financial statements and the Group's consolidated financial statements for the financial year ended 31 December 2022.

According to the Auditor's opinion, the Company's financial statements for the financial year ended 31 December 2022:

1. presents a fair and clear picture of the Company's property and financial position as of 31 December 2022 and its financial result and cash flows for the financial year ended on that date in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and adopted accounting principles (policies),
2. has been prepared based on properly kept accounting books,
3. is consistent in form and content with the provisions of law applicable to the Company and the provisions of the Company's Articles of Association,

and consolidated financial statements of the Capital Group in which Medicalgorithmics S.A. is the parent company (the "**Parent Company**") for the financial year ended 31 December 2022:

1. presents a fair and clear picture of the Group's property and financial position as of 31 December 2022 and its financial result and cash flows for the financial year ended on that date in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and adopted accounting principles (policies),
2. is consistent in form and content with the provisions of law applicable to the Group and the provisions of the Parent Company's Articles of Association.

Regarding the report on the activities of the Company and the Medicalgorithmics Capital Group for the year ended 31 December 2022, the Statutory auditor stated that the report was prepared in accordance with applicable law and is consistent with the information contained in the Financial Statements. Moreover, the Auditor stated that in the light of the knowledge about the Company, the Group and their environment obtained during the audit of the Financial Statements, the Auditor does not find any material misstatements in the management report.

Załącznik do Uchwały nr 4/2023 Rady Nadzorczej Medicalgorithmics S.A. z siedzibą w Warszawie z dnia 27 kwietnia 2023 r. / Attachment to Resolution No. 4/2023 of the Supervisory Board of Medicalgorithmics S.A. with its registered office in Warsaw of April 27, 2023

With regard to the statement on the application of corporate governance, the Statutory auditor stated that, in his opinion, in the statement on the application of corporate governance, the Company included the information specified in § 70 section 6 point 5 of the Regulation and that the information indicated in § 70 section 6 point 5 letters c) to f), h and letter i) of the Regulation contained in the statement on the application of corporate governance is consistent with applicable regulations and information contained in the Financial Statements.

The Management Board of the Company indicated in note 2.1. additional explanatory notes to the standalone financial statements of the Company and in note 4.1. additional explanatory notes to the consolidated financial statements of the Group that these statements were prepared assuming the continuation of the Company's and the Group's operations. In addition, the Management Board indicated that in the standalone and consolidated financial statements for 2021, approved for publication on 28 April 2022, the Management Board of the Parent Company indicated several factors causing significant uncertainty as to the ability of the Parent Company and the Group to continue operating within the next 12 months from the balance sheet date. The uncertainty concerned the possibility of obtaining financing in the assumed amount or the possibility of selling the Group's assets. Due to the significance of those circumstances at that time and to maintain comparability in these notes, the Management Board of the Company re-quoted and updated them in the standalone financial statements and consolidated financial statements for the year 2022.

Based on the Financial Statements, the Management Board's report on the activities of the Company and the Group and the independent auditor's reports on the audit of the Financial Statements, the Supervisory Board of the Company hereby states, to the best of its knowledge, that:

1. the Company's financial statements for the year ended 31 December 2022 were prepared within the deadline set by law, International Financial Reporting Standards approved by the European Union, as well as adopted accounting principles,
2. the Group's consolidated financial statements for the year ended 31 December 2022 were prepared within the statutory deadline, in accordance with the law, International Financial Reporting Standards approved by the European Union, as well as the adopted accounting principles,
3. The Management Board's report on the activities of the Company and the Group in 2022 was prepared within the deadline set by law, as well as the adopted accounting principles.

In connection with the above, the Supervisory Board assesses, to the best of its knowledge, that the financial statements of the Company and the Group for the year ended 31 December 2022 and the Management Board's report on the activities of the Company and the Group in 2022 are consistent with the books, documents, and facts.

