



Consolidated Annual Report **MEDICALgorithmics** **Capital Group**

for 2022

This report includes:

- Letter to shareholders
- Consolidated 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 GROUP
**2022 CONSOLIDATED FINANCIAL
STATEMENTS**

I	Consolidated financial data summary	3
II	Consolidated Statement of Financial Position	4
III	Consolidated Statement of Comprehensive Income	5
IV	Consolidated Statement of Changes in Equity	7
V	Consolidated Statement of Cash Flows	8
1.	General information	9
2.	Capital Group details	9
3.	Parent information	10
4.	Basis for preparation	11
5.	Main accounting policies	20
6.	Business segment reporting	28
7.	Structure of sales revenues	28
8.	Employee benefits	29
9.	Depreciation/amortization	29
10.	Third-party services	29
11.	Other operating income and expenses	30
12.	Financial income and expenses	30
13.	Discontinued operations	31
14.	Effective tax rate	31
15.	Deferred income tax assets and provisions	32
16.	Intangible assets	32
17.	Tangible non-current assets (PP&E)	37
18.	Inventory	39
19.	Receivables	39
20.	Cash and cash equivalents	40
21.	Shareholders equity	40
22.	Provisions	42
23.	Borrowings	42
24.	Trade and other payables and accruals	42
25.	Other financial liabilities	43
26.	Financial risk management	44
27.	Business risk	48
28.	Capital management	48
29.	Leases	48
30.	Contingent liabilities	49
31.	Contingent assets	50
32.	Transactions with officers	50
33.	Headcount	50
34.	Significant litigations	51
35.	Certified auditor of financial statements	51
36.	Events after balance sheet date	51

I Consolidated financial data summary

	PLN '000		EUR '000	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Consolidated statement of financial position				
Non-current assets	65 943	77 664	14 061	16 886
Intangible assets	63 920	50 571	13 629	10 995
Long-term financial assets	20	97	4	21
Current assets	42 792	36 746	9 124	7 989
Short-term receivables	7 856	25 079	1 675	5 453
Cash and cash equivalents	26 165	11 667	5 579	2 537
Long-term liabilities	17 053	26 761	3 636	5 818
Short-term liabilities	11 599	40 255	2 473	8 752
Equity attributable to Shareholders of the Parent Company	80 075	47 385	17 074	10 302
Share capital	995	498	212	108
Non-controlling interests	9	9	2	2
Number of shares	9 952 769	4 976 385	9 952 769	4 976 385
Book value per ordinary share (PLN/EUR)	8,05	9,52	1,72	2,07
Consolidated statement of comprehensive income				
	01.01.2022-	01.01.2021-	01.01.2022-	01.01.2021-
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Sales revenue	62 719	48 349	13 378	10 562
Profit/(loss) on sales	16 377	12 159	3 493	2 656
Operating profit/(loss)	17 212	(9 635)	3 671	(2 105)
Profit/(loss) before tax	17 872	(7 010)	3 812	(1 531)
Net loss from continuing operations	18 088	(6 572)	3 858	(1 436)
Net loss from discontinued operations	(48 492)	(174 066)	(10 343)	(38 026)
Net profit/(loss)	(30 404)	(180 638)	(6 485)	(39 462)
- attributable to Shareholders of the Parent Company	(30 404)	(180 638)	(6 485)	(39 462)
- attributable to non-controlling interests	-	(0)	-	-
Net profit attributable to Shareholders of the Parent Company per share (in PLN) – basic	(5,33)	(39,73)	(1,14)	(8,68)
Consolidated statement of cash flows				
	01.01.2022-	01.01.2021-	01.01.2022-	01.01.2021-
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net cash flows from operating activities	6 331	(6 479)	1 350	(1 415)
Net cash flows from investing activities	(1 812)	(15 776)	(386)	(3 446)
Net cash flows from financing activities	9 979	27 119	2 128	5 924
Total net cash flows	14 498	(4 530)	3 092	(990)

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

II Consolidated Statement of Financial Position

		31.12.2022	31.12.2021
Intangible assets	15	63 920	50 571
Property plant and equipment	16	2 003	26 996
Financial assets	17	20	97
Deferred income tax assets	14	-	-
Non-current assets		65 943	77 664
Inventory		8 771	-
Trade and other receivables	18	7 857	25 079
Cash and cash equivalents	19	26 165	11 667
Current assets		42 793	36 746
TOTAL ASSETS		108 736	114 410

		31.12.2022	31.12.2021
Share capital	19.1	995	498
Supplementary capital		210 982	148 123
Retained earnings		(135 340)	(104 758)
Foreign exchange differences	24.3	3 433	3 522
Equity attributable to Shareholders of the Parent Company		80 070	47 385
Non-controlling interests		9	9
Total equity		80 079	47 394
Provisions	20	191	105
Deferred tax liabilities	14	8 293	4 378
Credits and loans	21	-	8 123
Liabilities in respect of bonds and other financial liabilities	23	4 244	10 784
Other liabilities		147	144
Accruals and deferred income	22	4 178	3 227
Long-term liabilities		17 053	26 761
Credits and loans	21	9	1 519
Provisions	23	641	3 200
Other financial liabilities	22	5 006	8 008
Trade and other liabilities	22	5 788	18 416
Income tax liabilities	22	125	113
Accruals and deferred income	22	35	8 999
Short-term liabilities		11 604	40 255
Total liabilities		28 657	67 016
TOTAL EQUITY AND LIABILITIES		108 736	114 410

III Consolidated Statement of Comprehensive Income

		01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Sales revenue	7	62 719	48 349
Raw materials and consumables used		(12 354)	(9 918)
Employee benefits	8	(17 093)	(12 893)
Amortization and depreciation	9	(4 020)	(4 187)
Third-party services	10	(12 218)	(8 695)
Other		(657)	(497)
Total costs of sales		(46 342)	(36 190)
Profit/(loss) on sales		16 377	12 159
Other operating revenue	11	1 877	266
Other operating expenses	11	(1 042)	(22 060)
- including an impairment loss on development works		-	(21 737)
Operating profit/(loss)		17 212	(9 635)
Finance income	12	955	3 245
Finance costs	12	(295)	(620)
Net finance costs		660	2 625
Profit/(loss) before tax		17 872	(7 010)
Income tax	13	216	438
Net profit/(loss) from continuing operations		18 088	(6 572)
Net profit/(loss) from discontinued operations		(48 492)	(174 066)
Net profit for the reporting period attributable to Shareholders of the Parent Company		(30 404)	(180 638)
Net profit for the reporting period attributable to non-controlling interests		-	(0)
		(30 404)	(180 638)
Other comprehensive income that can be reclassified to income statement in the following reporting periods			
Currency translation differences		(89)	5 067
Exchange differences on loans constituting a part of net investments in subsidiaries		-	5 606
Deferred tax on valuation of exchange differences on loans		-	(1 065)
Other comprehensive income that can be reclassified to income statement in the following reporting periods		(89)	9 608
Other comprehensive income		(89)	9 608
Other comprehensive income attributable to Shareholders of the Parent Company		(89)	9 609
Other comprehensive income attributable to non-controlling interests		0	(1)
Total comprehensive income for the reporting period			
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		(30 493)	(171 029)
Comprehensive income for the reporting period attributable to non-controlling interests		0	(1)
		(30 492)	(171 030)
Net profit attributable to Shareholders of the Parent Company per share (in PLN)			
Basic earnings (loss) per share		(5,33)	(39,73)
-from continuing operations		3,18	(1,45)
-from discontinued operations		(8,51)	(38,28)

Diluted earnings (loss) per share:	(5,33)	(39,73)
-from continuing operations	3,18	(1,45)
-from discontinued operations	(8,51)	(38,28)

IV Consolidated Statement of Changes in Equity

	Share capital	Supplementary capital	Retained earnings	Foreign exchange differences	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
Equity as at 1 January 2022	498	148 123	(104 758)	3 522	47 385	9	47 394
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	(30 404)	-	(30 404)	-	(30 404)
Other comprehensive income	-	-	-	(89)	(89)	0	(89)
	-	-	(30 404)	(89)	(30 493)	0	(30 493)
Transactions recognized directly in equity							
Issue of shares in the Parent Company	498	62 859	-	-	63 357	-	63 357
Share purchase transaction	-	-	(178)	-	(178)	-	(178)
Increase (decrease) the value of equity	498	62 859	(30 582)	(89)	32 686	0	32 686
Equity as at 31 December 2022	995	210 982	(135 340)	3 433	80 070	9	80 079

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

V Consolidated Statement of Cash Flows

	PLN '000 01.01.2022- 31.12.2022	PLN '000 01.01.2021- 31.12.2021
Cash flows from operating activities		
Net profit/(loss)	(30 404)	(180 638)
Depreciation of property plant and equipment	1 482	10 396
Amortization of intangible assets	2 741	7 137
Income tax	1 804	17 343
Change in inventory	(1 633)	-
Change in trade and other receivables	(36 290)	(2 889)
Change in accruals prepayments and deferred income	11	(2 499)
Change in trade and other liabilities	(51)	4 972
Change in provisions	335	332
Change in financial liabilities	5 867	(13 855)
Updating of intangible assets	1 148	162 283
Write-down of receivables	63 794	-
Write-down of value of loans	(8 342)	-
Profit/(Loss) on sale of investments	-	(85)
Tax paid	2 144	2 216
Foreign exchange differences	3 679	(4 474)
Interest	-	607
Revenue recognized from the subsidy settlement	-	(7 336)
Other	46	11
	6 331	(6 479)
Cash flows from investing activities		
Acquisition of intangible assets	(12 374)	(5 969)
Acquisition of property, plant and equipment	-	(9 910)
Sale of other investments	-	103
Proceeds from the sale of investments	19 957	-
Adjustment of cash on disposal of investments	(9 395)	-
	(1 812)	(15 776)
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of loans taken out with interest	(1 477)	(1 536)
Proceeds from the issue of shares	13 870	11 447
Proceeds from grants received	-	15 087
Repayment of financial liabilities	(1 651)	(2 040)
Payments of finance lease liabilities	-	(5 233)
Other inflows/outflows from financing activities	(763)	-
	9 979	17 725
Total net cash flows	14 498	(4 530)
Opening balance of cash and cash equivalents	11 667	16 197
Closing balance of cash	26 165	11 667

1. General information

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

"Consolidated statements" mean the consolidated financial statements of Medicalgorithmics Capital Group as of December 31, 2022, covering the period from January 1, 2022 to December 31, 2022, including comparable data for the corresponding period of 2021.

2. Capital Group details

Medicalgorithmics Capital Group consists of Medicalgorithmics S.A. and its subsidiaries.

The Parent owns:

- 100% shares in 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 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.

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

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

Business profile

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

The primary business areas of the Group are:

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

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

The Group's main competitive advantages are:

- advanced technology in mobile cardiac telemetry 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.

3. Parent information

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

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

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

Parent data

Name of reporting entity: Medicalgorithmics S.A.

Legal form: joint-stock company/corporation (Spółka Akcyjna)

Registration country: Poland

Registered office: Al. Jerozolimskie 81, 02-001 Warsaw

Headquarters: Al. Jerozolimskie 81, 02-001 Warsaw, Poland

Principal place of business: Al. Jerozolimskie 81, 02-001 Warsaw

Primary object of business activity: Medicalgorithmics Capital Group and its Parent operate in the sector of advanced telemetry for medicine. The Group provides solutions for cardiac diagnostics, especially in ECG signal analysis. The Group's primary areas of activity are supply of ECG monitoring services, information technology services, research and development, and electromedical equipment production.

