MEDICALgorithmics
INNOVATIVE SOLUTIONS IN MEDICINE

MEDICALGORITHMICS GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Q3 2023

	PLN '000		EUR '000	
Interim condensed consolidated statement of financial position	**30.09.2023 *(unaudited)***	**31.12.2022 *(transformed)***	**30.09.2023 *(unaudited)***	**31.12.2022 *(transformed)***
Non-current assets	72 822	65 943	15 709	14 061
Intangible assets	70 230	63 920	15 150	13 629
Long-term receivables	855	-	184	-
Long-term financial assets	20	20	4	4
Current assets	48 772	56 075	10 521	11 956
Inventories	11 492	8 771	2 479	1 870
Short-term receivables	7 457	21 139	1 609	4 507
Cash and cash equivalents	29 823	26 165	6 433	5 579
Long-term liabilities	17 372	17 053	3 748	3 636
Short-term liabilities	10 283	10 282	2 218	2 192
Equity attributable to Shareholders of the Parent Company	93 930	94 674	20 263	20 187
Share capital	995	995	215	212
Non-controlling interests	9	9	2	2
Number of shares	9 952 769	9 952 769	9 952 769	9 952 769
Book value per ordinary share (PLN/EUR)	9,44	8,05	2,04	1,72

Interim condensed consolidated statement of comprehensive income	**01.01.2023-30.09.2023 *(unaudited)***	**01.01.2022-30.09.2022 *(unaudited)***	**01.01.2023-30.09.2023 *(unaudited)***	**01.01.2022-30.09.2022 *(unaudited)***
Sales revenue	30 561	44 156	6 677	9 419
Loss on sales	770	11 269	168	2 404
Operating loss	872	15 650	191	3 338
Loss before tax	1 290	16 009	282	3 415
Net loss from continuing operations	98	17 150	21	3 658
Net loss from discontinued operations	-	(38 239)	-	(8 157)
Net loss	98	(21 089)	21	(4 498)
- attributable to Shareholders of the Parent Company	98	(21 089)	21	(4 498)
- attributable to non-controlling interests	-	-	-	-
Net loss attributable to Shareholders of the Parent Company per share (in PLN) – basic	0,01	(4,24)	-	(0,90)

Interim condensed consolidated statement of cash flows	**01.01.2023-30.09.2023 *(unaudited)***	**01.01.2022-30.09.2022 *(unaudited)***	**01.01.2023-30.09.2023 *(unaudited)***	**01.01.2022-30.09.2022 *(unaudited)***
Net cash flows from operating activities	850	13 998	186	2 986
Net cash flows from investing activities	5 981	(2 276)	1 307	(486)
Net cash flows from financing activities	(3 173)	(1 201)	(693)	(256)
Total net cash flows	3 658	10 521	799	2 244

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 30 September 2023, i.e. EUR/PLN 4,6356, and for 31 December 2022, i.e. EUR/PLN 4,6899;
- 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 2023 to 30 September 2023, i.e. EUR/PLN 4,5773, and from 1 January 2022 to 30 September 2022, i.e. EUR/PLN 4,6880.

		30.09.2023 *(unaudited)*	30.06.2023 *(unaudited)*	31.12.2022 *(transformed)*	30.09.2022 *(unaudited)*
Intangible assets	13	70 230	67 471	63 920	4 475
Property plant and equipment	14	1 717	2 014	2 003	2 196
Long-term receivables	17	855	-	-	-
Financial assets	15	20	20	20	59
Non-current assets		**72 822**	**69 505**	**65 943**	**6 730**
Inventories	16	11 492	10 179	8 771	8 968
Trade and other receivables	17	7 457	5 885	21 139	7 116
Cash and cash equivalents	18	29 823	33 276	26 165	12 794
Current assets		**48 772**	**49 340**	**56 075**	**28 878**
TOTAL ASSETS		**121 594**	**118 845**	**122 018**	**35 608**

		30.09.2023 *(unaudited)*	30.06.2023 *(unaudited)*	31.12.2022 *(transformed)*	30.09.2022 *(unaudited)*
Share capital		995	995	995	498
Supplementary capital		210 982	210 982	210 982	148 123
Retained earnings		(116 701)	(116 523)	(116 799)	(125 847)
Foreign exchange differences		(1 346)	(1 580)	(504)	(7 614)
Equity attributable to Shareholders of the Parent Company		**93 930**	**93 874**	**94 674**	**15 160**
Non-controlling interests		**9**	**9**	**9**	**11**
Provisions		182	182	191	166
Deferred tax liabilities		8 695	8 071	8 293	-
Other financial liabilities	22	2 280	2 407	4 244	3 796
Other liabilities		147	147	147	144
Accruals and deferred income	23	6 068	4 719	4 178	4 162
Long-term liabilities		**17 372**	**15 525**	**17 053**	**8 268**
Credits and loans	21	-	1	9	1 649
Short-term provisions		2 484	1 999	641	651
Other financial liabilities	22	3 942	4 505	5 006	5 906
Trade and other liabilities	23	3 225	2 739	4 466	3 814
Income tax liabilities		166	158	125	103
Accruals and deferred income	23	466	35	35	46
Short-term liabilities		**10 283**	**9 437**	**10 282**	**12 169**
Total liabilities		**27 655**	**24 962**	**27 335**	**20 438**
TOTAL EQUITY AND LIABILITIES		**121 594**	**118 845**	**122 018**	**35 608**

		01.07.2023-30.09.2023 *(unaudited)*	01.07.2022-30.09.2022 *(unaudited)*	01.01.2023-30.09.2023 *(unaudited)*	01.01.2022-30.09.2022 *(unaudited)*
Sales revenue	6	**9 566**	**17 428**	**30 561**	**44 156**
Raw materials and consumables used		(1 329)	(6 485)	(4 087)	(8 776)
Employee benefits	7	(4 623)	(4 354)	(13 668)	(12 817)
Amortization and depreciation	8	(701)	(943)	(2 042)	(2 956)
Third-party services	9	(3 400)	(3 379)	(9 323)	(7 968)
Other		(223)	(139)	(671)	(370)
Total costs of sales		**(10 276)**	**(15 300)**	**(29 791)**	**(32 887)**
Loss on sales		**(710)**	**2 128**	**770**	**11 269**
Other operating revenue	10	335	4 998	397	5 294
Other operating expenses	10	(99)	(396)	(295)	(913)
Operating loss		**(474)**	**6 730**	**872**	**15 650**
Finance income	11	1 215	(218)	787	614
Finance costs	11	(295)	(78)	(369)	(255)
Net finance income/(costs)		**920**	**(296)**	**418**	**359**
Loss before tax		**446**	**6 434**	**1 290**	**16 009**
Income tax	12	(624)	(1 809)	(1 192)	1 141
Loss from continuing operations		**(178)**	**4 625**	**98**	**17 150**
Net profit/(loss) from discontinued operations		**-**	**22 786**	**-**	**(38 239)**
Loss for the reporting period attributable to Shareholders of the Parent Company		(178)	27 411	98	(21 089)
Loss for the reporting period attributable to non-controlling interests		0	0	0	-
		(178)	**27 411**	**98**	**(21 089)**
Other comprehensive income					
Currency translation differences		235	(5 127)	(842)	(11 134)
Exchange differences on loans constituting a part of net investments in subsidiaries		(0)	(0)	(0)	(0)
Deferred tax on valuation of exchange differences on loans		-	-	-	-
Other comprehensive income for the period to be reclassified to profit or loss in subsequent reporting periods		**235**	**(5 127)**	**(842)**	**(11 134)**
Other comprehensive income		**235**	**(5 127)**	**(842)**	**(11 134)**
Other comprehensive income attributable to Shareholders of the Parent Company		235	(5 129)	(842)	(11 136)
Other comprehensive income attributable to non-controlling interests		0	2	0	2
				-	
Total comprehensive income for the reporting period				**-**	
Comprehensive income for the reporting period attributable to Shareholders of the Parent Company		57	22 282	(744)	(32 225)
Comprehensive income for the reporting period attributable to non-controlling interests		0	2	0	2
		57	**22 285**	**(744)**	**(32 223)**
Loss attributable to Shareholders of the Parent Company per share (in PLN)					
- basic		(0,02)	5,51	0,01	(4,24)
- diluted		(0,02)	5,51	0,01	(4,24)

	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 2023 *(transformed)*	**995**	**210 982**	**(116 799)**	**(504)**	**94 674**	**9**	**94 683**
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	98	-	98	-	98
Other comprehensive income	-	-	-	(842)	(842)	-	(842)
	-	**-**	**98**	**(842)**	**(745)**	**-**	**(744)**
Transactions recognized directly in equity							
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 30 September 2023 *(unaudited)*	**995**	**210 982**	**(116 701)**	**(1 346)**	**93 930**	**9**	**93 939**

	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 2023 *(transformed)*	**995**	**210 982**	**(116 799)**	**(504)**	**94 674**	**9**	**94 683**
Comprehensive income for the reporting period							
Net profit for the current reporting period	-	-	276	-	276	-	276
Other comprehensive income	-	-	-	(1 076)	(1 076)	-	(1 076)
	-	**-**	**276**	**(1 076)**	**(800)**	**-**	**(800)**
Transactions recognized directly in equity							
Issue of shares	-	-	-	-	-	-	-
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 30 June 2023 *(unaudited)*	**995**	**210 982**	**(116 523)**	**(1 580)**	**93 874**	**9**	**93 883**

	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 *(audited)*	**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	-	-	(11 863)	-	(11 863)	-	(11 863)
Other comprehensive income	-	-	-	(4 026)	(4 026)	-	(4 026)
	-	**-**	**(11 863)**	**(4 026)**	**(15 889)**	**-**	**(15 889)**
Transactions recognized directly in equity							
Issue of shares	498	62 859	-	-	63 357	-	63 357
Share purchase transaction	-	-	(178)	-	(178)	-	(178)
Total contributions from and distributions to owners	**498**	**62 859**	**(12 064)**	**(5 328)**	**47 289**	**-**	**47 289**
Equity as at 31 December 2022 *(transformed)*	**995**	**210 982**	**(116 799)**	**(504)**	**94 674**	**9**	**94 683**

	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 *(audited)*	**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	-	-	(21 089)	-	(21 089)	-	21 089)
Other comprehensive income	-	-	-	(11 136)	(11 136)	2	11 134)
	-	**-**	**(21 089)**	**(11 136)**	**(32 225)**	**2**	**32 223)**
Transactions recognized directly in equity							
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as at 30 September 2022 *(unaudited)*	**498**	**148 123**	**(125 847)**	**(7 614)**	**15 160**	**11**	**15 171**

Cash flows from operating activities	01.01.2023-30.09.2023 *(unaudited)*	01.01.2022-30.09.2022 *(unaudited)*
Net profit for the reporting period	**98**	**(21 089)**
Depreciation of property, plant and equipment	1 009	908
Amortization of intangible assets	1 033	2 047
Income tax	1 192	879
Change in inventory	(2 721)	(1 830)
Change in trade and other receivables	(1 246)	(12 993)
Change in accruals, prepayments and deferred income	1 174	-
Change in trade and other liabilities	(2 563)	805
Change in provisions	2 475	(720)
Change in financial liabilities	-	10 822
Updating of intangible assets	(207)	(214)
Net finance (income)/costs	-	1 142
Tax Refund	-	2 108
Foreign exchange differences	287	-
Interest	308	254
Write-down of receivables	-	31 749
Other	11	130
	850	**13 998**
Cash flows from investing activities		
(Acquisition)/sale of intangible assets	(6 950)	-
(Acquisition)/sale of property, plant and equipment	(351)	(3 500)
(Acquisition)/sale of other investments	-	(5 844)
Proceeds/expenses from the sale of investments	-	6 815
Proceeds from the sale of Medi-Lynx	13 282	253
	5 981	**(2 276)**
Cash flows from financing activities		
Proceeds/Repayments on loans taken out	-	237
Repayment debt on credit card	(9)	(21)
Other financial expenditure	(31)	(1 347)
Payments of finance lease liabilities	(826)	(754)
Repayment of financial liabilities	(2 849)	-
Other financial inflows	541	-
Proceeds from grants received	-	(55)
Impact from the loan from the buyer of Medi-Lynx	-	739
	(3 173)	**(1 201)**
Total net cash flows	**3 658**	**10 521**
Opening balance of cash and cash equivalents	26 165	2 273
Closing balance of cash	**29 823**	**12 794**

1. General information

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

"Report" means this interim condensed consolidated report covering the third quarter (Q3) of 2023. "Consolidated statements" mean the interim condensed consolidated financial statements of Medicalgorithmics Capital Group prepared as of June 30, 2023, covering the period from January 1, 2023 to September 30, 2023, including the appropriate comparative figures as of June 30, 2022 and December 31, 2022, as well as the comparable period in 2022.