Załącznik do Uchwały nr 4/2023 Rady Nadzorczej Medicalgorithmics S.A. z siedzibą w Warszawie z dnia 27 kwietnia 2023 r. / Attachment to Resolution No. 4/2023 of the Supervisory Board of Medicalgorithmics S.A. with its registered office in Warsaw of April 27, 2023

Supervisory Board of Medicalgorithmics S.A.:

Andrzej Gładysz - Chairman of the Supervisory Board

Michał Wnorowski - Vice-Chairman of the Supervisory Board

Anna Sobocka - Member of the Supervisory Board

Sławomir Kościak - Member of the Supervisory Board

David Cash - Member of the Supervisory Board

Paweł Lewicki - Member of the Supervisory Board

Krzysztof Siemionow - Member of the Supervisory Board

**Uchwała nr 6/2023
Rady Nadzorczej Medicalgorithmics S.A.
z siedzibą w Warszawie
z dnia 27 kwietnia 2023 roku
w sprawie oświadczenia dotyczącego
funkcjonowania Komitetu Audytu w związku z
publikacją jednostkowego i skonsolidowanego
raportu rocznego za 2022 rok**

Rada Nadzorcza Medicalgorithmics S.A., działając na podstawie § 70 ust. 1 pkt 8) oraz § 71 ust. 1 pkt 8) rozporządzenia Ministra Finansów z dnia 29 marca 2018 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (Dz.U. 2018 poz. 757) postanawia, co następuje:

§ 1

Rada Nadzorcza składa oświadczenie dotyczące funkcjonowania Komitetu Audytu w związku z publikacją jednostkowego i skonsolidowanego raportu rocznego za 2022 rok, zawarte w Załączniku nr 1 do niniejszej uchwały.

§ 2

Uchwała wchodzi w życie z chwilą podjęcia.

**Resolution no. 6/2023
of the Supervisory Board of Medicalgorithmics S.A.
with its registered office in Warsaw
dated 27 April 2023
on the statement on the functioning of the Audit
Committee in connection with the publication of the
separated and consolidated annual financial
reports for 2022**

The Supervisory Board of Medicalgorithmics S.A., acting on the basis of § 70 (1)(8) and § 71 (1)(8) Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws 2018, no.757), decides as follows:

§ 1

The Supervisory Board makes a statement about the functioning of the Audit Committee regarding the publication of the separated and consolidated annual financial report for 2022, included in Attachment no. 1 hereto.

§ 2

The resolution shall enter into force on the moment of its adoption.

Załącznik nr 1 do uchwały nr 6/2023 Rady Nadzorczej Medicalgorithmics S.A. z dnia 27 kwietnia 2023 r.

**Oświadczenie Rady Nadzorczej
Medicalgorithmics S.A.**

**dotyczące funkcjonowania Komitetu Audytu w
związku z publikacją jednostkowego i
skonsolidowanego raportu rocznego za 2022 rok**

Rada Nadzorcza Medicalgorithmics S.A., działając na podstawie § 70 ust. 1 pkt 8) oraz § 71 ust. 1 pkt 8) rozporządzenia Ministra Finansów z dnia 29 marca 2018 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (Dz.U. 2018 poz. 757), oświadcza, że wedle jej najlepszej wiedzy:

- a) w Medicalgorithmics S.A. są przestrzegane przepisy dotyczące powołania, składu i funkcjonowania komitetu audytu, w tym dotyczące spełnienia przez jego członków kryteriów niezależności oraz wymagań odnośnie do posiadania wiedzy i umiejętności z zakresu branży, w której działa Medicalgorithmics S.A., oraz w zakresie rachunkowości lub badania sprawozdań finansowych;
- b) Komitet Audytu Medicalgorithmics S.A. wykonywał zadania komitetu audytu przewidziane w obowiązujących przepisach.

Attachment no. 1 to Resolution no. 6/2023 of the Supervisory Board of Medicalgorithmics S.A. dated 27 April 2023

**Statement of the Supervisory Board of
Medicalgorithmics S.A.**

**on the functioning of the Audit Committee regarding
the publication of the individual and consolidated
annual report for 2022**

The Supervisory Board of Medicalgorithmics S.A., acting on the basis of § 70 (1)(8) and § 71 (1)(8) Regulation of the Minister of Finance of March 29, 2018, on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws 2018, no.757), according to the best knowledge states that:

- a) Medicalgorithmics S.A. respects law regarding the establishment, membership rules and activities of the audit committee, including the fulfillment by its members criteria of the independence and requirements on possession of knowledge and skills in the industry in which Medicalgorithmics S.A. operates, as well as in the field of accounting or auditing financial statements;
- b) the Audit Committee of Medicalgorithmics S.A. performed duties indicated in applicable regulations.