Changes of the reporting entity's name or other identifying information since the end of the previous reporting period: There have been no changes of the entity's name or other identifying information during the current reporting period and up to the date of these consolidated financial statements.

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

Management Board

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

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

Supervisory Board

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

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, Member of Audit Committee, Member of Nomination and Remuneration Committee (since November 16, 2022)

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

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

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

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 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 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 March 21, 2022, the Company was informed that Mr Werner Engelhardt resigned from his position in the Supervisory Board, effective on the date of the submitted notice. On March 22, 2022, the General Meeting dismissed Mr Brandon von Tobel from the Supervisory Board (Resolution 4/03/2022, effective upon adoption). On April 26, 2022, the Company was informed that Mr Grzegorz Janas resigned from his position in the Supervisory Board, effective from April 30, 2022.

4. Basis for preparation

4.1. Statement of conformance

The annual consolidated 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 Capital Group 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 Parent 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 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.

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, 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. 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). As a result, according to current report no: 2/2023 dated 16/01/2023. The seller received \$3.0 million as 65% of the value of any tax refunds received by Medi-Lynx (i.e. reimbursement of a portion of the personal taxes paid under the Employee Retention Credit, ERC program from IRS federal funds in the U.S., as referred to in the Contingent Assets note in the Company's 2021 financial statements), less the costs of obtaining the reimbursement indicated in the Agreement, and 65% of the total amount being the difference (savings) between the total amount of Medi-Lynx's disputed potential sales and excise tax liabilities for the period from July 1, 2014 to December 31, 2020 (estimated at approx. 3.479 thousand USD) 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.

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 increased the sales team.

4.2. Acquisition of Kardiolytics Inc. under IFRS 3

On November 8, 2022, the following agreements (the "Transaction") were signed between the Company and Biofund Capital Management LLC based in Miami, USA, as announced in Current Report 64/2022:

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, at an issue price of PLN 44.27 per share, in exchange for a cash

contribution of PLN 13,807,810.30 and a non-cash contribution of 1,500 shares 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 Kardiolytics, representing 100% its share capital, to partly cover the total issue price of the shares.

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.

Provisional settlement of the Transaction

According to IFRS 3 *Business Combinations*, the Kardiolytics acquisition is accounted using the purchase method accounting. The Transaction was effected through the issue of equity shares, with Medicalgorithmics S.A. increasing the share capital by issuing new shares that were allocated to Kardiolytics shareholders, hence prompting the Company to assess the facts and circumstances of the Transaction to determine which entity qualified as the acquirer.

Based on its professional judgment, the Company concluded that it was the acquirer that gained control of Kardiolytics in the Transaction. The rationale behind such position was that the owners were the group holding the largest voting interest as well as a majority on the management board and the supervisory board. Notably, as the acquiring party Medicalgorithmics was a significantly larger entity than Kardiolytics, with the latter not carrying out any operating activity either at the acquisition stage or afterwards.

Consequently, there is no indication that the previous owners of Kardiolytics have taken control of the combined entities, but that they are merely exercising significant influence over the Company. This also means that no reverse takeover has occurred, with the control of the combined entities remaining in the hands of Medicalgorithmics shareholders. Consequently, Medicalgorithmics qualifies as the controlling and dominant entity towards Kardiolytics. The transaction was accounted using the acquisition method as outlined in IFRS 3, according to which the buyer (MDG) recognizes identified assets, liabilities and contingent liabilities at their fair value as at the date of the acquisition as well as goodwill, or recognizes gain on the transaction based on a lower price.

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. As of the date of these consolidated financial statements, the accounting of the acquisition has not been completed yet. According to IFRS 3 section 45, the Company applied a provisional settlement of the Transaction ahead of the its final settlement to be made within 12 months of the date of the Transaction.

The Company decided to engage professional advisors for a valuation of the fair value of acquired assets and liabilities, in particular intangible assets such as VCAST technology developed by Kardiolytics. The valuation was based on consistent assumptions of the valuation methodology which was prepared for the purpose of determining the value of Kardiolytics in the Transaction. In the course of the analysis process carried out by the Management Board, various technology development scenarios and valuation parameters are also taken into account.

The technology is valued at fair value using the 'relief from royalty' method. In the ongoing analysis of scenarios, different approaches to the following key assumptions are considered:

Technology lifetime	From 20 years to unmarked
Obsolescence factor	From 0 to 4%
License fee rate	From 10% to 20,1%
Discount rate (in real terms in USD)	19,1%

For the purpose of preparing the provisional accounting of the Transaction, the most conservative approach was applied to the above parameters. The resulting value of the technology was estimated and preliminarily accepted at PLN 41.2 million, and it was discussed with the Company's auditor. This value will be subject to further review and final accounting in a future period once the final approach to the valuation of this asset is agreed upon.

As of the date of these financial statements, the provisional accounting of the Transaction assumed the following value of the acquired and identifiable assets and liabilities of Kardiolytics:

	PLN
A. Acquired assets	41 607 357
Non-current assets	41 548 540
VCAST technology	41 161 274
Other fixed assets	7 265
Deferred income tax assets	380 000
Current assets	58 817
Cash and cash equivalents	58 817
B. Liabilities assumed	9 822 987
Trade liabilities	2 345
Contingent liabilities	2 000 000
Deferred tax provisions	7 820 642
C. Provisional net asset value (A-B)	31 784 370
D. Fair value of the consideration transferred	49 989 433
E. Provisional goodwill (D-C)	18 205 063

In addition to VCAST technology, the identified assets included PP&E assets, such as office equipment, and cash. The contingent liability included was related to the potential amount due to Z. Religa Foundation for Cardiac Surgery Development. Deferred tax assets and the provision for deferred tax liabilities result from differences between the tax value and the carrying value of individual assets and liabilities.

The resulting provisional goodwill 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 as of November 8, 2022, which was PLN 12.82, was applied to determine the fair value of the issued instruments. Effect, 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.

The impact of the acquisition of Kardiolytics on the Group's revenue and net income for the 12 months ended December 31, 2022 was PLN 0 thousand or PLN 178 thousand of loss if the acquisition had taken place at the beginning of the period.

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

Presentation of selected data according to IFRS 5

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

4.4. First-time standards and interpretations in 2022

The accounting policies used in the preparation of these consolidated financial statements are consistent with those already used towards the 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 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 Group's operations or the scope of information presented in these financial statements.

4.5. 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.

4.6. Measurement

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

4.7. Presentation and functional currency

Data in the consolidated financial statements are presented in Polish zloty ("PLN"), rounded to the nearest thousand without decimal places.

The Polish zloty is the functional currency of Medicalgorithmics S.A. and Medicalgorithmics Polska Sp. z o.o. The functional currency of subsidiary Kardiolytics and subsidiary MDG HoldCo is the United States dollar ("USD"), and in the case of Medicalgorithmics India Pvt. Ltd it is the Indian rupee ("INR").

a. Translation of non-PLN subsidiary statements

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

b. Translation of items not in functional currency

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

The Parent has USD loans granted to consolidated foreign businesses (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 on such loans (recognized in profit or loss in its separate financial statements) are recognized in other comprehensive income.

4.8. Judgments and estimations

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

Estimations and the related assumptions are subject to ongoing verification.

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

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

Professional judgment

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

- accounting of the Kardiolytics acquisition (Note 4.2);
- estimated duration of the pandemic and its impact on liquidity (more details below in this note);
- viability of business plans (Note 4.1);
- determination of the time of fulfilment of obligations and the time of recognition of revenue (Note 5.18);
- determination of the time of the commissioning of development work and determination of the economic utility of products introduced (Note 16);
- methods of impairment testing and estimation of the recoverable amount of tested cash generating units (Note 4.9).

Estimates and assumptions:

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

- proper presentation as per IFRS 5 of assets and liabilities held for sale, as well as income statement and cash flows related to discontinued operations associated with such assets held for sale – Note 4.3;
- 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 4.9;
- intangible assets (estimates of amortization rates used for intangible assets) – Note 16;
- PP&E tangible assets (estimates of depreciation rates used) – Note 17;
- rights of use and finance lease liabilities recognized under IFRS 16 (estimates of the lease term, useful life and the discount rate used) - Note 16 and Note 29;

- impairment of goodwill and customer pool (estimate of projected cash flows for value in use, estimate of discount rate) - Note 4.9;
- trade receivables and other financial assets, including loans granted (as of the balance sheet date, the Group assesses whether there is any objective evidence of impairment of a receivable or a group of receivables; if the recoverable amount of an asset is lower than its carrying amount, the Company recognizes an impairment loss up to the present value of the planned cash flows); as a result of the application of IFRS 9, the approach used to estimate impairment of financial assets is based on measurement at amortized cost or at fair value through other comprehensive income – Note 19;
- transaction price - the estimated transaction price reflects a reliable estimate of the expected consideration in exchange under the contract based on the Company's past experience and ability to perform such services (Note 5.18);
- current income taxes, deferred tax assets and liabilities, other taxes (Notes 14 and 15).
The Group is subject to income taxes in several jurisdictions and tax laws are subject to frequent changes, resulting in significant differences in interpretation and significant uncertainty in their application. In the ordinary course of business, there are transactions and calculations for which the ultimate determination of tax is subject to uncertainty.

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

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

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

COVID-19 impact on material accounting judgments and estimates

In the context of the 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.

4.9. 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.

Goodwill impairment test after change of control of Kardiolytics Inc.

According to IAS 36, the Company tested the impairment of goodwill after the provisional accounting of the change-of-control event – the acquisition of Kardiolytics Inc. The goodwill impairment test was performed as of December 31, 2022 by estimating the value in use of the cash-generating unit using the discounted cash flow method ("DCF"). The cash-generating unit was identified at the level of Kardiolytics Inc. The goodwill impairment test using DCF was prepared based on 2023-2027 projected results and the residual value remaining afterwards. Cash flow projections were made on the basis of the cost budget covering a period until the commercialization of the technology developed by Kardiolytics Inc. and management's predictions of its financial performance after the start of the commercialization.

The key assumptions for the test, which was conducted as of December 31, 2022, were:

- discount rate 17.1% (real, in USD);
- residual growth rate 1.38% (after 2027).

The impairment test carried out as of December 31, 2022 based on the above assumptions, including an analysis of sensitivity to possible changes in these assumptions, has demonstrated no need for write-downs adjusting the tested assets. The result of the sensitivity analysis showed that the weighted average cost of capital and license fees have the most significant impact on the value of the tested asset. A change in any of the key assumptions (increase of weighted average capital by 0.9 p.p. or decrease of license fees by 0.1 p.p.) would cause the recoverable amount to be equal to its carrying value.

4.10. Approver of financial statements

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

5. Main accounting policies

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

5.1. Consolidation methods

a. Subsidiaries

Subsidiaries are entities which the Parent controls. The control occurs when the Parent has the capacity to manage, either directly or indirectly, the financial and operational policy of a given entity with the aim of obtaining certain gains from its activity. Evaluation of the degree of such control takes into account influence of any existing and potential voting rights which, as at the reporting date, could be exercised or converted. Financial statements of subsidiaries are included in the consolidated financial statements from the time when control is assumed over them to the time when such control ceases.

b. Consolidation adjustments

Internal accounts between the Group units, transactions within the Group and any resulting unrealized profits or losses, as well as revenues and expenses of the Group are eliminated when preparing the consolidated financial statements. Unrealized profits resulting from transactions with associated units are excluded from the consolidated financial statements in proportion to the Group's interests in such units. Unrealized losses are excluded from the consolidated financial statements similarly to unrealized profits – until such time when indicators of impairment occur.