2. Capital Group details

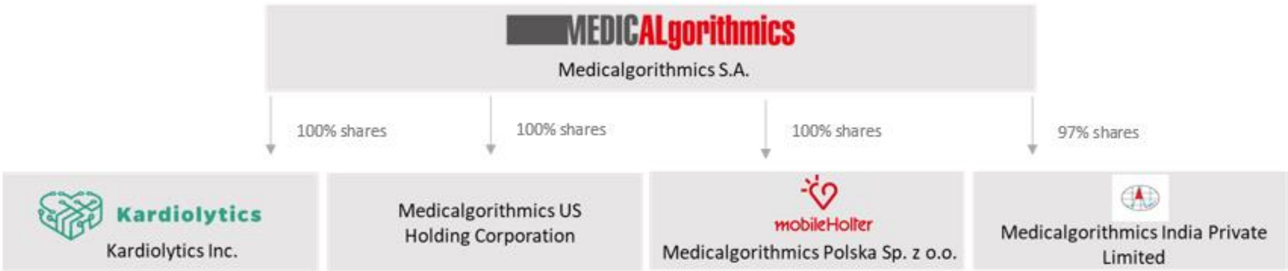
Medicalgorithmics Capital Group consists of Medicalgorithmics S.A. and its subsidiaries. The Parent owns:

- 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 links as of September 30, 2023 were as follows:



Business profile

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

The primary business areas of the Group are:

- ECG monitoring services provided through a software platform featuring AI algorithms and devices;
- VCAST technology development for use in cardiac diagnostics based on AI-supported imaging with CT algorithms;
- scientific research and development;
- manufacturing of electrical equipment for medicine.
- information technology services;

The Group’s services are available in several countries and continents of the world, including North America, Asia, Europe and Australia. Currently, its key market is USA where sales growth has been driven by the U.S. market’s openness to medical innovation and high reimbursement of cardiac diagnostic services by both private and public insurers there.

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 cardiac diagnostic services and technology that it provides to North America patients based on its 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 Company has been working on 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. The Parent's registered office is Al. Jerozolimskie 81, 02-001 Warsaw, Poland.

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

Management Board
Mr Maciej Gamrot – Member of Management Board, CFO
Mr Jaroslaw Jerzakowski – Member of Management Board
Mr Przemyslaw Tadla - Member of Management Board

Supervisory Board
Andrzej Gladysz – Chairman 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, Member 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
Mr Paweł Lewicki – Member of Supervisory Board
Mr Krzysztof Siemionow – Member of Supervisory Board
Mr David Cash – Member of Supervisory Board, Member of Audit Committee, Member of Nomination and Remuneration Committee (until October 10, 2023)
Ms Iwona Zatorska-Pańtak – Member of Supervisory Board, Member of Nomination and Remuneration Committee (until January 31, 2023)

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

On October 10, 2023, Mr David Cash resigned from the Supervisory Board, effective as of the date of submission of the resignation letter.

4. Basis for preparation

4.1. Statement of conformance

The interim condensed consolidated financial statements of the Group and the interim condensed separate financial statements of Medicalgorithmics S.A. have been prepared in conformity with International Accounting Standard 34 '*Interim Financial Reporting'* ("IAS 34") as well as relevant accounting standards applicable to interim financial reporting as adopted by the European Union ("EU IFRS"), published and in effect at the time when this report has been prepared. The interim condensed financial statements do not include all information and disclosures that are otherwise required in annual financial statements. They should be interpreted in conjunction with the consolidated financial statements of the Group as well as the separate financial statements of the Company, both for the year ended on December 31, 2022, and the Management Reports of the Group and of the Company concerning their 2022 operations.

Going concern of Company and Capital Group

The Management Board prepared the interim financial statements with a going concern assumption for the Company and the Capital Group.

4.2. Acquisition of Kardiolytics Inc. under IFRS 3

As described in the 2022 consolidated financial statements of the Medicalgorithmics Group, on November 8, 2022, an agreement was reached between the Company and Biofund Capital Management LLC, headquartered in Miami, USA, according to the information found in Current Report 64/2022 ("Transaction"):

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 is now 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.

Settlement of the Transaction

According to IFRS 3 Business Combinations, the Kardiolytics acquisition was settled 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 Supervisory Board and the Management 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 on 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 on that date. To comply with the acquisition method, identifiable assets and liabilities that are acquired must meet the definition of assets and liabilities on the date of their acquisition as formulated in IFRS.

According to item 45 of IFRS 3, the financial effect of the Transaction was settled in the 2022 consolidated financial statements of the Group based on estimates of fair values (so-called *provisional settlement*). On the date of these interim consolidated financial statements, the Company did make the final settlement of the Transaction and it has not differed from the provisional one recognized earlier in the 2022 consolidated financial statements of the Group.

As described in 2022 consolidated financial statements of Medicalgorithmics Group, 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 were also taken into account.

The technology is valuated at fair value using the ‘relief from royalty’ method. In the ongoing analysis of scenarios, different approaches to the following key assumptions were 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 the settlement of the Transaction, the most conservative approach was applied to the above parameters. The resulting value of the technology was estimated and accepted at PLN 41.2 million, and it was consulted with the Company's auditor.

As of the date of these financial statements, the following final value of the acquired and identifiable assets and liabilities of Kardiolytics was used:

	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 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 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.

Final in-kind value under IFRS

The Management Board informs that after analyzing how to recognize the Kardiolytics assets and liabilities in the financial statements, with further support of the Supervisory Board and upon discussions with the auditor, it has decided to proceed with such recognition of the Kardiolytics assets and liabilities that is, its opinion, the most prudent and strict interpretation of IAS and IFRS, with the respective line items being *non-cash,* as the Company announced in Current Report 34/2023.

In Current Report 11/2023, the Management Board stated that the consolidated financial statements (as per IFRS 3 section 45) features the so-called *provisional* settlement of the in-kind contribution, with the final settlement expected within 12 months of the date of the transaction (acquisition of 100% of shares in Kardiolytics based on the agreement of November 8, 2022).

The Management Board now announces that it accepts as *final* the earlier values of assets, liabilities and goodwill that were estimated and provisionally recognized in the consolidated financial statements of December 31, 2022, namely: value of VCAST technology: 41.1 million zlotys; total assets: PLN 41.6 million; total liabilities: PLN 9.8 million; total net assets: PLN 31.8 million; total goodwill: PLN 18.2 million – the recognition of such values implies no need for adjustments to these values in the financial statements compared to the items reported on December 31, 2022.

The Company clarifies that the values and their presentation are consistent with the relevant international reporting standards (IFRS) that apply to the accounting of such in-kind contributions as well as that the valuation of the in-kind contribution was not based on the arm's length principle.

The Management Board notes and reminds that, as stated in the Report, the adjustments and changes of the value of Kardiolytics assets, liabilities and goodwill that resulted from the approach adopted in both the separate and consolidated financial statements are *non-cash* recognitions inferred based on the most prudent interpretation of IFRS and do not affect cash flows or otherwise imply any evaluation of the advancement of Kardiolytics' VCAST technology or its potential.

The Management Board holds on to its earlier assessment of the VCAST project at Kardiolytics that it has been advancing in line with the Company's assumptions, as presented in the Issuer's current reports, including yet another VCAST technology patent secured by Kardiolytics (cf. Current Report 10/2023 of April 3, 2023) and the initiated EU/MDR certification procedure for VCAST (cf. Current Report 27/2023 of October 3, 2023).

The effect of the Kardiolytics acquisition on the Group's revenue and net result for the nine months until September 30, 2023 was, respectively, PLN 0 thousand and a loss of PLN 653 thousand, with PLN 2.5 million activated towards VCAST capital expenditures.

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

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 from the comparable periods of 2022 were recast to ensure comparability of the current report and the report covering previous periods.

According to IFRS 5, the Group's 2022 results were presented as follows:

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

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. 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 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). Consequently and as described in Current Report 2/2023 (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), less any refund-related costs indicated in the Agreement, and 65% of the difference between disputed tax liabilities of Medi-Lunx (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).

According to IFRS 1, taking into account the Group's data after the 2022 sale of Medi-Lynx, the Group will record a significantly reduced scope of operations and revenues in the context of this standard. Notably, at the same time the Group 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. 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. Equity is translated using the average exchange rate published by the National Bank of Poland on 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 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 denominated in a currency other than the functional currency are reported at the historical exchange rate on the transaction date. Non-monetary assets and liabilities recognized at fair value expressed in a currency other than the functional currency are translated at the exchange rate as 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).

4.5. 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);
- determination of the time of fulfilment of obligations and of revenue recognition (Note 6);
- determination of the time of the commissioning of development work and determination of the economic utility of products introduced (Note 12);
- methods of impairment testing and estimation of the recoverable amount of tested cash generating units (Note 12).

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;
- intangible assets (estimates of amortization rates used for intangible assets) - Note 13;
- property, plant and equipment (estimates of depreciation rates used) - Note 14;
- rights to use and finance lease liabilities recognized under IFRS 16 (estimates of the lease term, useful life and the discount rate used) - Note 22;
- impairment of goodwill and customer pool (estimate of projected cash flows for value in use, estimate of discount rate) - Note 13;
- trade receivables and other financial assets, including loans granted (as at the balance sheet date, the Group assesses whether there is any objective evidence of impairment of a receivable or a group of receivables; if the recoverable amount of an asset is lower than its carrying amount, the Company recognizes an impairment loss up to the present value of the planned cash flows) – Note 17;
- transaction price - the estimated transaction price reflects a reliable estimate of the expected remuneration under the contract based on the Company's past experience and ability to perform such services (Note 6);
- current income taxes, deferred tax assets and liabilities, other taxes (Note 12).
  The Group is subject to income taxes in several jurisdictions and tax laws are subject to frequent changes, resulting in significant differences in interpretation and significant uncertainty in their application. In the ordinary course of business, there are transactions and calculations for which the ultimate determination of tax is subject to uncertainty.