**Uchwała nr 5/2023
Rady Nadzorczej Medicalgorithmics S.A.
z siedzibą w Warszawie
z dnia 27 kwietnia 2023 r.
w sprawie oświadczenia dotyczącego firmy
audytorskiej przeprowadzającej badanie
sprawozdania finansowego Medicalgorithmics
S.A. za 2022 rok oraz skonsolidowanego
sprawozdania finansowego Grupy Kapitałowej
Medicalgorithmics za 2022 rok**

Rada Nadzorcza Medicalgorithmics S.A., działając na podstawie § 70 ust. 1 pkt 7) oraz § 71 ust. 1 pkt 7) rozporządzenia Ministra Finansów z dnia 29 marca 2018 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (Dz.U. 2018 poz. 757) postanawia, co następuje:

§ 1

Rada Nadzorcza składa oświadczenie dotyczące firmy audytorskiej przeprowadzającej badanie sprawozdania finansowego Medicalgorithmics S.A. za 2022 rok oraz skonsolidowanego sprawozdania finansowego Grupy Kapitałowej Medicalgorithmics za 2022 rok zawarte w Załączniku nr 1 do niniejszej uchwały.

§ 2

Uchwała wchodzi w życie z chwilą podjęcia.

**Resolution no. 5/2023
of the Supervisory Board of Medicalgorithmics
S.A. with its registered office in Warsaw
dated 27 April 2023
on the statement regarding the auditor auditing
the financial statements of Medicalgorithmics S.A.
for 2022 and the consolidated financial
statements of the Medicalgorithmics Capital
Group for 2022**

The Supervisory Board of Medicalgorithmics S.A., acting on the basis of § 70 (1)(7) and § 71 (1)(7) Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws 2018, no. 757), decides as follows:

§ 1

The Supervisory Board makes a statement regarding the auditor auditing the financial statements of Medicalgorithmics S.A. for 2022 and the consolidated financial statements of the Medicalgorithmics Capital Group for 2022 included in Attachment no. 1 hereto.

§ 2

The resolution shall enter in to force on the moment of its adoption.

Załącznik nr 1 do uchwały nr 5/2023 Rady Nadzorczej Medicalgorithmics S.A. z dnia 27 kwietnia 2023 r.

**Oświadczenie Rady Nadzorczej
Medicalgorithmics S.A.
dotyczące firmy audytorskiej przeprowadzającej
badanie sprawozdania finansowego
Medicalgorithmics S.A. za 2022 rok oraz
skonsolidowanego sprawozdania Grupy
Kapitałowej Medicalgorithmics za 2022 rok**

Rada Nadzorcza Medicalgorithmics S.A., działając na podstawie § 70 ust. 1 pkt 7) oraz § 71 ust. 1 pkt 7) rozporządzenia Ministra Finansów z dnia 29 marca 2018 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (Dz.U. 2018 poz. 757), oświadcza, że wybór firmy audytorskiej przeprowadzającej badanie sprawozdania finansowego Medicalgorithmics S.A. za 2022 rok oraz skonsolidowanego sprawozdania Grupy Kapitałowej Medicalgorithmics za 2022 rok, tj. Grant Thornton Polska P.S.A. siedzibą w Poznaniu, wpisanej na listę firm audytorskich pod numerem 4055, został dokonany zgodnie z przepisami, w tym dotyczącymi wyboru i procedury wyboru firmy audytorskiej, w szczególności:

- a) firma audytorska oraz członkowie zespołu wykonującego badanie spełniali warunki do sporządzenia bezstronnego i niezależnego sprawozdania z badania sprawozdania finansowego Medicalgorithmics S.A. za 2022 rok oraz bezstronnego i niezależnego sprawozdania z badania skonsolidowanego sprawozdania Grupy Kapitałowej Medicalgorithmics za 2022 rok, zgodnie z obowiązującymi przepisami, standardami wykonywania zawodu i zasadami etyki zawodowej,
- b) w Medicalgorithmics S.A. są przestrzegane obowiązujące przepisy związane z rotacją firmy audytorskiej i kluczowego biegłego rewidenta oraz obowiązkowymi okresami karencji,
- c) Medicalgorithmics S.A. posiada politykę w zakresie wyboru firmy audytorskiej oraz politykę w zakresie świadczenia na rzecz Medicalgorithmics S.A. przez firmę audytorską, podmiot powiązany z firmą audytorską lub członka jego sieci dodatkowych usług niebędących badaniem, w tym usług warunkowo zwolnionych z zakazu świadczenia przez firmę audytorską.