5.2. Goodwill

Goodwill that arises from the acquisition of subsidiaries is recognized as an intangible asset. The fair value of the consideration given in exchange does not include amounts that are related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss of the current period. Acquisition-related costs (other than related to issue of debt / equity instruments) that the Group incurs in connection with a business combination are accounted for as an expense in the period in which they were incurred.

After the initial recognition, goodwill will be measured at the acquisition price less accumulated impairment losses applied. Acquisitions of non-controlling interests are recognized as transactions with owners and hence no goodwill is recognized on such transactions. Adjustments of non-controlling interests are based on the proportionate value of a subsidiary's net assets.

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

Tangible non-current assets (property, plant & equipment) are recognized based on the acquisition price or production cost less depreciation charges and impairment losses. 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 Group's use (application of IFRS 16 is described in section 5.4. 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 Capital Group 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 Group.

PP&E tangible assets (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 Group (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 Capital Group 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 non-current assets used under leases: the period remaining until expiry of the agreement, if the economic useful life is shorter (more details in section 5.4. 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.

5.4. Leases

According to IFRS 16, an arrangement qualifies as a lease as long as the lessee enjoys the right to control the use of a defined asset. 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 one-off 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.

The Group (as lessee) has been recognizing all identified leases using the same method 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 Group (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. It uses an interest rate representing the projected debt service cost to split a lease payment into its interest and principal parts. 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.

5.5. Intangible assets

The Group recognizes intangible assets only when:

- a) probable that future economic benefits attributable to a given asset will be obtained by the Group, 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:

Customer pools: 20 years;

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 Group 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 Group 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 Group'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 begin 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 Capital Group 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 Group, dividends payable, foreign exchange gains / losses and gains / losses on hedging instruments which are recognized in the income statement.

5.6. 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.

5.7. Financial instruments

Financial assets are classified based on the following categories:

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

The Group 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 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. The Group 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 Group 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 Group classifies loans granted, trade receivables and other receivables that fit under IFRS 9 for the measurement at amortized cost. The Group 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.

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 acquisition price 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 Group includes short-term investments in securities, including acquired units of investment funds.

c. Financial assets at fair value through other comprehensive income

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

5.8. Non-derivative financial liabilities

Debt instruments issued and subordinated liabilities are recognized by the Group 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 Group becomes a party to a contract obliging to issue a given financial instrument.

The Group 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 Group 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 Group classifies non-derivative financial liabilities in the category of other financial liabilities. 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. Other financial liabilities include borrowings and other debt instruments, overdrafts, trade payables and other liabilities.

5.9. Asset impairment adjustments

Financial assets (including receivables)

At the end of every reporting period, the Group evaluates whether there are objective indicators of impaired value of financial assets not measured at fair value through profit or loss.

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

- general approach;
- simplified approach.

The Group 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 Group 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 Group estimates the impairment loss over a 12-month period. If the Group identifies a significant increase in the credit risk of the financial asset (steps 2 and 3), 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 Group analyzes potential indicators of significant increase of the credit risk on its financial assets.

At the time of IFRS 9 implementation, the Group analyzed the history of recognized allowances for receivables and concluded that the potential application of the expected credit losses model would not materially affect the amount of allowances recognized by the Group, therefore deciding to continue the recent approach. See Note 18 for a detailed description of the methodology used to calculate financial asset impairment losses.

Considering the nature of trade receivables, the allowance for receivables (despite the changes stemming from the standard) has remained at a level similar to the allowance calculated based on the principles effective before January 1, 2018. The impact of the IFRS 9 implementation on the Group's retained earnings was immaterial.

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 Capital Group 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 recognized at the time when the carrying amount of an asset exceeds its recoverable value. Impairment loss adjustments are recognized through profit or loss in the current period.

The adjustment for goodwill impairment is not reversible. 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.

5.10. Discontinued operations

Discontinued operations mean a certain line of business that has been divested or classified as 'held for sale' and:

- is a standalone and significant line of business or geographic area of operations;
- is a part of a one-off and coordinate plan of divestment of a standalone and significant line of business or geographic area of operations;
- is a subsidiary acquired solely with the intention of selling it further.

A disposal group means a group of assets that are to be sold, as a whole, through a single sale or other transaction, together with the directly related liabilities that will also be transferred in that transaction. A company will receive goodwill in a business combination if its group is a cash-generating unit to which goodwill has been allocated.

A company will classify a non-current asset (or disposal group) as 'held for sale' if its carrying amount is recoverable primarily through a sale transaction rather than through its continued use.

This is the case of an asset (or disposal group) that immediately available for sale in its current condition, subject only to normal and customary conditions for selling such an asset (or disposal group), and insofar as its sale is highly probable.

An entity measures a non-current asset (or disposal group) 'held for sale' at the lower of its carrying amount or its fair value less selling costs.

The Company recognizes an impairment loss when an asset (or disposal group) is initially or subsequently remeasured to fair value less selling costs.

5.11. 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.

5.12. Employee benefits

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

Accordingly, the Group 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 Capital Group does not create provisions for retirement gratuities and jubilee awards as their impact is immaterial.

5.13. Provisions

A provision is recognized when the Capital Group 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.

5.14. 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.

5.15. 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.

5.16. Shareholders equity

Shareholders equity reported in the Parent'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) The share premium (based on a price exceeding the nominal value of 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 and profit or loss of the current financial period).

5.17. 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.

5.18. Revenues

The standard 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 new standard replaces all existing revenue recognition requirements under IFRS. The Five Step Model:

Identification of a contract with a customer,

A customer contract meets the definition when all the criteria are met: the contracting parties have entered into a contract and are obligated to make their respective performances; The Group is able to identify rights of each party in the goods or services to be transferred; The Group 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 Group 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

At the inception of a contract, the Group evaluates the goods or services promised in the contract with a customer and identifies a performance obligation in each promise to transfer to such customer: a good or a service (or their package) that is separable or a group of separate goods or services that are substantially the same and the transfer of which (to that customer) has the same character.

Determination of transaction price

In determining the transaction price, the Group takes into account the terms of the contract and any customary business practices. The transaction price is the value of consideration that the Group 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 Group 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 Group 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 to the transaction price that has been allocated to the performance obligation. The Group 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 Group, and the Group has an enforceable right to payment in exchange for the performance rendered so far.

Medicalgorithmics Capital Group operates in the sector of advanced telemetry for medicine and provides solutions for cardiac diagnostics, especially in ECG signal analysis. The Group distinguishes the following streams of revenue:

- Revenue from the sale of a cardiac diagnostics equipment (PocketECG system);
- Revenue from diagnostic services provided.

Revenue from the sale of a cardiac diagnostics equipment

At the consolidated level, revenue from PocketECG system sale represents a marginal portion of the Group's streams (Note 7). This revenue is generated by Medicalgorithmics S.A. which 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.

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 Group transfers the control of the system *over time*, thereby satisfying the performance obligation and recognizing the revenue over time, as well. The Group 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 Group expects to receive in exchange for the transfer of promised goods or services to a customer, excluding amounts withheld for third parties. The estimated transaction price reflects a reliable estimate of the expected consideration under the contract based on the entity's past experience and its ability to make such type of performance. 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 Group'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 Group 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.

Revenue from services provided

The primary stream of revenue for the Group has been its diagnostic services that are provided to US patients. 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.

In the case of services, the Group recognizes revenue when a given performance obligation becomes fulfilled. Fulfillment of the performance obligation is defined as the completion of an ECG test service on a patient with the use of PocketECG device and an analysis of the test results. The revenue is recognized as a one-time event when the test is administered and billed.

The Group cooperates with certain private insurers without long-term contracts signed that would determine test price rates. The revenue measurement is based on the estimated transaction price that the Group expects to receive in exchange for the test service. According to industry practices, the Group uses a model where revenue estimates are based on historical cash receipts for services performed. In the case of respective insurers, rates per test (depending on its type) are estimated based on average payments from twelve months up to six months before the date of the estimation. The estimated transaction price also takes into account all expectations regarding the actual value of consideration that are known to the entity in view of the contractual and business circumstances at the time, in exchange for the different types of tests. A reliable estimate of the transaction price is reviewed at each balance sheet date. The Group is implementing a change of the business model and enter into long-term service contracts directly with key private insurers (in-network), which define fixed test rates. In the case of such revenue generated through the in-network model, the transaction price is the rate specified in such contract.

5.19. Financial income and expenses

Financial income includes interest income related to funds invested by the Group, 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.

5.20. Income tax

Deferred tax assets and provisions for deferred tax liabilities are offset if the Group has an enforceable legal right to offset current tax liabilities and assets, and provided that the deferred tax assets and deferred tax liabilities relate to income taxes imposed by the same tax authority on the same taxpayer or on different taxpayers who intend to settle income tax liabilities and receivables on a net basis or to realize the receivable and settle the liability simultaneously.

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.

5.21. 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.

5.22. 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.

5.23. Changes in accounting policies

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

6. Business segment reporting

The principal object of the Group's activity is:

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

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

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

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

7. Structure of sales revenues

By type	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Revenue from sales of services	51 906	38 541
Revenue from sales of devices	10 813	9 808
Total revenue	62 719	48 349

The Group recognizes revenue from the supply of its medical services (generated by MDG Poland and MDG India), subscription revenue, and other revenue from the sale of PocketECG devices generated by Medicalgorithmics S.A. (based on cooperation

with strategic partners, excluding subsidiaries). In 2022, the Group's revenue amounted to PLN 62.9 million and increased by 30% compared to 2021. Below is the structure of sales revenues and territories.

Structure of revenues from the sale of services

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Revenues from the sale of medical services	2 835	2 484
Revenues from the sale of post-paid services	45 135	32 572
Revenues from the sale of ECG data analysis services	1 080	885
Revenue from the sale of maintenance services	2 178	1 733
Revenues from the sale of other services	678	867
	51 906	38 541

By territory

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Poland	2 353	2 189
United States	44 033	32 192
Canada	8 605	6 483
Others	7 728	7 485
	62 719	48 349

8. Employee benefits

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Remuneration	(14 862)	(11 513)
Social security and other employee benefits	(2 231)	(1 380)
	(17 093)	(12 893)

In the reporting period, the Group recorded higher payroll expenses mainly caused by the change in the staff structure versus the comparable period.

9. Depreciation/amortization

This expense was PLN 4.0 million in the year. 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 988 million (PLN 983 million in the comparable period).

10. Third-party services

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Lease and rental	(1 151)	(740)
Telecommunication and Internet services	(283)	(174)
IT services	(3 205)	(3 245)
Accounting and financial audit services	(1 605)	(927)
Advisory services	(3 130)	(1 483)
Transport and courier services	(571)	(409)
Monitoring services	(305)	(200)
Marketing services	(55)	(33)
Other third-party services	(1 913)	(1 484)
	(12 218)	(8 695)

In the reporting period, the Group recorded an increase in costs of third-party services, compared to the comparable period. In particular, there was a significant increase in consulting and legal expenses resulting from 2022 transactions.

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.

11. Other operating income and expenses

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Settlement of subsidies	4	-
Profit for debt restructuring	1 255	-
Other	618	266
Other operating revenue	1 877	266
Impairment loss on development works	-	(21 737)
Impairment losses on inventories	(71)	(27)
Write-down of receivables	(19)	-
Other	(952)	(296)
Other operating expenses	(1 042)	(22 060)

In Q3 2022, the Group recognized a gain on debt restructuring in the amount of PLN 1.3 million.