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

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

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

COVID-19 impact on material accounting judgments and estimates

In the context of the COVID-19 pandemic, the Management Board has reviewed key areas that demand accounting judgments and estimates. It was concluded that there had been no impact of the COVID-19 pandemic identified on the Group's operations in the nine months up to September 30, 2023.

4.6. Error corrections

The prepared interim condensed consolidated financial statements does include a correction of a fundamental error compared to previous periods. Accordingly, in the interim consolidated financial statements, the comparative figures for the purposes of the statement of financial position as of December 31, 2022 have been restated compared to those originally approved and published.

As already described in Current Report 26/2023 of September 26, 2023, in drafting these interim condensed consolidated financial statements for H1 2023 and as part of the review of the opening balances by the new auditor, certain adjustments were identified as needed. These adjustments are non-monetary and relate to certain accounting entries and calculations of non-monetary book result of the divestiture and de-consolidation of Medi-Lynx Cardiac Monitoring, LLC ("Medi-Lynx") as well as other transactions and adjustments related to this. These adjustments do not affect the Group's cash flow, neither in the current period nor in the future.

In particular, as part of the adjustments, the opening balance of consolidated equity (as of January 1, 2023) increased by PLN 14.6 million due to the reduced net loss for 2022 (from PLN -30.4 million to PLN -11.9 million, i.e. by PLN 18.5 million). The figures in the 2022 separate report do not require any further adjustments in relation to the Medi-Lynx divestment or otherwise.

The Group restated certain assets and equity items as of December 31, 2022. The impact of such changes on comparable figures is described below.

Restatement of financial position

	31.12.2022 *(audited)*	Correction	31.12.2022 *(transformed)*
Intangible assets	63 920	-	63 920
Property plant and equipment	2 003	-	2 003
Long-term financial assets	20	-	20
Deferred tax assets	-	-	-
Non-current assets	**65 943**	**-**	**65 943**
Inventory	8 771	-	8 771
Trade and other receivables	7 857	13 282	21 139
Financial assets	-	-	-
Cash and cash equivalents	26 165	-	26 165
Current assets	**42 793**	**13 282**	**56 075**
TOTAL ASSETS	**108 736**	**13 282**	**122 018**

	31.12.2022 *(audited)*	Correction	31.12.2022 *(transformed)*
Share capital	995	-	995
Supplementary capital	210 982	-	210 982
Retained earnings	(135 340)	18 541	(116 799)
Foreign exchange differences	3 433	(3 937)	(504)
Equity attributable to Shareholders of the Parent Company	**80 070**	**14 604**	**94 674**
Non-controlling interests	**9**	**-**	**9**
Provisions	191	-	191
Deferred tax liabilities	8 293	-	8 293
Credits and loans	-	-	-
Other financial liabilities	4 244	-	4 244
Other liabilities	147	-	147
Accruals and deferred income	4 178	-	4 178
Long-term liabilities	**17 053**	**-**	**17 053**
Credits and loans	9	-	9
Short-term provisions	641	-	641
Other financial liabilities	5 006	-	5 006
Trade and other liabilities	5 788	(1 322)	4 466
Income tax liabilities	125	-	125
Accruals and deferred income	35	-	35
Short-term liabilities	**11 604**	**(1 322)**	**10 282**
Total liabilities	**28 657**	**(1 322)**	**27 335**
TOTAL EQUITY AND LIABILITIES	**108 736**	**13 282**	**122 018**

4.7. Changes in main accounting policies

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those already used towards the annual consolidated financial statements of the Group for the year ended on December 31, 2022, except for new or revised standards and interpretations that have been effective for annual periods that started on or after January 1, 2023:

- Amendments to IFRS 17 ‘*Insurance Contracts*’,IAS 1 ‘*Presentation of Financial Statements*’, IAS 8 ‘*Accounting Policies, Changes in Accounting Estimates and Errors’,* IAS 12 ‘*Income Taxes’,* IFRS 16 ‘*Leases’,* applicable to periods beginning on or after January 1, 2023.

The changes were reviewed by the Management Board of the Parent. The Management Board considers the changes to have no material impact on the Group's financial position, results or the scope of information presented in these interim consolidated financial statements.

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

For a description of the accounting principles applied, see the 2022 published consolidated financial statements of the Medicalgorithmics Group.

4.8. Signing of interim condensed financial statements

The interim consolidated financial statements do not require approval of the approving body, according to Article 53 of the Accounting Act of September 29, 1994. The interim condensed consolidated financial statements are signed by a manager of the entity, namely the Management Board of Medicalgorithmics S.A. and, if appointed, the person in charge of bookkeeping. These interim condensed consolidated financial statements for Q3 2023 were signed on November 29, 2023.

4.9. Consolidation method

The consolidation principles adopted to prepare these financial statements have not changed from those applied and detailed in the notes to the 2022 consolidated financial statements.

5. Business segment reporting

The principal object of the Group's activity is:

- ECG monitoring services provided through a software platform featuring AI algorithms and devices;
- VCAST technology development for use in cardiac diagnostics based on AI-supported imaging with CT algorithms;
- scientific research and development;
- manufacturing of electrical equipment for medicine.
- information technology services;

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

The Group did not discontinue any operations during the period covered by this report nor is it planning to discontinue any operations in the next period. The Management Board draws attention to the transfer of Medi-Lynx as further described in Note 4.3, which was closed on July 28, 2022 and which, however, does not imply discontinuation of business in the US but rather a change in the US business model, which is focused on long-term contracts with partners. 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.

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

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

6. Structure of sales revenues

By type	**01.07.2023-30.09.2023**	**01.07.2022-30.09.2022**	**01.01.2023-30.09.2023**	**01.01.2022-30.09.2022**
Revenue from sales of services	7 776	14 857	27 724	36 790
Revenue from sales of devices	1 790	2 571	2 837	7 366
Total revenue	**9 566**	**17 428**	**30 561**	**44 156**

By territory	**01.07.2023-30.09.2023**	**01.07.2022-30.09.2022**	**01.01.2023-30.09.2023**	**01.01.2022-30.09.2022**
Poland	1 443	562	3 073	1 702
United States	3 442	12 861	14 326	30 843
Other	4 681	4 004	13 162	11 610
Total revenue	**9 566**	**17 428**	**30 561**	**44 156**

7. Payroll expenses

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Remuneration	(3 956)	(3 840)	(11 549)	(11 117)
Social security and other employee benefits	(667)	(514)	(2 119)	(1 700)
	(4 623)	**(4 354)**	**(13 668)**	**(12 817)**

8. Depreciation/amortization

This expense was PLN 2.0 million in the nine months of 2023. As a result of IFRS 16, the Group recognized right-of-use assets. ROU is depreciated over a period of a lease contract, and the expense in the nine months of 2023 was PLN 0.8 million (PLN 0.7 million in the comparable period, after alienation of the discontinued operations).

9. Third-party services

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Lease and rental	(508)	(360)	(1 421)	(766)
Telecommunication and Internet services	(77)	(70)	(219)	(183)
IT services	(1 591)	(612)	(3 635)	(2 280)
Accounting and financial audit services	(242)	(542)	(1 055)	(1 167)
Advisory services	(403)	(494)	(809)	(1 105)
Transport and courier services	(123)	(143)	(324)	(404)
Monitoring services	(105)	(80)	(327)	(198)
Marketing services	-	(19)	(11)	(38)
Other third-party services	(351)	(1 059)	(1 522)	(1 827)
	(3 400)	**(3 379)**	**(9 323)**	**(7 968)**

In the nine months of 2023, as well as in the comparative period, a significant portion of the third-party services expense were IT, accounting, auditing and consulting services. The Group 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.

10. Other operating income and expenses

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Reversal of impairment losses on MDG receivables	-	3 543	-	3 586
Reversal of impairment losses on intangible assets	207	-	207	-
Other	128	208	190	461
Profit for HoldCo debt restructuring	-	1 247	-	1 247
Other operating income	**335**	**4 998**	**397**	**5 294**
Write-down of receivables	-	(43)	-	-
Other	(99)	(353)	(295)	(913)
Other operating expenses	**(99)**	**(396)**	**(295)**	**(913)**

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

11. Financial income and cost

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Interest income	222	-	540	-
Foreign exchange differences	1 018	(218)	247	399
Other	(25)	-	-	215
Finance income	**1 215**	**(218)**	**787**	**614**
Interest on borrowings contracted	2	(61)	(53)	(200)
Interest on finance leases	(14)	(12)	(31)	(42)
Interest on recognized liability Andy Bogdan	(282)	-	(282)	-
Foreign exchange differences	-	-	-	-
Other	(1)	(5)	(3)	(13)
Finance costs	**(295)**	**(78)**	**(369)**	**(255)**
Net finance costs	**920**	**(296)**	**418**	**359**

12. Effective tax rate

	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Profit before tax	1 290	(22 229)
Tax at the tax rate applicable in Poland	(245)	4 224
Non-tax-deductible costs	(235)	(211)
Tax adjustment for 2022	(790)	-
Difference between the tax rate in Poland and USA	-	1 951
Amortization of goodwill for tax purposes	-	1 939
Write off of goodwill	-	(173)
Other	78	144
Tax reported in the statement of comprehensive income	**(1 192)**	**7 874**

13. Intangible assets

Gross value of intangible assets	MDG PL Goodwill	KL Goodwill	Costs of completed development works	Development works in progressi	Other	Total
Gross value as at 1 January 2023	**766**	**18 205**	**16 301**	**64 500**	**2 209**	**101 981**
Increases	-	-	75	7 091	-	**7 166**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	(28)	-	**(28)**
Gross value as at 30 September 2023	**766**	**18 205**	**16 376**	**71 563**	**2 209**	**109 119**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2023	**-**	**-**	**15 580**	**20 572**	**1 909**	**38 061**
Amortization	-	-	931	-	104	**1 035**
Foreign exchange differences	-	-	(207)	-	-	**(207)**
Accumulated amortization and impairment losses as at 30 September 2023	**-**	**-**	**16 304**	**20 572**	**2 013**	**38 889**
Net value						
As at 1 January 2023	**766**	**18 205**	**721**	**43 928**	**300**	**63 920**
As at 30 September 2023	**766**	**18 205**	**72**	**50 991**	**196**	**70 230**

Gross value of intangible assets	MDG PL Goodwill	KL Goodwill	Costs of completed development works	Development works in progressi	Other	Total
Gross value as at 1 January 2023	**766**	**18 205**	**16 301**	**64 500**	**2 209**	**101 981**
Increases	-	-	-	4 533	-	**4 533**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	(254)	-	**(254)**
Gross value as at 30 June 2023	**766**	**18 205**	**16 301**	**68 779**	**2 209**	**106 260**
Accumulated amortization and impairment losses						
Accumulated amortization and impairment losses as at 1 January 2023	**-**	**-**	**15 580**	**20 572**	**1 909**	**38 061**
Amortization	-	-	659	-	69	**728**
Reductions - write-downs	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	-	-
Accumulated amortization and impairment losses as at 30 June 2023	**-**	**-**	**16 239**	**20 572**	**1 978**	**38 789**
Net value						
As at 1 January 2023	**766**	**18 205**	**721**	**43 928**	**300**	**63 920**
As at 30 June 2023	**766**	**18 205**	**62**	**48 207**	**231**	**67 471**