Attachment no. 1 to the Resolution no. 5/2023 of the Supervisory Board of Medicalgorithmics S.A. dated 27 April 2023

**Statement of the Supervisory Board of
Medicalgorithmics S.A.
regarding the auditor auditing the financial
statements of Medicalgorithmics S.A. for 2022
and the consolidated report of the
Medicalgorithmics Capital Group for 2022**

The Supervisory Board of Medicalgorithmics S.A. acting on the basis of § 70 (1)(7) and § 71 (1)(7) Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws 2018 item 757), declares that the selection of the audit company auditing the financial statements of Medicalgorithmics S.A. for 2022 and the consolidated report of the Medicalgorithmics Capital Group for 2022, i.e. Grant Thornton Polska P.S.A. with its registered office in Poznań, entered on the list of audit companies under number 4055, was made in accordance with the provisions of law, including the selection and procedures for selecting the auditor, in particular:

- a) the audit company and members of the audit team met the conditions for preparing an impartial and independent audit report on the financial statements of Medicalgorithmics S.A. for 2022 and an impartial and independent audit report on the consolidated financial statements of the Medicalgorithmics Capital Group for 2022, in accordance with applicable regulations, professional standards and professional ethics,
- b) Medicalgorithmics S.A. applies regulations related to the rotation of the audit firm and key statutory auditor and the mandatory withdrawal periods are respected,
- c) Medicalgorithmics S.A. has a policy on the selection of an audit company and a policy on the provision of services to Medicalgorithmics S.A. by an audit firm, an entity associated with the audit firm or a member of its network of additional non-audit services, including services conditionally exempted from the ban on the provision of an audit firm.

Uchwała nr 4/2023

**Rady Nadzorczej Medicalgorithmics S.A.
z siedzibą w Warszawie**

z dnia 27 kwietnia 2023 r.

**w sprawie oceny sprawozdania finansowego
Medicalgorithmics S.A. za rok 2022,
skonsolidowanego sprawozdania finansowego
Grupy Kapitałowej Medicalgorithmics za rok 2022,
a także sprawozdania Zarządu z działalności
Medicalgorithmics S.A. oraz z działalności Grupy
Kapitałowej Medicalgorithmics za 2022 rok**

Rada Nadzorcza Medicalgorithmics S.A., działając na podstawie § 70 ust. 1 pkt 14) oraz § 71 ust. 1 pkt 12) rozporządzenia Ministra Finansów z dnia 29 marca 2018 r. w sprawie informacji bieżących i okresowych przekazywanych przez emitentów papierów wartościowych oraz warunków uznawania za równoważne informacji wymaganych przepisami prawa państwa niebędącego państwem członkowskim (Dz.U. 2018 poz. 757) postanawia, co następuje:

§ 1

Rada Nadzorcza przyjmuje ocenę sprawozdania finansowego Medicalgorithmics S.A. za rok 2022, skonsolidowanego sprawozdania finansowego Grupy Kapitałowej Medicalgorithmics za rok 2022, a także sprawozdania Zarządu z działalności Medicalgorithmics S.A. oraz z działalności Grupy Kapitałowej Medicalgorithmics za 2022 rok, zawartą w załączniku do niniejszej uchwały.

§ 2

Uchwała wchodzi w życie z chwilą podjęcia.

Resolution no. 4/2023

**of the Supervisory Board of Medicalgorithmics S.A.
with its registered office in Warsaw**

dated 27 April 2023

**on the assessment of the financial statements of
Medicalgorithmics S.A. for 2022, the consolidated
financial statements of the Medicalgorithmics Capital
Group for 2022 and the Management Board's report
on the business activities of Medicalgorithmics S.A.
and the business activities of the Medicalgorithmics
Capital Group for 2022**

The Supervisory Board of Medicalgorithmics S.A. (a joint stock company), acting on the basis of § 70 (1)(14) and § 71 (1)(12) Regulation of the Minister of Finance of March 29, 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws 2018, no.757), decides as follows:

§ 1

The Supervisory Board approves the assessment of the financial statements of Medicalgorithmics S.A. for 2022, the consolidated financial statements of the Medicalgorithmics Capital Group for 2022 and the Management Board's report on the business activities of Medicalgorithmics S.A. and the business activities of the Medicalgorithmics Capital Group for 2022, included in attachment hereto.

§ 2

The resolution shall enter in to force on the moment of its adoption.



Central Tower, 18 floor
Al. Jerozolimskie 81
02-001 Warsaw, Poland



+48 22 825 12 49
finanse@medicalgorithmics.com
medicalgorithmics.pl