In 2022, as a result of a review of the Company's product portfolio, the Management Board resolved not to pursue further development of the REHAB project (PocketECG CRS). The Management Board's decision has been driven by the need to optimize the use of its resources and competencies. In the opinion of the Management Board, it is in the best interest of the Company to direct resources and operations towards projects that have the best chance of quick commercialization in short-to-mid term. As a consequence of this decision, it recognized a one-time financial event of PLN 8.0 million revaluation of assets assigned to the project. The value of the project was written off as of December 31, 2021.

As of December 31, 2021, the Management Board identified indications of potential impairment of non-current assets, thus an impairment test was performed. The conducted test has shown an impairment loss on intangible assets of 'MDG S.A.' CGU and they were adjusted by writing down PLN 21.7 million. Details of the test are described in Note 4.7 to 2021 financial statements.

12. Financial income and expenses

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Interest income	-	239
Foreign exchange differences	691	2 895
Other	264	111
Finance income	955	3 245
Interest	(224)	(438)
Interest on leases	(47)	(176)
Other	(24)	(6)
Finance costs	(295)	(620)
Net finance costs	660	2 625

Financial expenses are mainly interest on the overdraft facility from Bank Millennium S.A. as well as on finance leases.

13. Discontinued operations

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Revenue from discontinued sales	-	-
Total cost cost	-	-
Profit/Loss on discontinued sale	-	-
Other operating revenue	-	20 033
Other operating expenses, including write-downs and depreciations	(65 523)	(128 113)
Operating profit/(Loss) from discontinued operations	(65 523)	(108 080)
ML sale price adjustment	13 283	-
Exchange differences from the valuation of ML receivables and liabilities	(2 647)	-
Other expenses	-	(274)
Profit/(Loss) before tax on discontinued operations	(54 887)	(108 354)
Income tax	-	(16 716)
Net profit/(loss) from discontinued operations	(54 887)	(125 069)
Assets held for sale	33 013	90 437
Liabilities related to assets classified as held for sale	39 409	41 440
Profit/(Loss) on the disposal of assets held and related liabilities constituting discontinued operations	6 395	(48 997)
Net profit/(loss) from discontinued operations	(48 492)	(174 066)

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 were presented as follows:

- according to section 12, changes in continuing and discontinued operations were disclosed in the statement of comprehensive income, statement of cash flows, and notes;
- according to section 40, 2022 opening balance remained unchanged for better comparability.

14. Effective tax rate

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Profit before tax	(30 620)	(164 360)
Tax at the tax rate applicable in Poland	5 818	31 228
Non-tax-deductible costs	(134)	(132)
Difference between the tax rate in Poland and USA	1 140	3 170
Amortization of goodwill for tax purposes	-	1 692
Write-off of assets from title deferred tax	(6 773)	(24 222)
Tax benefit due to the application of the IP BOX relief	-	449
Non-taxable revenue	(2)	2 601
The difference with. write-offs from. impairment	(185)	(30 925)
Other	352	(139)
Tax reported in the statement of comprehensive income	216	(16 278)

15. Deferred income tax assets and provisions

	31.12.2022	31.12.2021
Exchange differences on investments in subsidiaries	-	-
Provision for costs	-	2 402
Interim settlement asset for the acquisition of KL	380	-
Costs of acquisition of Medi-Lynx *	-	339
Other	-	12
Gross deferred tax assets	380	2 753
	31.12.2022	31.12.2021
Difference between the tax base and book value of intangible assets and property plant and equipment	-	3 780
	7 821	-
Foreign exchange differences from the valuation of loans for related entities in the currency	-	691
Settlement of expenditure on Research and Development	1 217	1 835
Other	(365)	825
Gross deferred tax liabilities	8 673	7 131
	31.12.2022	31.12.2021
Change in deferred tax reported in the statement of comprehensive income	(3 916)	(16 208)
Net deferred tax assets/liabilities of which:	(8 293)	(4 378)
Deferred tax assets	380	2 753
Deferred tax liabilities	(8 673)	(7 131)

Under IAS 12, a deferred tax asset which can be used to offset an unsettled tax loss can be recognized to the extent that it is probable that future taxable profit will be available against which the unsettled tax losses could be applied (related to the provisional accounting of the Kardiolitics acquisition).

16. Intangible assets

	Goodwill	KL Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value of intangible assets							
Gross value as at 1 January 2022	91 022	-	128 406	16 301	19 468	2 879	258 076
Increases	-	18 205	-	-	45 070	64	63 339
Decreases	-	-	-	-	-	-	-
Decreases – discontinued operations	(90 256)	-	(128 406)	-	(38)	(734)	(219 434)
Foreign exchange differences	-	-	-	-	-	-	-
Gross value as at 31 December 2022	766	18 205	-	16 301	64 500	2 209	101 981
Accumulated amortization and impairment losses	-	-	-	-	-	-	-
Accumulated amortization and impairment losses as at 1 January 2022	90 256	-	82 391	12 950	19 468	2 440	207 505
Amortization	-	-	-	2 591	-	150	2 741
Decreases - impairment loss	-	-	-	-	1 142	8	1 150
Decreases – discontinued operations	(90 256)	-	(82 391)	39	(38)	(689)	(173 335)
Foreign exchange differences	-	-	-	-	-	-	-

Accumulated amortization and impairment losses as at 31 December 2022	-	-	-	15 580	20 572	1 909	38 061
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Net value

As at 1 January 2022	766	-	46 015	3 351	0	439	50 571
As at 31 December 2022	766	18 205	-	721	43 928	300	63 920

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

Goodwill
a. Kardiolytics INC.

Company	Acquisition date	Acquired share in net assets	Acquisition price (PLN '000)	Fair value of acquired net assets (PLN '000)	Goodwill (PLN '000)
Kardiolytics	08.11.2022	100%	49 989	31 784	18 205

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 for Biofund to contribute to the Company a total of 1,500 shares in Kardiolytics, representing 100% of the share capital of Kardiolytics with a value of \$44,890,589, according to a valuation report by independent auditor Baker Tilly TPA prepared in line with the Commercial Companies Code and published in Current Report 66/2022 of November 16, 2022. 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.

Net sales revenue and the financial result of Kardiolytics for the period from January 1, 2022 to the date of the acquisition are presented in the table below:

Company	Acquisition date	Net loss to the date of acquisition of shares (PLN '000)	Income up to the date of acquisition of shares (PLN '000)
Kardiolytics Inc	08.11.2022	(178)	0

The Management Board estimates that if the Kardiolytics acquisition took place on January 1, 2022, then the aggregate revenue of Medicalgorithmics Group for January 1 – November 7, 2022 would be PLN 0 thousand and the aggregate net loss would be PLN 178 thousand. At the same time, in the opinion of the Management Board, the fair value of assets and liabilities as of January 1, 2022 would be similar to their fair value as of the date of the acquisition (November 8, 2022). More details of the transaction are described in Note 4.

The provisional accounting of the Kardiolytics acquisition is further described in Note 4.2 of these financial statements.

b. Medicalgorithmics Polska Sp. z o.o.

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

On 2 July 2018, the Company acquired all shares in Kardiosystem Monitoring Sp. z o.o., a Polish limited liability company. The price of the shares was PLN 167 thousand, with the agreement providing for additional consideration up to PLN 350 thousand to be paid in 2019 - 2023 but contingent upon achievement of annual sales targets. On November 26, 2018, the company changed its name to Medicalgorithmics Polska Sp. z o.o.

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

The financial effect of the acquisition of the interest in Medicalgorithmics Polska Sp. z o.o. were settled in the interim consolidated financial statements for the third quarter of 2018, based on fair value estimates. As of December 31, 2018, the Group adjusted the provisional values recognized from the acquisition of Medicalgorithmics Polska Sp. z o.o. The value of goodwill measured as of December 31, 2018 is PLN 766 thousand. Goodwill is tested for impairment annually (or more frequently if there are indications of possible impairment). Goodwill impairment losses are recognized as an expense in the period and are not reversed in a subsequent period. The test performed as of December 31, 2022 did not indicate any need for recognition of an impairment loss.

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

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

c. Medicalgorithmics India Private Limited

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

On January 22, 2019, the Company subscribed for 97% newly issued shares in Algotel Solutions Private Limited, a company based in India. The Company covered the new shares with a cash contribution of USD 48,550.

The non-controlling interest (3%) was held by the founders of Algotel Solutions Private Limited, namely Mr Ravi Chandran and Mr Kailas Kumar Sringeri.

On June 25, 2019, the company renamed to Medicalgorithmics India Private Limited.

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

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

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

Customer pools

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

Discontinued operations (Medi-Lynx) position in 2022 results, as described in Note 4.3

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

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

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

The Group tests its customer bases for impairment every year. As of December 31, 2021, the net value before adjusting for impairment loss was USD 9,473 thousand (PLN 38,460 thousand) and as a result of the impairment test the adjustment was USD 4,947 thousand (PLN 20,085 thousand). As of December 31, 2021, the net value after adjusting for the impairment loss was USD 4,525 thousand (PLN 18,375 thousand). As of March 31, 2022, a full write-down of the customer base was committed for a sum of USD 4,525 (more in Impairment testing section in this report).

b. AMI customer base (zero net value as of the balance sheet date, fully written off as of March 31, 2022)

Discontinued operations (Medi-Lynx) position in 2022 results, as described in Note 4.3

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

The Group tests its customer bases for impairment every year. As of December 31, 2021, the net value before adjusting for impairment loss was USD 14,246 thousand (PLN 57,839 thousand). The impairment test resulted in application of an impairment loss at USD 7,440 thousand (PLN 30,205 thousand). As of December 31, 2021, the net value after adjusting for the impairment loss was USD 6,806 thousand (PLN 27,634 thousand). As of March 31, 2022, the customer base was fully written off in the amount of USD 6,806 thousand (more in Impairment tests section in this report).

Cost of completed development work

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

In 2020, the Company completed the development work and began amortizing expenses incurred towards several major projects.

Among other things, software upgrades were applied in the second quarter of 2020 to enable the PocketECG system to support

the Extended Holter service, which became an official medical procedure starting in 2020 and is now reimbursed by both public and private insurers. In addition, significant security improvements have been made and a new software version was developed to support clinical trials of COVID-19 patients and drugs that help combat COVID-19 but may cause arrhythmia.

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

Development work in progress

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

Today, the key new development projects are:

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

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

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

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

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

- NextGen - a new software version for PocketECG;

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

- 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 will underlie 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, together with the next generation PocketECG system in the second half of 2023 or later.

- VCAST – automated analysis of CT data using AI algorithms developed by Kardiolytics.

Kardiolytics has developed a non-invasive technology that uses artificial intelligence to extract key diagnostic data on cardiac vasoconstriction (atherosclerosis) from inexpensive and widely available CT imaging of the heart. VCAST is cloud-based

software and its technological advantage lies in artificial intelligence algorithms that segment and reconstruct constricted vessels. Kardiolytics has 3 patents and 10 patent applications pending that protect VCAST technology. On April 3, 2023, a US patent covered the autonomous method of modeling blood vessels using imaging data from medical tests.

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.

Impairment test

Goodwill and intangible assets impairment test after change of control of Kardiolytics Inc.