Gross value of intangible assets	MDG PL Goodwill	Goodwill	Costs of completed development works	Development works in progressi	Other	Total	MDG PL Goodwill
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	-	-	-		-	-	**-**
Reductions - discontinued operations	(90 256)	-	(128 406)	-	(39)	(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**
Reductions - write-downs	-	-	-	-	1 142	8	**1 150**
Reductions - 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**
Net value							
As at 1 January 2022	**766**	**-**	**46 015**	**3 351**	**-**	**440**	**50 571**
As at 31 December 2022	**766**	**18 205**	**-**	**721**	**43 928**	**300**	**63 920**

Gross value of intangible assets	Goodwill	Client bases	Costs of completed development works	Development works in progress	Other	Total
Gross value as at 1 January 2022	**91 022**	**128 406**	**16 301**	**19 468**	**2 879**	**258 076**
Increases	-	-	-	3 373	60	**3 433**
Decreases	-	-	-	(235)	-	**(235)**
Reductions - discontinued operations	(90 256)	(128 406)	-	(38)	(734)	**(219 434)**
Foreign exchange differences	-	-	-	-		**-**
Gross value as at 30 September 2022	**766**	**-**	**16 301**	**22 568**	**2 205**	**41 840**
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	-	-	1 943	-	111	**2 054**
Reductions - write-downs	-	-	-	1 142	-	**1 142**
Reductions - discontinued operations	(90 256)	(82 391)	39	(38)	(689)	**(173 335)**
Foreign exchange differences	-	-	-	-		**-**
Accumulated amortization and impairment losses as at 30 September 2022	**-**	**-**	**14 932**	**20 572**	**1 862**	**37 366**
Net value						
As at 1 January 2022	**766**	**46 015**	**3 351**	**-**	**439**	**50 571**
As at 30 September 2022	**766**	**-**	**1 369**	**1 996**	**344**	**4 475**

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 Inc	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 fair market value of USD 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.

Consequently to the above transaction, there occurred a positive value of goodwill 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 transaction was settled in the 2022 consolidated financial statements based on fair value estimates. As described in Note 4.2, as of the date of these interim consolidated financial statements, the Company did make the final settlement of the Transaction and it has not differed from the provisional one recognized earlier in the 2022 consolidated financial statements of the Group. The goodwill is PLN 18,205 thousand.

The Company performed an impairment test of goodwill as of December 31, 2022 caused by the acquisition of control of Kardiolytics Inc., which is described below in the note. As of September 30, 2023, the Management Board has identified no indicators of asset impairment of the provisional goodwill calculation.

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

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

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

Goodwill is tested for impairment annually (or more frequently if there are indications of possible impairment). Goodwill impairment losses are recognized as an expense in the period and are not reversed in a subsequent period. As of September 30, 2023, the Management Board has identified no indicators of asset impairment of the goodwill recognized before.

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)	Goodwill (PLN '000)
Medicalgorithmics India Private Limited	22.01.2019	97%	183	331	139

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

Medi-Lynx customer base (fully written down as of March 31, 2022) and AMI customer base (fully written down as of March 31, 2022) were related to the discontinued operations (Medi-Lynx) – more detail in Note 4.3 to 2022 consolidated financial statements.

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 the recent years the Group introduced, among others, 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.

New generations of PocketECG system were developed and, in the fourth quarter of 2020, the fourth generation of the system has been completed. The fourth generation primarily enables the PocketECG device to connect over LTE for more efficient transmission of a continuous ECG signal. Pocket ECG version IV was initially introduced in the U.S. market and, in 2023, the Company has successfully started distributing this new version also on other markets.

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.

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

Development work in progress

The 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 Q3 2023, the Company completed the ECG Techbot project and is currently seeking the approval and awaiting the final decision of NCBiR national research agency in Poland. The project objectives have been met and the technology will be applied in the Company's new products, namely DeepRhythm AI and NextGen (DeepRhythm Platform). The algorithm system allows verifying the heart rate analysis and the morphology classification. It reduces the risk of human error in the verification process and optimize operations of the monitoring center.

ECG TechBot is co-financed by the NCBiR national research agency in Poland 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.

- DeepRythm Platform (or 'DRP', formerly known as NextGen) - a new software version for PocketECG;

The development work is underway on the new software for PocketECG, called DRP. 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 platform is currently undergoing CE (EU/MDR) and FDA certification procedures.

- DRAI – 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.

- VCAST – automated analysis of CT images 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 holds a number of patents and 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. On August 23, 2023, Kardiolytics received two European patents for: the computer-assisted segmentation of contrast-filled coronary vessels using CT imaging, and the medical imaging system and method for technology-assisted segmentation of coronary vessels. In October, the Company has initiated the CE certification procedure in the EU market and it is expected to end in the first quarter of 2024. It is also preparing for the 2024 certification process in the U.S. In September, a letter of intent was signed with Diagnostyka Group in Poland concerning VCAST use in coronary artery disease diagnostics across Diagnostyka lab network. Diagnostyka Group is Poland's largest network of medical laboratories, performing more than 130 million tests annually.

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

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

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.

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

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as at 1 January 2023	**-**	**3 975**	**716**	**647**	**5 150**	**10 488**
Increases	-	350	1	-	586	**937**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	-	-
Gross value as at 30 September 2023	**-**	**4 325**	**717**	**647**	**5 736**	**11 425**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2023	**-**	**3 339**	**681**	**456**	**4 009**	**8 485**
Depreciation	-	406	25	40	752	**1 223**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	-	-
Accumulated depreciation and impairment losses as at 30 September 2023	**-**	**3 745**	**706**	**496**	**4 761**	**9 708**
Net value						
As at 1 January 2023	**-**	**636**	**35**	**191**	**1 141**	**2 003**
As at 30 September 2023	**-**	**580**	**11**	**151**	**975**	**1 717**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as at 1 January 2023	**-**	**3 975**	**716**	**648**	**5 150**	**10 488**
Increases	-	147	1	-	586	**734**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	-	**-**
Gross value as at 30 June 2023	**-**	**4 122**	**717**	**648**	**5 736**	**11 222**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2023	**-**	**3 339**	**681**	**456**	**4 009**	**8 486**
Depreciation	-	181	17	27	497	**722**
Decreases	-	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	-	**-**
Accumulated depreciation and impairment losses as at 30 June 2023	**-**	**3 520**	**698**	**484**	**4 506**	**9 208**
Net value						
As at 1 January 2023	**-**	**636**	**35**	**191**	**1 141**	**2 003**
As at 30 June 2023	**-**	**602**	**18**	**164**	**1 230**	**2 014**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as at 1 January 2022	**2 232**	**38 988**	**2 916**	**653**	**26 180**	**70 970**
Increases	-	473	12	-	-	**485**
Decreases	-	(107)	-	-	-	**(107)**
Reductions - discontinued operations	(2 232)	(35 379)	(2 212)	(6)	(21 030)	**(60 860)**
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 1 January 2022	**1 374**	**23 133**	**2 370**	**396**	**16 701**	**43 974**
Depreciation	-	390	41	63	988	**1 482**
Decreases	-	-	(0)	-	-	-
Reductions - 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**

Gross value of property plant and equipment	Buildings and structures	Machinery and equipment, including computer hardware	Other fixed assets	Leasehold improvements	Rights-of-use (IFRS 16)	Total
Gross value as at 1 January 2022	**2 232**	**38 988**	**2 917**	**653**	**26 180**	**70 970**
Increases	-	172	-	-	-	**172**
Decreases	-	(50)	-	-	-	**(50)**
Reductions - discontinued operations	(2 232)	(35 379)	(2 212)	(6)	(21 030)	**(60 860)**
Foreign exchange differences	-	-	-	-	-	-
Gross value as at 30 September 2022	**-**	**3 731**	**705**	**647**	**5 150**	**10 232**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses as at 1 January 2022	**1 373**	**23 133**	**2 371**	**396**	**16 701**	**43 974**
Depreciation	-	215	27	50	740	**1 032**
Reductions - impairment losses	-	-	(0)	-	-	**(0)**
Reductions - discontinued operations	(1 373)	(20 183)	(1 730)	(3)	(13 680)	**(36 970)**
Foreign exchange differences	-	-	-	-	-	-
Accumulated depreciation and impairment losses as at 30 September 2022	**-**	**3 165**	**668**	**443**	**3 761**	**8 036**
Net value						
As at 1 January 2022	**859**	**15 855**	**546**	**257**	**9 479**	**26 996**
As at 30 September 2022	**-**	**566**	**37**	**204**	**1 389**	**2 196**

Right of use (IFRS 16)

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

15. Financial assets

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Shares	20	20	20	59
Financial assets	**20**	**20**	**20**	**59**
of which long-term portion	20	20	20	59
of which short-term portion	-	-	-	-

16. Inventory

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Materials	10 161	9 163	8 572	8 713
Finished products	1 344	1 100	229	407
Inventory impairment loss	(13)	(84)	(30)	(152)
	11 492	**10 179**	**8 771**	**8 968**

In connection with the Medi-Lynx divestiture described in Note 4.3, the method for recognizing PocketECG devices that are used to provide the diagnostic services has changed. Starting from Q3 2022, the device manufacturing cost is charged as a one-off expense to the cost of consumed raw materials and supplies at the time when the devices are sold.

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

17. Trade and other receivables

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade receivables	5 741	3 749	5 476	4 498
Budgetary receivables	1 413	1 453	2 102	2 346
Other receivables	840	435	140	108
IRS Tax Refund	-	-	13 282	-
Prepayments and deferred expenses	318	248	139	165
	8 312	**5 885**	**21 139**	**7 116**
Long-term	855	-	-	-
Short-term	7 457	5 885	21 139	7 116

As of December 31, 2022, the error correction described in Note 4.6 resulted in an additional sum of PL(sN 13.3 million credited to accounts receivable from the following IRS tax refund.
On January 6, 2023, Medi-Lynx Cardiac Monitoring, LLC received a tax refund from IRS (according to 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.

According to Note 4.3 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.

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

30.09.2023	Gross value	Impairment writedown	Net value
Non-matured	4 426	-	4 426
Past due 1-30 days	467	-	467
Past due 31-60 days	200	-	200
Past due 61-360 days	639	-	639
Past due more than 361 days	9	-	9
	5 741	**-**	**5 741**

30.06.2023	Gross value	Impairment writedown	Net value
Non-matured	3 241	-	3 241
Past due 1-30 days	343	-	343
Past due 31-60 days	8	-	8
Past due 61-360 days	124	-	124
Past due more than 361 days	33	-	33
	3 749	**-**	**3 749**

31.12.2022	Gross value	Impairment writedown	Net value
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
Past due more than 361 days	81	77	4
	5 553	**77**	**5 476**

30.09.2022	Gross value	Impairment writedown	Net value
Non-matured	3 058	-	3 058
Past due 1-30 days	1 105	-	1 105
Past due 31-60 days	69	-	69
Past due 61-360 days	266	1	265
Past due more than 361 days	77	76	1
	4 575	**77**	**4 498**

The fair value of accounts receivable approximates their book value. The total value of trade receivables past the due date, which have not been included in an impairment loss adjusted for, was PLN 1,315 thousand as of September 30, 2023. According to the above analyses, the Group expects these receivables to be repaid and any outstanding portion will be written off in line with the Group's practice and accepted accounting principles.