According to IAS 36, the Company tested the impairment of goodwill. The goodwill impairment test after the change-of-control event in Kardiolytics Inc. was performed as of December 31, 2022 by estimating the value in use of the cash-generating unit using the discounted cash flow method ("DCF"). The cash-generating unit was identified at the level of Kardiolytics Inc. The goodwill impairment test using DCF was prepared based on 2023-2027 projected results and the residual value remaining afterwards. Cash flow projections were made on the basis of the cost budget covering a period until the commercialization of the technology developed by Kardiolytics Inc. and management's predictions of its financial performance after the start of the commercialization.

The key assumptions for the test, which was conducted as of December 31, 2022, were:

- discount rate 17.1% (real, in USD);
- residual growth rate 1.38% (after 2027).

The impairment test carried out as of December 31, 2022 based on the above assumptions, including an analysis of sensitivity to possible changes in these assumptions, has demonstrated no need for write-downs impairing the tested assets.

MDG CGU impairment test

As of December 31, 2022, there were no indications that would justify the impairment test.

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 them 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.

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

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value of property plant and equipment						
Gross value as at 1 January 2022	2 232	38 988	2 916	653	26 180	70 970
Increases	-	473	12	-	-	485
Decreases	-	(107)	-	-	-	(107)
Decreases – discontinued operations	(2 232)	(35 379)	(2 212)	(6)	(21 030)	(60 860)
Change in inventories	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-
Gross value as at 31 December 2022	-	3 975	716	647	5 150	10 488
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 31 December 2022	1 374	23 133	2 370	396	16 701	43 974
Depreciation	-	389	41	63	988	1 481

Decreases	-	-	(0)	-	-	-
Decreases – discontinued operations	(1 374)	(20 183)	(1 730)	(3)	(13 680)	(36 970)
Foreign exchange differences	-	-	-	-	-	-
Accumulated depreciation and impairment losses as at 31 December 2022	-	3 339	681	456	4 009	8 485
Net value						
As at 1 January 2022	859	15 855	546	257	9 479	26 996
As at 31 December 2022	-	636	35	191	1 141	2 003

	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)*	Total
Gross value of property plant and equipment						
Gross value as at 1 January 2021	2 442	27 454	2 143	653	24 049	56 741
Increases	-	8 380	1 021	-	513	9 914
Decreases	(376)	(1 247)	(411)	-	-	(2 034)
Change in inventories	-	2 863	-	-	-	2 863
Foreign exchange differences	166	1 538	164	-	1 618	3 486
Gross value as at 31 December 2021	2 232	38 988	2 916	653	26 180	70 970
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2021	1 140	18 582	2 218	331	10 935	33 206
Depreciation	294	3 751	334	65	4 993	9 437
Decreases	(141)	(494)	(300)	-	-	(935)
Foreign exchange differences	80	1 294	119	-	774	2 267
Accumulated depreciation and impairment losses as at 31 December 2021	1 374	23 133	2 370	396	16 701	43 974
Net value						
As at 1 January 2021	1 302	8 872	(75)	322	13 114	23 535
As at 31 December 2021	859	15 855	546	257	9 479	26 996

Recognition of PocketECG devices at the consolidated level in 2022

In connection with the divestment of Medi-Lynx as further described in Note 4.1, which was closed on July 28, 2022 and which is fully reflected in corporate reports starting Q3 2022, from the perspective of the Group in these financial statements the impact of that transaction is reflected in the recognition as inventory of PocketECG that is used in the Company's diagnostics services, and for this reason such devices have been reclassified into inventories in the 2022 balance sheet. The device manufacturing cost is charged as a one-off expense to the cost of consumed raw materials and supplies at the time when the devices are sold. The value of inventories amounted to PLN 8,771 thousand as of December 31, 2022.

Right of use (IFRS 16)

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

18. Inventory

	31.12.2022	31.12.2021
Materials	8 572	-
Finished products	229	-
Inventory impairment loss	(30)	-
	8 771	-

In connection with the Medi-Lynx divestiture described in Note 4.1, the method for recognizing PocketECG devices that are used to provide the diagnostic services has changed. Starting from Q3 2022, the device manufacturing cost is charged as a one-off expense to the cost of consumed raw materials and supplies at the time when the devices are sold.

Inventory items are measured at purchase cost or production cost not higher than the net realizable sales price. The net realizable sales price is the difference between the estimated sale price achieved in the course of business and the estimated costs of completion and costs necessary to bring the sale transaction to effect.

The Company uses the FIFO method for value measurement of inventories and their disbursement.

19. Receivables

	31.12.2022	31.12.2021
Trade receivables	5 476	19 238
Budgetary receivables	2 102	3 838
Other receivables	140	110
Prepayments and deferred expenses	139	1 893
	7 857	25 079
Long-term	-	-
Short-term	7 857	25 079

The fair value of accounts receivable approximates their book value. As of December 31, 2022, the total value of trade receivables past the due date, which have not been covered by an allowance, was PLN 3,161 thousand. The Group's exposure to credit risk and currency risk of receivables is presented in Note 26.

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

	Gross value as at 31 December 2022	Impairment writedown as at 31 December 2022	Net value as at 31 December 2022
Non-matured	2 315	-	2 315
Past due 1-30 days	2 615	-	2 615
Past due 31-60 days	145	-	145
Past due 61-360 days	397	-	397
over 361	81	77	4
	5 553	77	5 476

	Gross value as at 31 December 2021	Impairment writedown as at 31 December 2021	Net value as at 31 December 2021
Non-matured	12 126	-	12 126
Past due 1-30 days	2 338	-	2 338
Past due 31-60 days	719	-	719
Past due 61-360 days	13 387	9 353	4 034
over 361	80	59	21
	28 650	9 412	19 238

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 and Current Report 6/2023.

As of December 31, 2022, no provision was established as allowance for receivables on the consolidated level. Receivables from two major clients (U.S. and Canada) account for 70% of total receivables and were paid after the balance sheet date. The Group reviews potential credit losses on an ongoing basis and, if any, outstanding receivables are covered by an allowance. The Parent Company opened an allowance in the amount of PLN 77 thousand.

As of December 31, 2021, total receivables included those recognized by Medi-Lynx from insurers, for which an allowance of PLN 9.4 million was recognized. The allowance for receivables from other entities was PLN 59 thousand.

Deferred income

	31.12.2022	31.12.2021
Insurance policies and deposits	51	167
Subscriptions	3	25
Advisory services	-	19
Commissions	-	114
IT costs – licenses software	55	322
Prepaid rental costs	-	511
Other	30	735
Prepayments and deferred expenses	139	1 893
Long-term portion	-	-
Short-term portion	139	1 893

20. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash in hand	8	8
Cash at banks	25 734	11 236
Short-term deposits	423	423
	26 165	11 667

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are presented in Note 26 to the financial statements.

According to IFRS 5, an adjustment of Medi-Lynx cash balance was disclosed in the investment section of the cash flow statement in section 'Adjustment of cash from divestments'. The opening balance consists of:

- Medi-Lynx cash of PLN 9.395 million;
- Group's continuing operations cash of PLN 2.272 million.

21. Shareholders equity

21.1. Share capital of Parent Company

	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

21.2. 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 according to an independent valuation report of Baker Tilly TPA sp. z o.o. prepared in line with the Commercial Companies Code.

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.

21.3. Dividends paid

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

21.4. Basic and diluted earnings per share

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Profit for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	(30 404)	(180 638)
Weighted average number of ordinary shares (in thousands of shares)	5 701	4 547
Basic profit per share in PLN (net profit/weighted average number of shares)	(5,33)	(39,73)
Diluted profit per share in PLN (net profit/weighted average number of diluted shares)	(5,33)	(39,73)

21.5. Parent 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%

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

21.6. Statutory capital reserve

The statutory capital reserve in the financial statements represents the value of supplementary capital funds of the Group companies (as of its creation).

As shareholders equity has been increased upon the issue of Series I, J, K and L shares, the share premium was posted to the capital reserve.

22. Provisions

	31.12.2022	31.12.2021
Holiday pay accrual	641	3 200
Retirement reserve	191	105
	832	3 305
Long-term provisions	191	105
Short-term provisions	641	3 200

23. Borrowings

	31.12.2022	31.12.2021
Credit card debt	-	40
Loan received under "Cares Act"	-	8 120
Loans and advances	9	1 482
	9	9 642
of which long-term	-	8 123
of which short-term	9	1 519

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.

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.

The balance as of December 31, 2021 consisted of a Paycheck Protection Program loan (CARES Act public aid established by the U.S. Congress) for Medi-Lynx. On March 23, 2021, Medi-Lynx was notified of the second loan under the Paycheck Protection Program (USD 2.0 million). The Group received the loaned funds in late March 2021 and used them towards certain operating activities, including payroll expenses. According to CARES Act, the entire loan or its part is nonrefundable as long as it utilized towards costs that are eligible under the Act. Any remaining part of the loan (if refundable, as well) will be repaid within 60 months and subject to 1% interest rate per annum.

24. Trade and other payables and accruals

	31.12.2022	31.12.2021
Trade liabilities to other entities	2 252	5 776
Salaries and wages payable	738	10 873
Budgetary liabilities	355	1 677
Other liabilities	2 443	89
	5 788	18 416
Income tax liabilities	125	113

Accruals

	31.12.2022	31.12.2021
Subsidies	4 178	3 440
Medicare Advance Payment	-	5 113
Other	35	3 674
	4 213	12 226
of which long-term	4 178	3 227
of which short-term	35	8 999

The Medicare advance was received by Medi-Lynx (the divested business) in the first half of 2020. To support Medi-Lynx's current liquidity, U.S. Medicare (a public entity) paid out USD 2.7 million (PLN 10.7 million) as an advance payment on account of the services. This amount was deducted from amounts due for tests which were provided to Medicare, based on an arranged repayment timetable, at a specified percentage rate of Medicare payments that are due to Medi-Lynx over a period of 29 months effective from April 3, 2021. If there is any outstanding balance after that date, it will matured and subject to interest at 4 % per annum.

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

The ECG TechBot project is co-financed by the Polish National Center for Research and Development (NCBiR) with public funds. The estimated total cost of project implementation as well as the total sum of expenses eligible for the funding is PLN 11,188 thousand, with the maximum value of co-financing allowed at the level of PLN 6,335 thousand. As of September 30, 2022, the subsidy received was PLN 4.178 million.

25. Other financial liabilities

	31.12.2022	31.12.2021
Liabilities arising from acquisition of shares in Medi-Lynx	5 867	8 404
Finance lease liabilities	1 269	10 388
Liabilities due to the transfer of existing technology rights by FRK* to KL	2 000	-
Other	114	-
Financial liabilities	9 250	18 792
of which long-term	4 244	10 784
of which short-term	5 006	8 008

*FRK - Z. Religa Foundation for Cardiac Surgery Development.

	Liabilities arising from acquisition of shares in Medi-Lynx	Finance lease liabilities	Liabilities for the transfer of technology rights	Other	Total
Value as at 1 January 2022	8 404	10 338	-	-	18 742
Value revaluation of the liability for the acquisition of shares	(1 236)	-	-	-	(1 236)
Payments contingent liability	(1 651)	-	-	-	(1 651)
Agreement on the transfer of rights to technology	-	-	2 000	-	2 000
Repayment of leasing liabilities	-	(1 080)	-	-	(1 080)
Interest for 2022	350	47	-	-	397
Leasing – discontinued operations	-	(8 074)	-	-	(8 074)
Other	-	(12)	-	114	102
Value as at 31 December 2022	5 867	1 269	2 000	114	9 250

	Liabilities due to the acquisition of Medi-Lynx		Total
	shares	Lease liabilities	
Value as of 01 January 2021	9 881	14 445	24 325
Interest for 2021	353	330	683
Repayment of lease liability	-	(5 823)	(5 823)
Repayment of the acquisition obligation	(2 651)	-	(2 651)
Other	821	1 437	2 258
Value as of 31 December 2021	8 404	10 388	18 792

Liabilities from Medi-Lynx acquisition

Other financial liabilities include a liability towards the seller of the shares in Medi-Lynx Cardiac Monitoring, LLC, namely Medi-Lynx Monitoring.

On December 31, 2020, Medicalgorithmics US Holding Corporation (through which the Company owned 75% interest in Medi-Lynx) entered into an agreement to acquire the remaining 25% stake in Medi-Lynx which had been previously outside of the Company's control. The seller of those shares was Medi-Lynx Monitoring Inc., a company wholly owned by Mr Andrew Bogdan. By negotiations the Parties determined the purchase price for the 25% interest in Medi-Lynx at USD 0.5 million (PLN 1.9 million).

Part of the executed agreement is an understanding which concerns the repayment of the current liability of Medicalgorithmics US Holding Corporation under which exists under the promissory note towards the Seller on account of the acquisition of the 75% interest in Medi-Lynx on March 30, 2016 – as of December 31, 2021 its value was approximately USD 2.0 million (PLN 7.9 million) plus accrued interest. During negotiations the parties agreed that the earlier promissory note liability together with the purchase price for the remaining shares would be paid by the Company in 48 monthly instalments. The liabilities bear interest at a fixed rate. The outstanding balance as of December 31, 2022 is USD 1.3 million (PLN 5.9 million). The text of the promissory note and suretyship was amended on July 15, 2022, as further detailed in the Issuer's current report 47/2022. At the moment, debt repayments are in equal monthly installments of USD 75,000 per month, from September 1, 2022 to May 1, 2024, followed by equal installments of USD 59,000 per month until the debt is paid in full by May 2025. In the separate financial statements, the Parent recognized and reported liabilities under this guarantee in the amount of USD 1.6 million (PLN 7.2 million).

Title transfer agreement

On March 1, 2019, an agreement was signed transferring the full legal title to the Technology from Z. Religa Foundation for Cardiac Surgery Development (FRK) to Kardiolytics.

The joint intention of the parties has been to establish cooperation where Kardiolytics would commission FRK with a series of research and development works concerning the Technology while financing such activity. The Technology covered by that agreement is based on a patent application for a blood vessel and blood flow modelling method. PLN 1 million is the consideration payable once FDA issues the certificate plus PLN 1 million after 100 patients are tested using the Technology. According to the provisional measurement of Kardiolytics assets and liabilities, the Group recognized this in liabilities.

Liabilities under leases of recognized ROU (IFRS 16)

As a result of IFRS 16, the Group (as a lessee) recognizes lease liabilities measured at the present value of the remaining lease payments, and right-of-use assets measured at an amount equal to the lease liabilities (discussed further in Note 29).

26. Financial risk management

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

- credit risk
- liquidity risk
- market risk

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 all employees understand their roles and responsibilities.

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

26.1. Credit risk

Credit risk is the risk of the Group 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 Group's exposure to credit risk is mainly due to the individual characteristics of each customer. The five largest counterparties together generated approximately 92% of the Group's sales revenue in 2022. As of December 31, 2022, receivables from the five largest counterparties were approximately 81% of total trade receivables.

The Group's proceeds in fact come from healthcare providers who, in most of the markets, are reimbursed by public insurers for their services provided using PocketECG devices.

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	7 716	23 186
Cash and cash equivalents	26 165	11 667
	33 881	34 853

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	311	59
United States of America	2 609	16 946
Other regions	2 556	2 233
	5 476	19 238
Institutional clients	5 476	19 238

In USA, receivables are concentrated in relation to its chief client – Medi-Lynx (after its divestment). This entity is a significant revenue generating feature in the group. Canada is the runner-up market in terms of size.

26.2. Liquidity risk

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

The Group has immediately payable cash in an amount sufficient to cover its expected operating expenses over a period of at least 1 year, including debt servicing. However, this policy does not cover extreme situations that cannot be reasonably predicted, such as natural disasters. The Group is not expecting the projected cash flows, which the maturity analysis covered, to occur either significantly earlier or in significantly different amounts.

Other financial liabilities include but are not limited to the amount payable to the seller of Medi-Lynx shares, the sum for the transfer of the legal title to Kardiolytics, and leases.

	Carrying amount	Contractual cash flows	Up to a month	From one month to 12 months	More than 12 months
31.12.2022					
Credit card debt	-	-	-	-	-
Liabilities in respect of credits and loans	9	9	7	2	-
Trade and other liabilities	5 913	5 913	2 560	3 353	-
Other financial liabilities	9 250	9 272	441	4 586	4 246
	15 172	15 194	3 008	7 941	4 246

	Carrying amount	Contractual cash flows	Up to a month	From one month to 12 months	More than 12 months
31.12.2021					
Credit card debt	40	40	40	-	-
Liabilities in respect of credits and loans	1 483	1 483	6	1 474	2
PPP loan under the "Cares Act"	8 120	8 120	-	-	8 120
Trade and other liabilities	18 529	18 529	18 529	-	-
Other financial liabilities	18 792	19 621	765	7 747	11 110
	46 964	47 793	19 339	9 221	19 232

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 (USD 44,890,589 according to an independent auditor report by Baker Tilly TPA) 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.

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

26.3. Market risk

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

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

Currency risk

The majority of the Group's transactions are carried out in USD. The Group's currency risk is related to the presentation currency of this report (PLN) that is different from the functional currencies of the Group's key clients (Medi-Lynx and m-Health) and its subsidiaries (Kardiolytics, MDG HoldCo, MDG India).

The following table shows the sensitivity of comprehensive income to reasonably possible changes in foreign currency exchange rates, assuming other factors remain constant. The amounts presented below represent the change in value of the balance sheet's foreign currency differences from conversion, as of December 31, 2022, assuming a 5% change in the exchange rate of certain currencies as of December 31, 2022.

	Increase of the exchange rate	Total impact	Decrease of the exchange rate	Total impact
Impact of financial instruments on total comprehensive income (on account of translation of operations with functional currency other than PLN)				
PLN - USD	+5%	2 614	-5%	(2 614)

The following table presents foreign exchange differences recognized in shareholders equity in the consolidated financial statements.

Foreign exchange differences	31.12.2022
Exchange differences on translating foreign operations	3 433
Exchange differences on intercompany loans constituting a part of net investments in subsidiaries	-
Deferred tax on valuation of exchange differences on loans	-
	3 433

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
Financial liabilities	-	1 523
	-	1 523

In Q4 2022, the Company repaid the overdraft which had been posted in liabilities of the previous reporting period. The Group's borrowings are those of its subsidiary (MDG Poland).

Sensitivity analysis of cash flows from 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

As of December 31, 2022, the Group has not identified financial instruments with variable interest rates.

Comparison of fair values with carrying amounts

The following table compares fair values of financial assets / liabilities to those recognized in the consolidated statement of financial position:

	IFRS Category	31.12.2022		31.12.2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	Financial assets measured at amortised cost	7 716	7 716	23 186	23 186
Cash and cash equivalents	Financial assets measured at amortised cost	26 165	26 165	11 667	11 667
Trade and other payables	Other financial liabilities	5 817	5 817	18 416	18 416
Loans and advances	Other financial liabilities	9	9	9 643	9 643
Other financial liabilities	Other financial liabilities	9 250	9 250	18 792	18 792

27. Business risk

Business risk is associated with the Group's business activity and means the risk of incurring losses due to adverse changes in its business environment, regardless of the other risks and uncertainties described in Note 4.1. Approx. 70% of the Group's consolidated revenue is generated from diagnostic services that are provided to US patients, therefore making the Group exposed to certain risks that arise from the specificity the local medical services market in USA. The key business risks include:

- possible changes in rates of reimbursement for tests, and in payments recoverable from private and public insurers. If one of the key insurers were to decide to discontinue reimbursing a given medical procedure that the Group's business partners support, 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, potentially requiring re-negotiation of the current terms with the business partners.
- changes in the range of services reimbursed by respective insurers - although the Group's business partners provide medical services to a scattered group of recipients (across many different medical facilities, clinics and hospital networks), the number of 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's business partners, this change could have a noticeable adverse effect on the Group's operating result.
- changes in the structure of medical tests prescribed by physicians – the Group's business partners offer different types of tests using PocketECG. 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.
- 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.

28. Capital management

There were no changes in the Group's approach to capital management during the year. The Group is not subject to capital requirements that would be set externally. It is the policy of the Parent's Management Board to rebuild and maintain a strong capital base in order to secure the trust of shareholders, investors and business partners, 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 Group's debt to adjusted capital ratio was as follows:

Item	31.12.2022	31.12.2021
Interest-bearing credits loans and bonds	9	18 046
Trade and other liabilities	5 788	18 416
Finance lease liabilities*	1 269	10 388
Contingent liability	5 867	-
Transfer obligation	2 000	-
Less cash and cash equivalents	(26 165)	(11 667)
Net debt	(11 232)	35 183
Equity	80 070	47 385
Equity and net debt	68 838	82 568
Leverage ratio	-16,3%	42,6%

29. Leases

The Group 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 Group (as a lessee) recognizes lease liabilities measured at the present value of the remaining lease payments, and right-of-use assets measured at an amount equal to the lease liabilities. 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 12 to these financial statements.

In October 2020, the European Commission adopted Amendment to IFRS 16 *Leases: "Covid-19-Related Rent Concessions"*, which introduced a simplification in IFRS 16 - lease modifications do not need to be recognized when there are, for example, changes in payments related to COVID-19 pandemic. The Group's leases were not subject to modifications following the impact of COVID-19 pandemic.

Right-of-use by category of leases

The Group 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 category of leases:

	Net value as at 1 January 2022	Depreciation for 2022	Impairment losses	Other	Net value as at 31 December 2022
Real property	2 128	0	(988)	0	1 141
	2 128	0	(988)	0	1 141

	Net value as at 1 January 2021	Depreciation for 2021	Impairment losses	Other	Net value as at 31 December 2021
Real property	13 114	513	(4 993)	845	9 480
	13 114	513	(4 993)	845	9 480

ROUs are amortized over the period of the lease. ROUs fully amortized in 2022 amounted to PLN 988 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 25 to these financial statements.

Future undiscounted cash outflows included in lease liabilities

	31.12.2022	31.12.2021
up to 1 year	951	5 369
1–5 years	340	4 903
more than 5 years	-	-
	1 291	10 272

Costs and fees not included in lease liabilities

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Costs related to short-term leases	-	-
Costs related to leases of low value assets	235	155
Variable lease payments	-	-
	235	155

30. 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 (backed up by a cash deposit in bank) 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.

Goods and service tax, corporate income tax, natural income tax, social insurance regulations are subject to frequent changes and therefore there is often lack of reference to stable regulations or legal precedence. Current regulations of the law are also unclear and result in different legal interpretation of tax regulations between individual state authorities as well as between the state authorities and enterprises. Tax settlements and others (i.e. customs duties or foreign currency settlements) may be inspected by state agencies authorized to charge significant penalties, and additional amounts liabilities determined during an inspection must be paid with interest. These factors cause the tax risk in Poland to be higher than in countries with a more developed tax system. Tax settlements may become subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities. The Capital Group was subject to audits by the tax authorities. The authorities are entitled to audit ledgers and accounting records. At any time during five years of the year when a tax return form was filed, they can charge additional tax liabilities, including interest on tax defaults and other penalties.