18. Cash and cash equivalents

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Cash in hand	6	7	8	9
Cash at banks	9 490	13 584	25 734	12 362
Short-term deposits	20 327	19 685	423	423
	29 823	**33 276**	**26 165**	**12 794**

The Parent invests any surplus funds in term deposits. In the nine months of 2023, there were PLN 20.3 million available in term deposits with maturity dates up to one year and fixed interest rates.

19. Parent shareholding structure

Shareholder	Number of shares as at 29 November 2023	% ownership interest	Number of votes	% of total voting rights	Change in the period of 28 September 2023-29 November 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
Other shareholders	4 254 696	42,76%	4 254 696	42,76%	Unchanged
TOTAL NUMBER OF SHARES	**9 952 769**	**100%**	**9 952 769**	**100,00%**	

*) Information based on the number of shares registered at the Annual General Meeting of June 30, 2023.

In the period January 1 – September 30, 2023, the Parent has not acquired or held any treasury shares.

20. Basic and diluted earnings per share

	01.01.2023-30.09.2023	01.01.2022-31.12.2022	01.01.2022-30.09.2022
Profit for the reporting period attributable to shareholders of the Parent Company (in PLN '000)	98	(30 404)	(21 089)
Weighted average number of ordinary shares (in thousands of shares)	9 953	5 701	4 976
Basic profit per share in PLN (net profit/weighted average number of shares)	**0,01**	**(5,33)**	**(4,24)**
Diluted profit per share in PLN (net profit/weighted average number of diluted shares)	**0,01**	**(5,33)**	**(4,24)**

21. Borrowings

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Credit card debt	-		-	(7)
Loans and advances	-	1	9	1 656
	-	**1**	**9**	**1 649**
of which long-term	-	-	-	-
of which short-term	-	1	9	1 649

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. The overdraft limit was gradually reduced, at a rate of PLN 860 thousand monthly, until the end of November 2022. The interest rate was a sum of WIBOR 1M reference rate and the bank's mark-up. In connection with the credit facility, a collateral was established – a deed of the Company's submission to statutory enforcement of debts in favor of the bank (according to Article 777 §1.5 of the Polish Civil Procedure Code), against all of the Company's assets, to secure its obligation to repay any and all monetary claims to the Bank as it may seek under the credit facility up to PLN 25.6 million. The credit facility is partly secured with a bank guarantee of PLN 12.8 million, valid until February 28, 2023, issued by Bank Gospodarstwa Krajowego based on a line-of-guarantee agreement with PLG-FGP Liquidity Guarantee Fund under the Polish government's Anti-Crisis Shield program. The guarantee secured 80% of the facility.

22. Other financial liabilities

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Liabilities arising from acquisition of shares in Medi-Lynx	3 152	3 626	5 867	7 717
Finance lease liabilities	1 070	1 286	1 269	1 559
Liabilities due to the transfer of existing technology rights by FRK* to KL	2 000	2 000	2 000	-
Other	-	-	114	426
Financial liabilities	**6 222**	**6 912**	**9 250**	**9 702**
of which long-term	2 280	2 407	4 244	3 796
of which short-term	3 942	4 505	5 006	5 906

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

Liabilities from Medi-Lynx acquisition

Other financial liabilities include a promissory note that is payable to the seller of the shares of Medi-Lynx Cardiac Monitoring, LLC, namely Medi-Lynx Monitoring. The outstanding balance as of September 30, 2023 is USD 0.7 million (PLN 3.2 million).

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

Part of the executed agreement is an arrangement concerning the repayment of the current liability of Medicalgorithmics US Holding Corporation (the liability arises from a promissory note issued in favour of the Seller and covering the acquisition of 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 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, repayments are fixed in equal monthly installments of USD 75,000 per month, from September 1, 2022 to May 1, 2024, followed by equal installments of USD 59,000 per month until the debt is fully repaid in September 2024. In 2022 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 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.

23. Trade and other liabilities

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade liabilities	2 308	1 659	2 252	2 576
Salaries and wages payable	178	398	738	605
Budgetary liabilities	337	383	355	349
Other liabilities	402	299	1 121	282
	3 225	**2 739**	**4 466**	**3 814**
Income tax liabilities	166	158	125	103

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Subsidies	4 719	4 719	4 178	4 178
Deferred revenue	1 780	-	-	-
Other	35	35	35	30
	6 534	**4 754**	**4 213**	**4 208**
of which long-term	6 068	4 719	4 178	4 162
of which short-term	466	35	35	46

In Q3 2023, the Company completed two public contract projects, as announced in Current Reports 19/2023, 20/2023 and 21/2023. According to IFRS 15, the Company will recognize some of the related revenue over the course of these public contracts, therefore posting a *deferred income* item of PLN 1.8 million.

The ECG TechBot project is co-financed by NCBiR national research agency in Poland using 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, 2023, the subsidy received was PLN 4.7 million.

24. Contingent liabilities

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

On July 16, 2018, Medicalgorithmics S.A. issued an irrevocable and unconditional bank guarantee (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.

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

25. Explanation of seasonality or cyclical nature of business

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

26. Securities issue

The Company did not issue securities during the reporting period.

27. Parent shares held by the issuer’s officers

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 Parent’s previous annual report.

The table reflects information received from shareholders according to Article 69 of *Public Offering, Financial Instruments Trading and Public Companies Act.*

Person	Function held in the Issuer's governing bodies	Number of directly held shares	Number of shares held indirectly[1]	Change in the period 28 September 2023-29 November 2023
Maciej Gamrot	Member of the Management Board, Chief Financial Office	3 175	-	Unchanged
Jarosław Jerzakowski	Member of the Management Board	3 014	-	Unchanged
Przemysław Tadla	Member of the Management Board	3 004	-	Unchanged
Andrzej Gładysz	Chairperson of the Supervisory Board	1 544	-	Unchanged
Michał Wnorowski	Vice-Chairperson of the Supervisory Board	-	-	Unchanged
Anna Sobocka	Member of the Supervisory Board	-	-	Unchanged
Sławomir Kościak	Member of the Supervisory Board	-	-	Unchanged
Paweł Lewicki	Member of the Supervisory Board	-	2 488 192	Unchanged
Krzysztof Siemionow	Member of the Supervisory Board	-	2 488 192	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.

28. Information on dividends paid or declared

On June 30, 2023, having considered the Management Board's proposal to cover the 2022 loss, the Extraordinary General Meeting resolved that the 2022 net loss of PLN 29,513 thousand was to be covered from future profit.

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

29. Transactions with officers

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

	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Remuneration of the Management Board Members	1 330	1 555
Remuneration of the Supervisory Board	850	447

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

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

- 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;
- revenue from medical services generated by MDG Poland and MDG India.

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.

The below table shows the key items in the Group’s statement of comprehensive income for the period from January 1 to September 30, 2023 and 2022.

	01.01.2023-30.09.2023	01.01.2022-30.09.2022	Change	Change %
Sales revenue	30 561	44 156	(13 595)	(31%)
Operating expenses	29 791	32 887	(3 096)	(9%)
Profit/Loss on sales	770	11 269	(10 500)	(93%)
Other operating revenue, net	102	4 381	(4 278)	(98%)
Operating loss	872	15 650	(14 778)	(94%)
Net finance income/(costs)	418	359	59	16%
Loss before tax	1 290	16 009	(14 719)	(92%)
Net loss, of which:	**98**	**(21 089)**	**21 187**	**(100%)**
Net profit/(loss) from continuing operations	**98**	**17 150**	**(17 052)**	**(99%)**
Net profit/(loss) from discontinued operations	**-**	**(38 239)**	**38 239**	**(100%)**
Net loss attributable to Shareholders of the Parent Company	98	(21 089)	21 187	(100%)
Net loss attributable to non-controlling interests	-	-	-	-
EBITDA	2 915	(18 133)	21 048	(116%)

Revenue from sales

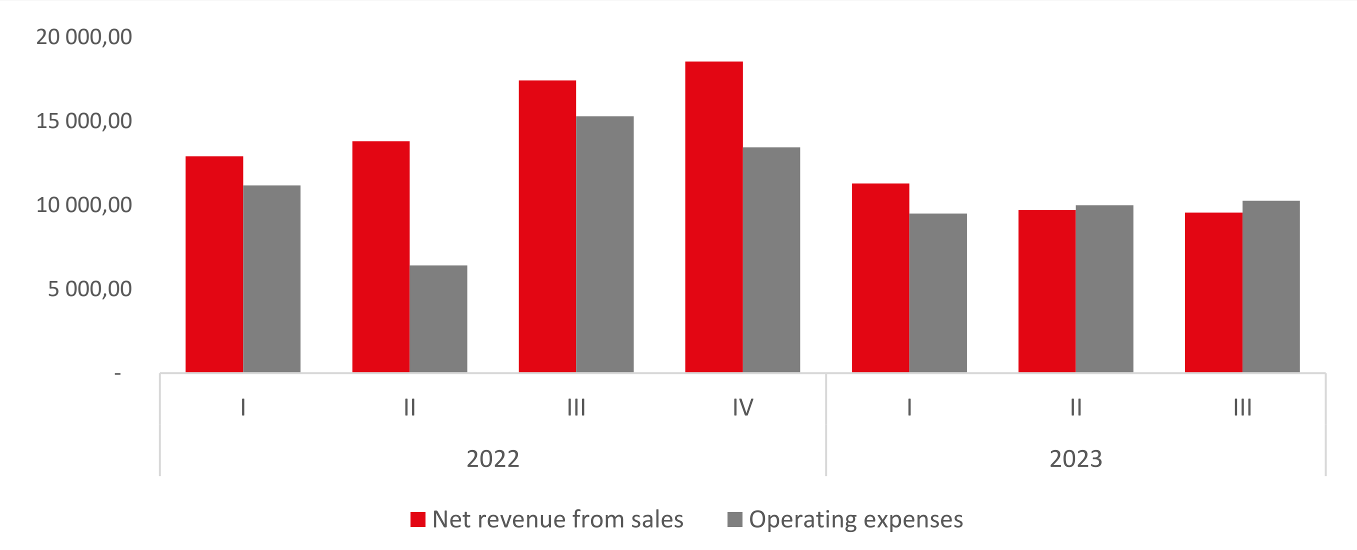
In the first nine months ending on September 30, 2023, the Group's revenue was PLN 30.6 million and decreased by 31% compared to the same period in 2022.

Consolidated revenue in the third quarter was over PLN 9.5 million, compared to PLN 9.7 million in the second quarter this year and PLN 17.4 million in the last year. The Group's declining sales results, both year-on-year and quarter-on-quarter, have been caused by lower revenue generated in the U.S. market. In global markets, the Company reported sales growth of 22% year-on-year and 21% quarter-on-quarter. This helped offset the quarterly decline in U.S. revenue. After the initial three quarters, global sales generated PLN 16.2 million in revenue, compared to PLN 14.3 million in the U.S. only. It means that the global turnover for the first time exceeded the U.S. sales.