31. Contingent assets

On January 6, 2023, Medi-Lynx Cardiac Monitoring, LLC received a tax refund from IRS (cf. 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 Medi-Lynx selling price adjustment accounting for a part of the received IRS tax refund. These funds were then forwarded to MDG S.A. to repay Holding's liabilities towards the Company.

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

32. Transactions with officers

During the reported period, the Parent's Management Board and Supervisory Board were awarded the following remuneration.

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
Remuneration of the Management Board Members	1 941	1 094
Remuneration of the Supervisory Board	639	476

In the reporting period and in the compared figures, payments made to a member of the Management Board of Medi-Lynx were not included as it represented the discontinued operations.

33. Headcount

	31.12.2022	31.12.2021
Number of employees (in FTEs)	122	125

As of the publication date (April 27, 2023), the Group employed 122 FTEs.

34. 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 Group for a sum (individual or aggregate) of 10% of the Group's shareholders equity or more. The Parent was a party to two cases:

On February 21, 2022, Mr Maksymilian Sztandera ("Applicant") filed to the District Court of Warsaw, 7th Labor and Social Security Division, a request calling Medicalgorithmics S.A. into settlement negotiations and demanded, among other things, a payment of PLN 200 thousand, 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, Wysoccy Zaborowscy Partners sp. k. („Claimant”) lodged a claim with the Regional Court of Warsaw, Business Division, for payment based on a summary writ-of-payment procedure and demanded, among other things, award and issue of a writ of payment for PLN 75,257.65 plus statutory interest. On February 17, 2022, after a closed session of the court, based on the summary procedure, the Regional Court of Warsaw, Business Division, issued a writ of payment for Medicalgorithmics S.A. to pay to the Claimant PLN 75,257.65 plus default interest applicable to commercial transactions plus PLN 7,380.00 for attorney expenses. On June 1, 2022, Medicalgorithmics S.A. filed an objection with the Regional Court of Warsaw, 26th Business Division, against the writ of payment that has been issued based on the summary writ-of-payment procedure and demanded, among other things, its denial.

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 Wysoccy 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.

35. Certified auditor of financial statements

On May 18, 2021, the Parent'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 Group for 2021 and 2022 as well as to review interim individual and consolidated financial statements of the Group 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.

36. Events after balance sheet date

On January 6, 2023, Medi-Lynx Cardiac Monitoring, LLC received a tax refund from IRS (cf. 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. The amount received was posted as an increase of the Medi-Lynx selling price. A part of these funds was then forwarded to MDG S.A. to repay Holding'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.

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.

On April 3, 2023, the Company announced US Patent 11626211 registered for Kardiolytics Inc. and covering the autonomous method of modeling blood vessels using imaging data from medical exams. The patent enables further development, promotion and commercialization of inventions which Kardiolytics Inc. have been developing, including VCAST technology. More information can be found in Current Report 10/2023.

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.



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

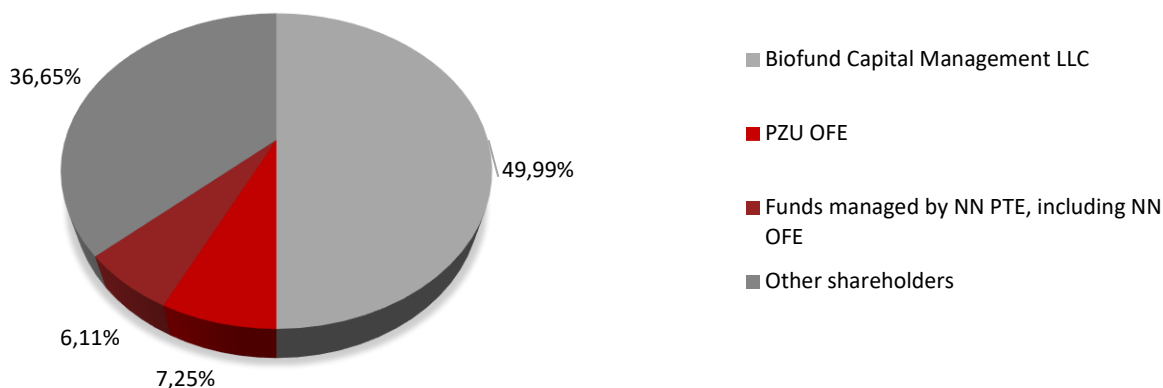


Table 1. Medicalgorithmics S.A. shareholder structure

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- 31.12.2022	01.01.2021- 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

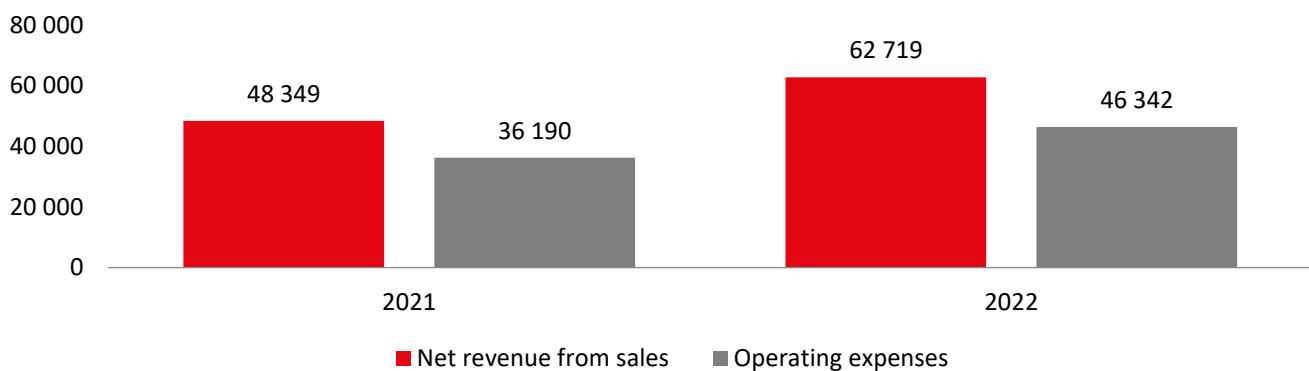
In 2022, the Group's revenue amounted to PLN 62.7 million and increased by 30% compared to 2021. The increase has been influenced by the change in the compensation model applied to services which are provided to strategic partner Medi-Lynx.

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

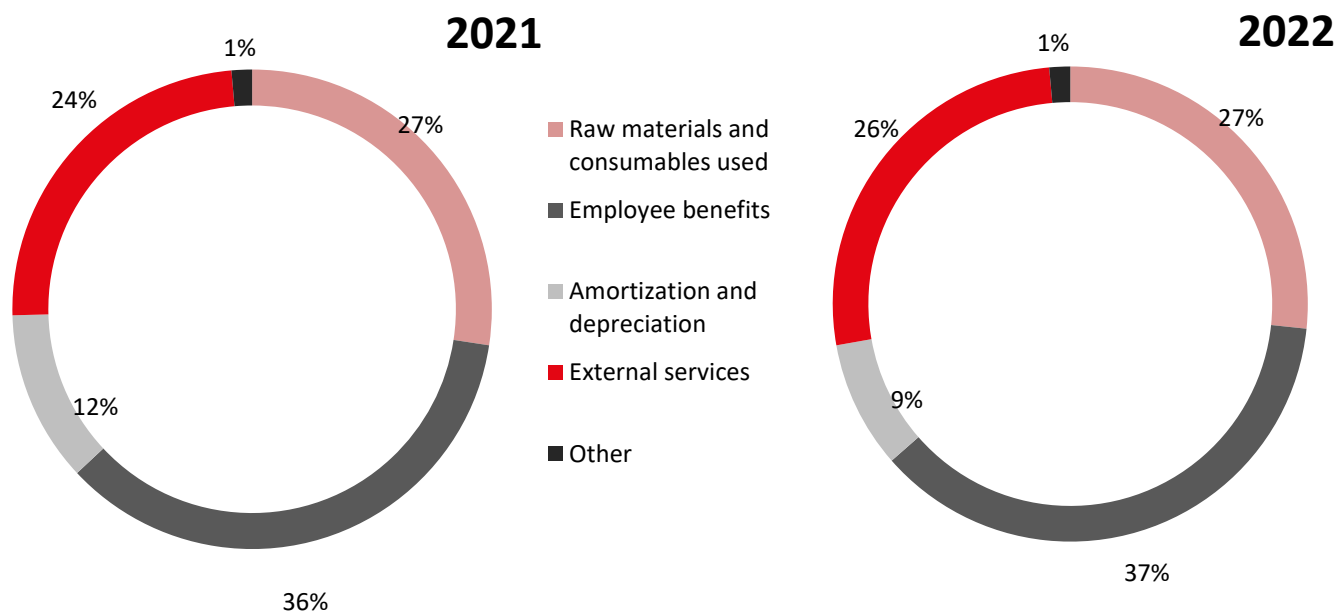
Third-party services account for 26% of the Group's operating expenses, and they increased by 41% compared to the comparative period, amounting to PLN 12.2 million. Among the expenses for third-party services, the key items are Internet services, consulting, accounting and auditing. The structure of 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.

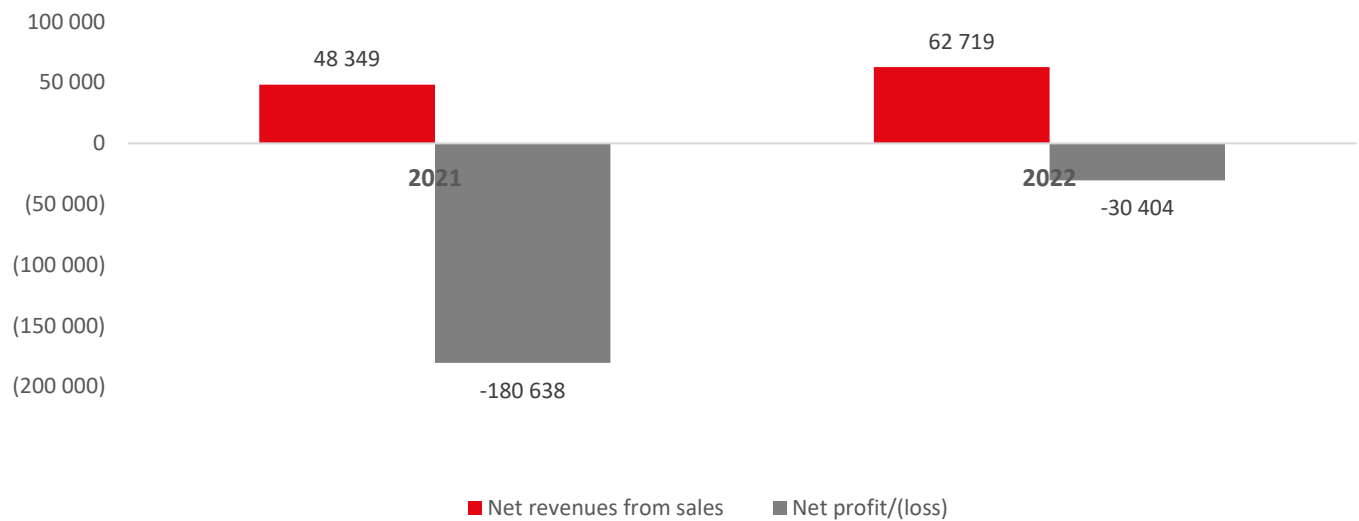
At the balance sheet date, the Parent had a loan (in USD) lent to consolidated foreign entities (MDG HoldCo and Kardiolytics). Under IAS 21, this monetary item is part of its net investment in its foreign entities. In the consolidated financial statements, foreign exchange differences (recognized in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