In line with its strategy, the Company is redeveloping its distribution model in the U.S. market and building a network of non-exclusive business partners. It has already acquired three new diagnostic centers (IDTF) as distributors to replace its existing exclusive business partner, with whom the cooperation will last until December 2023. The new distributors are likely to generate new revenue starting the first quarter of the next year. Following its strategy, the Company plans to attract more business partners in the U.S. market in coming quarters.

In the third quarter, sales were also positively impacted by the started device upgrade program under which its business partner are globally replacing PocketECG heart monitoring devices with the latest fourth version. It has lead to Q3 sales reaching PLN 1.8 million compared to 0.6 million in the second quarter and in the last year. Investments committed by business partners in equipment and the resulting service contract renewals effectively bind to cooperate with the Company throughout the coming years, hence laying the groundwork for continued sales growth across the global market.

Chart 1. Group revenue from sales and operating expenses, by quarter, 2022-2023 (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 27.7 million (PLN 36.8 million in the same period of 2022), i.e. nearly 91% of total revenue, and revenue from sales of equipment to unrelated parties: PLN 2.8 million (PLN 7.4 million in the comparative period). The great majority of revenue was denominated in U.S. dollars just like in the previous year.

The following tables show sales revenue dynamics:

Total revenue by market

	01.01.2023-31.03.2023	**01.04.2023-30.06.2023**	**01.07.2023-30.09.2023**	**01.01.2023-30.09.2023**	**01.01.2022-31.03.2022**	**01.04.2022-30.06.2022**	**01.07.2022-30.09.2022**	**01.01.2022-30.09.2022**
	11 290	**9 705**	**9 566**	**30 561**	**12 917**	**13 811**	**17 428**	**44 156**
QoQ	*-*	*(1 585)*	*(139)*	*-*	*-*	*894*	*3 617*	*-*
QoQ %	*0%*	*-14%*	*-1%*	*-*	*-*	*7%*	*26%*	*-*
YoY	*(1 627)*	*(4 106)*	*(7 862)*	*(13 595)*	*-*	*-*	*-*	*-*
YoY %	*-13%*	*-30%*	*-45%*	*-31%*	*-*	*-*	*-*	*-*
Stany Zjednoczone	6 259	4 625	3 442	**14 326**	8 737	9 245	12 861	**30 843**
QoQ	*-*	*(1 634)*	*(1 183)*	*-*	*-*	*508*	*3 616*	*-*
QoQ %	*0%*	*-26%*	*-26%*	*-*	*-*	*6%*	*39%*	*-*
YoY	*(2 478)*	*(4 620)*	*(9 419)*	*(16 517)*	*-*	*-*	*-*	*-*
YoY %	*-28%*	*-50%*	*-73%*	*-54%*	*-*	*-*	*-*	*-*
Globalny poza USA	5 031	5 080	6 124	**16 234**	4 180	4 566	4 567	**13 313**
QoQ	*-*	*49*	*1 044*	*-*	*-*	*386*	*1*	*-*
QoQ %	*0%*	*1%*	*21%*	*-*	*-*	*9%*	*0%*	*-*
YoY	*851*	*514*	*1 557*	*2 921*	*-*	*-*	*-*	*-*
YoY %	*20%*	*11%*	*34%*	*22%*	*-*	*-*	*-*	*-*

Geographical structure of service sales

	01.01.2023-31.03.2023	01.04.2023-30.06.2023	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.01.2022-31.03.2022	01.04.2022-30.06.2022	01.07.2022-30.09.2022	01.01.2022-30.09.2022
	10 835	**9 113**	**7 776**	**27 724**	**10 610**	**11 323**	**14 857**	**36 790**
QoQ	*-*	*(1 722)*	*(1 337)*	*-*	*-*	*712*	*3 534*	*-*
QoQ %	*0%*	*-16%*	*-15%*	*-*	*-*	*7%*	*31%*	*-*
YoY	*225*	*(2 210)*	*(7 081)*	*(9 066)*	*-*	*-*	*-*	*-*
YoY %	*2%*	*-20%*	*-48%*	*-25%*	*-*	*-*	*-*	*-*
United States	6 259	4 625	3 442	**14 326**	6 676	7 100	10 796	**24 573**
QoQ	*-*	*(1 634)*	*(1 183)*	*-*	*-*	*424*	*3 696*	*-*
QoQ %	*0%*	*-26%*	*-26%*	*-*	*-*	*6%*	*52%*	*-*
YoY	*(417)*	*(2 476)*	*(7 354)*	*(10 247)*	*-*	*-*	*-*	*-*
YoY %	*-6%*	*-35%*	*-68%*	*-42%*	*-*	*-*	*-*	*-*
Global Outside the U.S.	4 576	4 488	4 334	**13 398**	3 934	4 223	4 061	**12 217**
QoQ	*-*	*(87)*	*(154)*	*-*	*-*	*289*	*(163)*	*-*
QoQ %	*0%*	*-2%*	*-3%*	*0%*	*0%*	*7%*	*-4%*	*0%*
YoY	*642*	*265*	*273*	*1 181*	*-*	*-*	*-*	*-*
YoY %	*16%*	*6%*	*7%*	*10%*	*0%*	*-*	*0%*	*0%*

Geographical structure of device sales

	01.01.2023-31.03.2023	01.04.2023-30.06.2023	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.01.2022-31.03.2022	01.04.2022-30.06.2022	01.07.2022-30.09.2022	01.01.2022-30.09.2022
	455	**592**	**1 790**	**2 837**	**2 307**	**2 488**	**2 571**	**7 366**
QoQ	*-*	*137*	*1 198*	*-*	*-*	*182*	*83*	*-*
QoQ %	*0%*	*30%*	*202%*	*-*	*-*	*8%*	*3%*	*-*
YoY	*(1 851)*	*(1 897)*	*(782)*	*(4 530)*	*-*	*-*	*-*	*-*
YoY %	*-80%*	*-76%*	*-30%*	*-61%*	*-*	*-*	*-*	*-*
United States	-	-	-	-	2 061	2 145	2 065	**6 270**
QoQ	*-*	*-*	*-*	*-*	*-*	*84*	*(79)*	*-*
QoQ %	*0%*	*-*	*-*	*-*	*-*	*4%*	*-4%*	*-*
YoY	*(2 061)*	*(2 145)*	*(2 065)*	*(6 270)*	*-*	*-*	*-*	*-*
YoY %	*-100%*	*-100%*	*-100%*	*-100%*	*-*	*-*	*-*	*-*
Global Outside the U.S.	455	592	1 790	**2 837**	246	343	506	**1 096**
QoQ	*-*	*137*	*1 198*	*-*	*-*	*97*	*163*	*-*
QoQ %	*0%*	*30%*	*202%*	*-*	*-*	*39%*	*48%*	*-*
YoY	*209*	*249*	*1 284*	*1 741*	*-*	*-*	*-*	*-*
YoY %	*85%*	*73%*	*254%*	*159%*	*-*	*-*	*-*	*-*

Geographical structure – '24h Signal Equivalents'

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Poland	7 314	6 026	24 601	18 894
United States	103 866	242 157	461 978	751 524
Global Outside the U.S.	122 713	114 705	386 728	361 151
	233 893	**362 888**	**873 307**	**1 131 569**

24h Signal Equivalent is a measure of the actual total number of signals analyzed, according to the new strategy which defines it as the equivalent of a 24-hours-long ECG signal analyzed by the Company's software (for example 1 MCT test lasting 25 days, 7 Holter tests lasting 24 hours, 3 days of unspecified ECG signal feed – all equal to a total of 35 '24h Signal Equivalents'). In line with the strategy, the number of 24h Signal Equivalents increased in non-US markets globally and in Poland, while it decreased in the U.S. market where the Group is in the process of upgrading its sales model.

Cost of operating activities

During the reporting period, operating expenses stood at PLN 29.8 million and dropped by +9% compared to the same period in 2022.

	01.01.2023-30.09.2023	01.01.2022-30.09.2022	Change	Change %
Raw materials and consumables used	4 087	8 776	(4 688)	(53%)
Employee benefits	13 668	12 817	851	7%
Amortisation and depreciation	2 042	2 956	(913)	(31%)
Third-party services	9 323	7 968	1 354	17%
Other	671	370	302	82%
TOTAL:	**29 791**	**32 887**	**(3 096)**	**(9%)**

Consumed raw materials and supplies

Costs of consumed raw materials and materials decreased by approx. PLN 4.7 million (-53%) compared to the comparable period in the last year. A significant factor in this increase has been the changing USD exchange rate. Most of the raw materials and supplies are imported. At the Parent level, there was also a decrease of approx. PLN 4.6 million in 'non-eliminating entries' in the consolidated expense account, attributable mainly to the lower volume of devices sold in the nine months of 2023. 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.

Payroll expenses

Employee benefit costs increased by approx. PLN 0.9 million (+7%) compared to the same period in 2022. The rising cost of payroll in the nine months of 2023 was mainly impacted by the higher headcount in the US sales and business development team (+ PLN +0.8 million) and the rising personnel expense in Kardiolytics (+ PLN +0.4 million), relating to the development of VCAST technology. This increase was compensated for by the decreased staff costs at MDG S.A. (PLN -0.3 million).

Payroll expense is the most significant item in the Group's operating expenses (46%). The high share of the payroll expense results from the nature of the Group's business. Both at the Parent level, where the majority of employees are IT specialists and production engineers, as well as of the subsidiary level, where employees include ECG technicians and customer service / sales specialists, the business is based largely on human capital.

Depreciation/amortization

During the nine months of 2023, a drop of PLN 0.9 million (-31%) in depreciation/amortization expense was visible compared to the same period in the last year. Depreciation/amortization now accounts for nearly 7% of total operating expenses.

The lower depreciation/amortization expense results from, among other factors, the Group's treatment of the PocketECG devices, which are used to provide diagnostic services by the Group companies, no longer 'non-current assets' and, hence, not depreciated over a three-years' period that reflected their expected life cycle. Now, the cost to manufacture such devices is charged as a 'one-off item' to the cost of consumed raw materials and supplies at the time when the devices are sold.

As a result of IFRS 16, the Group recognized right-of-use assets. ROU is depreciated over a period of a lease contract, and the expense in the nine months of 2023 was PLN 0.8 million (PLN 0.7 million in the comparable period, after alienation of the discontinued operations).

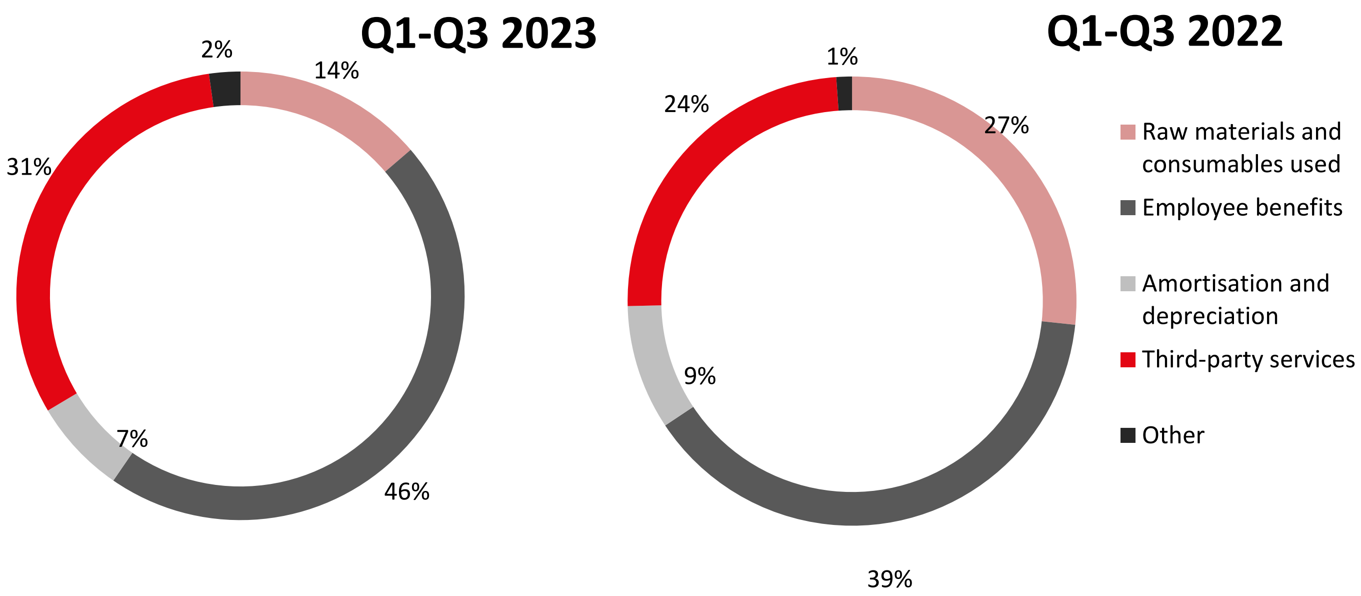
Third-party services

Third-party services account for 31% of the Group's operating expenses, and they increased by 17% compared to the comparative period, amounting to PLN 9.3 million. Among the expenses for third-party services, the key items are IT services, rental/lease, and accounting/auditing. The structure of the third-party service expense in the reporting period and the comparative period is presented in Note 8 of this report.

When comparing the nine months of 2023 and of 2022, there was a significant increase mainly in the rental and lease expenses as well as IT services which included software consulting and system maintenance, incurred in relation to the development of technology.

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 9 to the consolidated financial statements include operating expenses related to office space rental and the cost of leasing low-value office equipment.

Chart 2. Operating expenses structure from January 1 to September 30, 2023 and 2022 (%)



Profit and profitability

In January to September this year, Medicalgorithmics reported a consolidated net profit of PLN 98 thousand, compared to the previous year's loss of PLN 21 million. In the third quarter alone, the Company reported a consolidated net loss of PLN 178 thousand which marked an improvement since the second quarter. Meanwhile, the Company's non-consolidated figures show profitability gains in both the third quarter and all three quarters of the year to date. In the third quarter, medtech's net profit was PLN 4.1 million, with PLN 4.7 million being the net profit for all three quarters to date.

Medicalgorithmics generated operating income of PLN 0.8 million and has significantly increased the total cash balance. At the end of September 2023, the available cash was PLN 29.8 million compared to almost PLN 12.8 million in the previous year. Shareholders' equity improved to PLN 93.9 million, compared to PLN 15.1 million in the comparable period.

Assets and financial position

As of September 30, 2023, the balance sheet sum was PLN 121.6 million, i.e. a decrease of PLN 0.4 million (-2.6%) compared to December 31, 2022. The lower balance sheet sum was largely due to lower trade receivables and other receivables (PLN -12.8 million). The restated version of the opening balance included certain receivables – a part of the IRS tax refund and an adjustment of the Medi-Lynx divestment price (cf. Current Report 47/2022). In January 2023, this receivable was fully paid. The decrease was largely offset by a higher balance of cash and cash equivalents as well as intangible assets.

As of the balance sheet date, total non-current assets were PLN 72.8 million, and their share in all assets reached 60%. The key item in non-current assets was intangible assets, and among them R&D work expenditure (PLN 51.0 million) and goodwill of

Kardiolytics (PLN 18.2 million). The value of non-current assets increased by PLN 6.9 million (+10%) compared to December 31, 2022, mainly due to the higher R&D work expense.

Current assets were PLN 48.8 million as of September 30, 2023, i.e. more by PLN 7.3 million (-13%) compared to December 31, 2022. This change involved mainly a drop in trade receivables (by PLN 12.8 million) and an increase in cash and cash equivalents (by PLN 3.7 million). The share of current assets in all assets reached 40%. Trade receivables, inventories and cash / cash equivalents accounted for 15%, 24% and 61% of current assets, respectively.

As of September 30, 2023, equity attributable to Shareholders of the Parent was PLN 93.9 million, i.e. down by PLN 0.7 million (-1 %) compared to the balance on December 31, 2022. The ratio of equity to the balance sheet sum reached 77%. The change in equity attributable to the Shareholders of the Parent included mainly the profit generated in the nine months of 2023 (PLN 98 million), and exchange differences (PLN -0.8 million).

As of the balance sheet date, long-term liabilities were PLN 17.4 million (14% of the balance sheet sum) and the key item in this group of liabilities was the provision for deferred income tax (PLN 6.1 million) and accruals (PLN 6.1 million). The value of long-term liabilities increased by PLN 0.3 million (+2%) compared to December 31, 2022, mainly due to higher accruals (PLN 1.9 million). The major item in accruals was public aid (PLN 4.7 million) which increased by PLN 0.5 million compared to December 31, 2022. Deferred income which will be generated from new contracts was also included in accruals (PLN 1.4 million).

As of the balance sheet date, short-term liabilities were PLN 10.3 million (8% of the balance sheet sum). The most significant item in this group of liabilities was other financial liabilities (PLN 3.9 million), trade payables (PLN 3.2 million), and provisions for liabilities (PLN 2.5 million). The short-term portion of financial liabilities includes liabilities outstanding towards Andrew Bodan (PLN 3.2 million) and short-term liabilities under finance leases (PLN 0.7 million). The value of short-term liabilities remained at a similar level compared to December 31, 2022.

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

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

32. Management Board position on financial forecast viability

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

33. Information on sureties or guarantees issued by Group

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

In 2016, the Parent guaranteed an interest-bearing promissory note of its subsidiary, MDG HoldCo based in USA, which was issued to Medi-Lynx Monitoring, Inc. as payment for the acquisition of shares in Medi-Lynx. 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. In 2022 separate financial statements, the Parent recognized and reported liabilities under this guarantee in the amount of USD 1.6 million (PLN 7.2 million). At the moment, repayments are fixed in equal monthly installments of USD 75,000 per month, from September 1, 2022 to May 1, 2024, followed by equal installments of USD 59,000 per month until the debt is fully repaid in September 2024.

The outstanding balance as of September 30, 2023 is USD 0.7 million (PLN 3.2 million).

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.

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

The Management Board monitors the risk of the Group experiencing difficulty in meeting its obligations that are associated with financial liabilities. In the separate and consolidated financial statements for 2022 (approved for publication on April 28, 2023), the Management Board of the Parent noted the risk of failure to achieve the expected growth in revenues while maintaining the assumed level of operating expenses, including costs of equipment manufacturing and technology / sales development – it described as an issue impacting the going concern assumptions of the Group and the Company. 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.

In the opinion of the Management Board, the implementation of the new strategy will allow the Group to expand its operations, further leading to an increase in revenue and business profitability and improved liquidity of the Group in future.

In addition, the Group is exposed to various risks related to its operations and environment and they may affect the achievement of its strategic commitments and goals. These risks are described in greater detail in the 2022 Consolidated Annual Report, the Management Report of the Group and of Medicalgorithmics S.A., in section VI. Description of significant factors and risk management methods can be found in Note 24 of the consolidated financial statements for H1 2023.

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

In the opinion of the Management Board, the most important factor affecting the Group's performance over the next year is the continuing transformation of the business model in line with the goals of the new growth strategy. The Company has acquired a number of new business partners, including three global leaders in the area of advanced cardiac diagnostics and it is seeking to become their major supplier of diagnostic software featuring artificial intelligence algorithms.

In line with the new growth strategy announced in June this year and developed with the participation of Medicalgorithmics key shareholder, Biofund Capital Management LLC, the Company has been remodelling its business model. It moved away from a closed-loop of cardiac diagnostics solutions that involved only its own cardiac monitoring devices. The new strategy is betting on sale of the Company's proprietary ECG analysis system combined with its proprietary AI system as a stand-alone product that can be integrated with devices and IT systems of the Company's business partners. Medicalgorithmics' software is currently available as a service and based on a number of payment and subscription models, including a model dependent on the number of ECG data analyses performed.

As anticipated, the Company's intensive efforts taken to attract new business partners and build a diversified global network of healthcare operators are yielding their first significant results. In this short timeframe the Company has successfully made new partnerships with three global suppliers of diagnostics services and devices as well as three new distributors based in the U.S.

Due to the time required to integrate and evaluate how the software performs with their systems, these new contracts are expected to yield revenue in the first half of the next year. As previously announced, the transition spreads over the second half of this year and the first half of the next, and this has been reflected in the results. Nonetheless, after three quarters of this year, the Company generated a positive financial result, positive cash flow from operating activities, and now can boast a rapid spike in global non-U.S. sales (up by 22% y/o/y), which has already been generating over half of total revenue.

Following its growth strategy, Medicalgorithmics is about to end the work on its new product, called VCAST, which is a medical system for non-invasive analysis of the condition of the coronary vascular system using artificial intelligence algorithms to diagnose coronary heart disease. Taking a standard and inexpensive CT scan the VCAST technology can render an in-depth analysis and provide diagnostic data that would otherwise require highly invasive and therefore expensive hospital procedures. In October, the Company has initiated the CE certification procedure in the EU market and it is expected to end in the first quarter of 2024. It is also preparing for the 2024 certification process in the U.S. VCAST is being developed by Kardiolytics, a U.S.-based wholly-owned subsidiary of Medicalgorithmics which was acquired in a strategic Biofund investment back in December 2022. Medicalgorithmics has already gained a new major client in September when medtech signed a letter of intent with Diagnostyka Group in Poland concerning the use of VCAST in coronary artery disease diagnostics across Diagnostyka lab network. Diagnostyka Group is Poland's largest network of medical laboratories, performing more than 130 million tests annually.

A new generation of AI software and ECG diagnostics products is also under way. DeepRythm Platform, which is a next-generation PC Client based on DRAI (a new artificial intelligence algorithm), is being certified for use in the EU and the U.S.

However, there is a risk that the Management Board's assumptions as to the potential commercialization of the new products and services will not materialize or that their marketing will not improve revenue. Namely, despite all the measures taken the assumptions made by the Management Board could remain unrealised, the level of sales could stall or certain business partners could choose to restrain their cooperation with the Group.

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

- possible changes in test reimbursement rates offered by insurers with whom business partners signed contracts;
- changes on the US medical services market where the Group derives a major portion of its revenue;

- increases in sales to partners with whom the Parent has contracts – it will contribute to further diversification and increase in revenue;
- development of the cardiac diagnostics sector in countries where the Group offers products, and the level of reimbursement available for PocketECG services;
- fluctuations of exchange rates in countries where the Group operates;
- availability and potential increase in prices of production components, as a result of supply shortages or delays observed in the market.