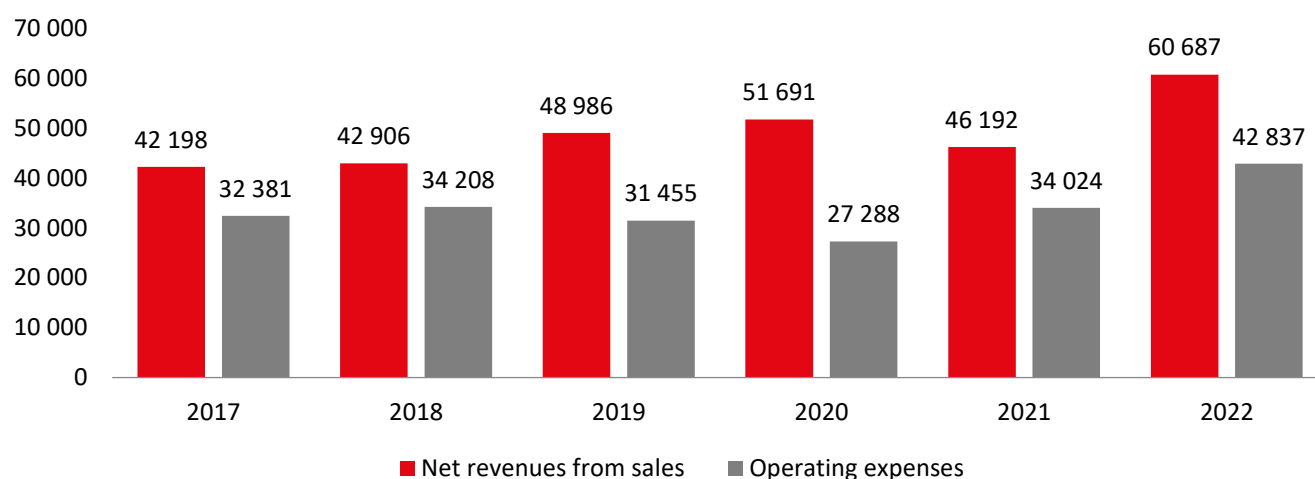
Table 16. Key items from the statement of comprehensive income for 2022 and 2021 and the change dynamics in the last financial year (PLN '000)

	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

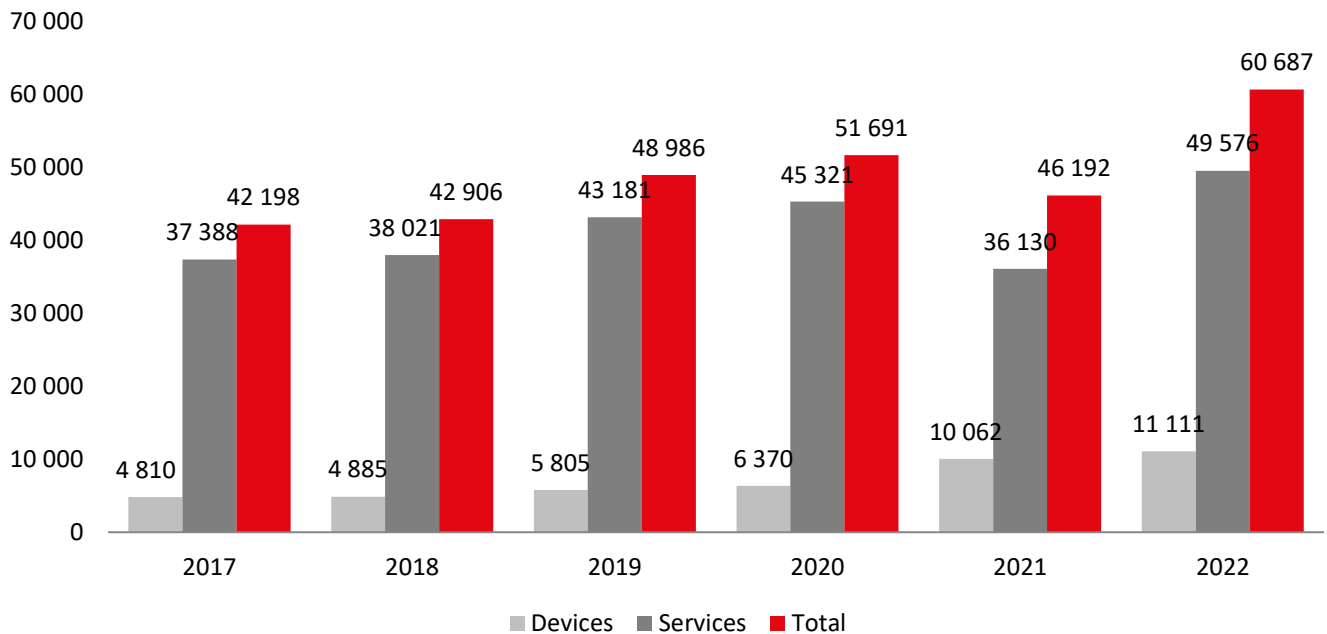
In 2022, revenue of Medicalgorithmics S.A. was PLN 60.7 million, an increase by 31% compared to 2021. The Company's revenue is generated mainly in the U.S. by providing equipment, maintenance services and collecting subscription fees from Medi-Lynx. This revenue was PLN 42.6 million in 2022, up by 32.2% 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.

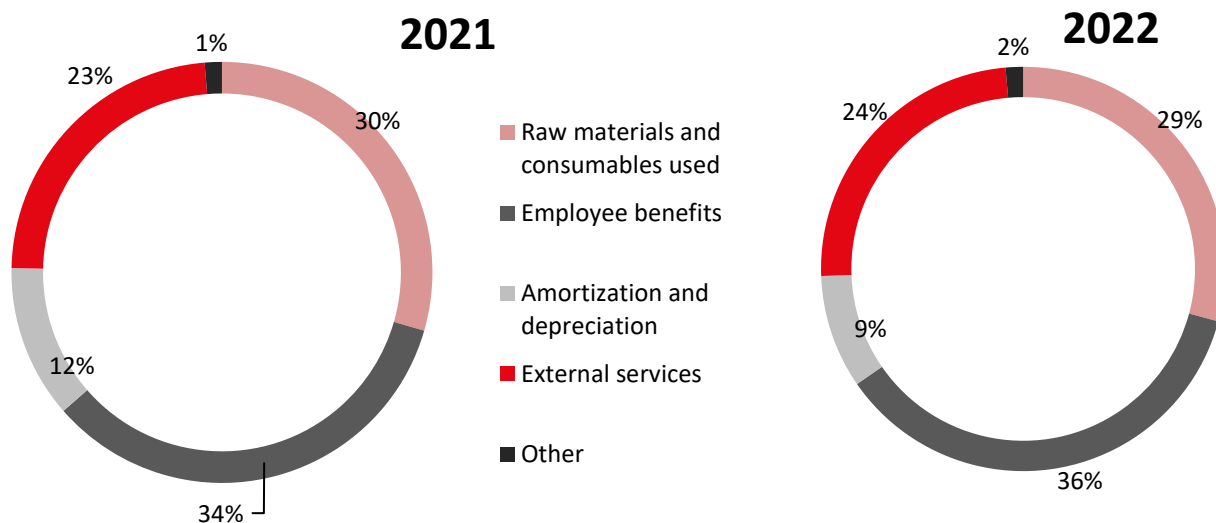
The second largest item in 2022 operating expenses was raw materials and supplies consumed (29%). During the reporting period, increasing prices of raw materials and supplies have been observed as most of them are imported and tend to rise together with the rising USD rate.

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

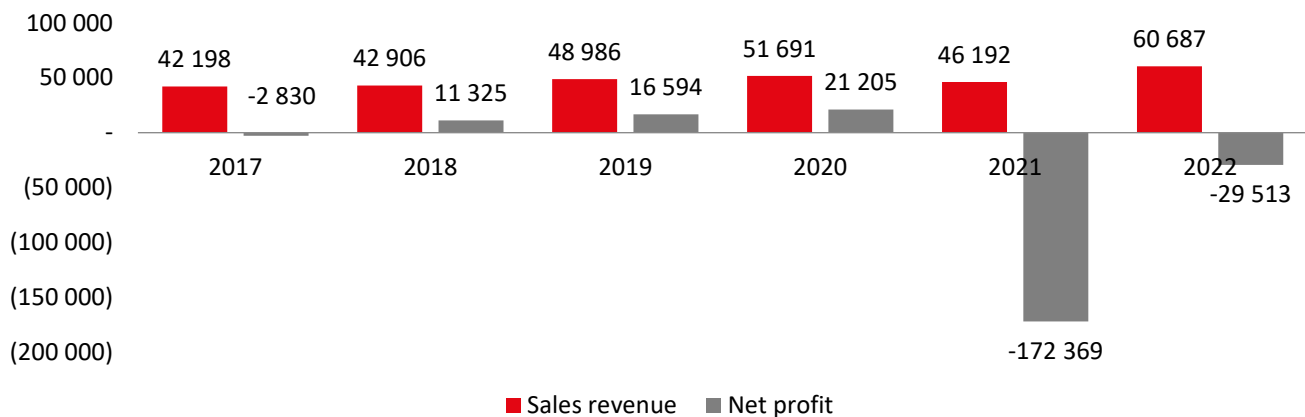
In 2022, Medicalgorithmics S.A. reported a net loss of PLN 29.5 million (compared to a loss of PLN 172.4 million in the same period last year). The return on sales in 2022 was -49% (compared to -373% in 2021) as a result of the following factors:

- 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 led 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 functionality 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

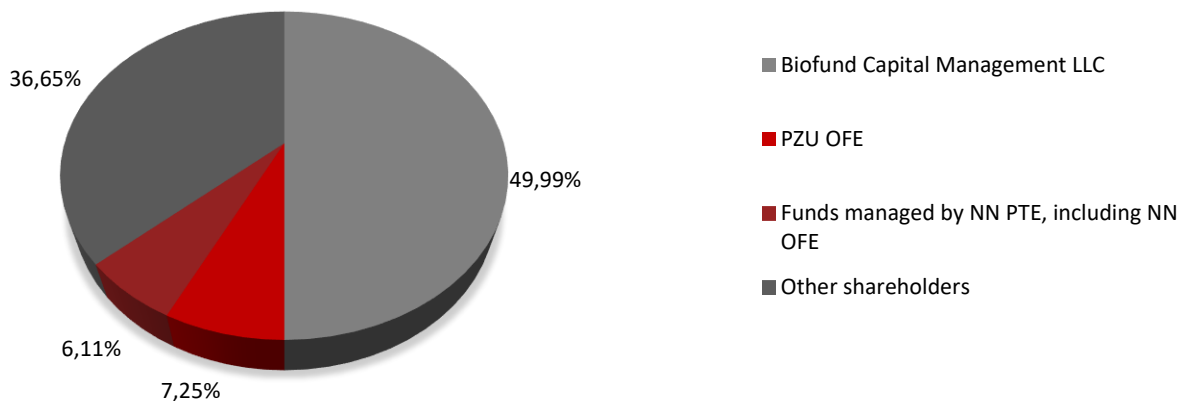


Table 1. Medicalgorithmics S.A. shareholder structure

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.



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