Furthermore, the Group is exposed to various risks related to its operations and environment and they may affect the achievement of its strategic commitments and goals. These risks are described in greater detail in the 2022 Consolidated Annual Report, the Management Report of the Group and of Medicalgorithmics S.A., in section VI. Description of significant factors and risk management methods can be found in Note 24 of the consolidated financial statements for H1 2023.

36. Significant litigations

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

37. Events after balance sheet date

On October 3, 2023, the Parent signed an agreement with TÜV Rheinland Polska Sp. z o.o. to, among others, add new items to its Medical Devices Regulation (MDR) compliance certificate, namely VCAST technology developed by subsidiary Kardiolytics Inc. and its compliance with MDR's Annex IX, Chapter I, Category IIa, Z129092. Once secured in the EU the MDR compliance certificate will allow initiating the device registration procedure in the following markets: European Union, Australia, UK, Switzerland, and Asia.

On October 5, 2023, the Parent signed a strategic alliance agreement with a Texas-based operator who will soon provide services as 'IDTF' (a healthcare provider in the U.S.). According to the agreement, the Issuer will render certain support services to the Distributor relating to cardiac ECG diagnostics, cardiac ECG monitoring and cardiac ECG telemetry products based on Pocket ECG gen. IV software and devices from the Company.

The Agreement becomes effective on October 6, 2023 and will continues indefinitely until either the Seller or the Buyer (a) terminates the Agreement upon a prior notice of six months or (b) otherwise terminates the Agreement according to its provisions.
The minimum quantity of the first order is 200 units of Pocket ECG IV devices. The average annual contract value is estimated at around USD 120,000 per quarter, according to the estimated scale of operations as at the signing and initiation of this business partnership.

On October 10, 2023, the Parent signed agreements with one of TOP 3 leaders of non-invasive cardiac diagnostics and monitoring, which operates mainly in the US market and is NASDAQ listed

The agreements allow this partner to evaluate the viability of the integration of the Company's software technology and the partner's signal recorder. To this end, the Company's technology will be linked to the partner's ECG signal device using dedicated software developed specifically for this project.

According to the agreement, if the Company secures the MDR certificate in the EU for the dedicated software within 6 (six) months of the underlying application, the Company will receive a service fee of USD 250,000.00 (approx. PLN 1.1 million). In addition, the Agreement acknowledges that the two parties are interested in signing a business partnership agreement regarding the partner's future use of the Company's products and services. More information can be found in Current Report 30/2023.

On October 20, 2023, the Parent made an agreement with a listed global supplier of medical devices, including for arrhythmia diagnostics. The agreement lays the ground for the evaluation of potential long-term partnership aimed at joint commercialization of the Issuer's cloud-based ECG diagnostics solutions. The initial step towards the evaluation of the potential for such partnership will be to a commercial pilot project where the Company will ensure software's integration and implementation for the partner's client. According to the Agreement, the pilot will evaluate any gains in performance and added value in the diagnostic procedures of that client and the partner, thanks to the application of the Issuer's cloud-based software solutions and AI algorithms dedicated to ECG signal diagnostics.

The signed partner is a major player in the cardiovascular technology market and a worldwide supplier of medical devices, including in Europe, North and South America, Asia and Africa. For more information see Current Report 31/2023.

The aforementioned agreements and contracts are a significant milestone towards the succesful implementation of the Company's strategy as outlined in Current Report 16/2023 of June 19, 2023. The Company has been seeking distributors based on a non-exclusive model, with the priority focus being the US market, and such agreements and contracts follow the adopted Strategy.

On October 10, 2023, Mr David Cash resigned from the Supervisory Board, effective as of the date of submission of the resignation letter.

On October 21, the Company received a notice of termination of the service agreements signed with React Group subsidiaries, effective December 31, 2023.

Until the end of Q2 2023, React Group had been the exclusive revenue client in the U.S.. The geographical structure of revenue, including the U.S. revenue, was published in the consolidated interim financial statements for the first half of 2023 as well as this report. In addition, this revenue is constantly decreasing yet it remain above the minimum levels under the agreements with React (cf. Current Report 52/2022 of July 28, 2022). In addition, the Company has been holding talks concerning the potential continuation of its partnership with React starting in 2024.

According to the Management Board, in the context of the 2023-2026 growth strategy adopted and implemented by the Company, the strategy and related action plan foresaw such scenario and prepared the Company to the risk of the termination of React's exclusive agreements and the need to shift the strategy in the U.S. market. Consequently, the Management Board assesses that the Issuer is well prepared to terminate its partnership with React.

On November 22, 2023, the Management Board of Medicalgorithmics S.A. announced the Extraordinary General Meeting which will convene on December 19, 2023, 3:30 p.m., at the Company's headquarters (Central Tower building, Al. Jerozolimskie 81, 02-001 Warsaw, floor 18), according to the meeting agenda also attached in Current Report 33/2023.

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

Statement of financial position	PLN '000 30.09.2023 (niebadane)	PLN '000 31.12.2022 (badane)	EUR '000 30.09.2023 (niebadane)	EUR '000 31.12.2022 (badane)
Non-current assets	65 953	68 201	14 227	14 542
Current assets	47 333	41 238	10 211	8 793
Intangible assets	8 151	4 277	1 758	912
Long-term receivables	855	-	184	-
Long-term financial assets	3 820	10 609	824	2 262
Inventories	11 492	8 771	2 479	1 870
Short-term receivables	6 995	7 311	1 509	1 559
Cash and cash equivalents	28 846	25 156	6 223	5 364
Equity	94 683	89 992	20 425	19 188
Share capital	995	995	215	212
Short-term liabilities	10 674	9 564	2 303	2 039
Long-term liabilities	7 929	9 883	1 711	2 107
Number of shares	9 952 769	9 952 769	9 952 769	9 952 769
Book value per ordinary share (PLN/EUR)	9,51	9,04	2,05	1,93

Statement of comprehensive income	01.01.2023-30.09.2023 (niebadane)	01.01.2022-30.09.2022 (niebadane)	01.01.2023-30.09.2023 (niebadane)	01.01.2022-30.09.2022 (niebadane)
Sales revenue	28 623	42 761	6 253	9 121
Profit on sales	2 943	12 116	643	2 584
Operating profit	3 045	(44 482)	665	(9 489)
Profit before tax	3 612	(42 802)	789	(9 130)
Net profit	4 692	(43 681)	1 025	(9 318)
Earnings per ordinary share (PLN/EUR)	0,47	(8,78)	0,10	(1,87)

Statement of cash flows	01.01.2023-30.09.2023 (niebadane)	01.01.2022-30.09.2022 (niebadane)	01.01.2023-30.09.2023 (niebadane)	01.01.2022-30.09.2022 (niebadane)
Net cash flows from operating activities	4 668	14 906	1 020	3 180
Net cash flows from investing activities	2 187	(3 017)	478	(644)
Net cash flows from financing activities	(3 165)	(79)	(691)	(17)
Total net cash flows	3 690	11 809	806	2 519

Method of conversion of selected figures into EUR:

- The presented selected items of the statement of financial position presented were converted using the mid-rate quoted by the National Bank of Poland (NBP) for 30 September 2023, i.e. EUR/PLN 4,6356, and for 31 December 2022, i.e. EUR/PLN 4,6899;
- 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 2023 to 30 September 2023, i.e. EUR/PLN 4,5773, and from 1 January 2022 to 30 September 2022, i.e. EUR/PLN 4,6880.

		30.09.2023 *(unaudited)*	30.06.2023 *(unaudited)*	31.12.2022 *(audited)*	30.09.2022 *(unaudited)*
Intangible assets		8 151	6 472	4 277	3 709
Property plant and equipment		1 688	1 939	1 876	2 060
Long-term receivables	43	855	-	-	-
Financial assets	41	3 820	2 524	10 609	59
Shares in subsidiaries	42	51 439	51 439	51 439	1 450
Non-current assets		**65 953**	**62 374**	**68 201**	**7 278**
Inventory		11 492	10 179	8 771	8 968
Trade and other receivables	43	6 995	5 471	7 311	6 261
Cash and cash equivalents		28 846	31 770	25 156	12 515
Current assets		**47 333**	**47 420**	**41 238**	**27 744**
TOTAL ASSETS		**113 286**	**109 794**	**109 439**	**35 022**

		30.09.2023 *(unaudited)*	30.06.2023 *(unaudited)*	31.12.2022 *(audited)*	30.09.2022 *(unaudited)*
Share capital		995	995	995	498
Supplementary capital		290 712	290 712	290 712	228 019
Retained earnings		(197 024)	(201 131)	(201 716)	(216 050)
Equity		**94 683**	**90 576**	**89 992**	**12 467**
Other liabilities		144	144	144	144
Provisions		182	182	191	166
Deferred tax liabilities		1 255	3 897	3 125	2 003
Other financial liabilities		280	407	2 245	3 796
Accruals and deferred income	46	6 068	4 719	4 178	4 178
Long-term liabilities		**7 929**	**9 349**	**9 883**	**10 287**
Short-term provisions		2 484	1 999	641	651
Credits and loans	45	-	-	-	1 624
Other financial liabilities		3 942	4 505	4 892	5 480
Trade and other liabilities	46	3 759	3 308	3 974	4 467
Accruals and deferred income	46	489	57	57	46
Short-term liabilities		**10 674**	**9 869**	**9 564**	**12 268**
Total liabilities		**18 603**	**19 218**	**19 447**	**22 555**
TOTAL EQUITY AND LIABILITIES		**113 286**	**109 794**	**109 439**	**35 022**

		01.07.2023-30.09.2023 *(unaudited)*	01.07.2022-30.09.2022 *(unaudited)*	01.01.2023-30.09.2023 *(unaudited)*	01.01.2022-30.09.2022 *(unaudited)*
Sales revenue	38	**8 939**	**17 305**	**28 623**	**42 761**
Raw materials and consumables used		(1 378)	(3 130)	(4 162)	(8 766)
Employee benefits		(3 536)	(3 977)	(11 245)	(11 601)
Amortization and depreciation		(592)	(916)	(1 821)	(2 858)
Third-party services		(3 068)	(3 060)	(7 965)	(7 084)
Other		(124)	(128)	(487)	(336)
Total costs of sales		**(8 697)**	**(11 211)**	**(25 680)**	**(30 645)**
Profit on sales		**242**	**6 094**	**2 943**	**12 116**
Other operating revenue	39	335	6 360	397	10 175
Other operating expenses	39	(99)	(2 359)	(295)	(66 773)
Operating profit		**478**	**10 095**	**3 045**	**(44 482)**
Finance income	40	1 284	3 114	883	9 206
Finance costs	40	(297)	(83)	(316)	(7 526)
Net finance (costs)/income		**987**	**3 031**	**567**	**1 680**
Profit before tax		**1 465**	**13 126**	**3 612**	**(42 802)**
Income tax		2 642	1 196	1 080	(879)
Net profit from continuing operations		**4 107**	**14 321**	**4 692**	**(43 681)**
Other net comprehensive income for the reporting period		-	-	-	-
Total comprehensive income for the reporting period		**4 107**	**14 321**	**4 692**	**(43 681)**
Basic profit per share in PLN		0,41	2,88	0,47	(8,78)
Diluted profit per share in PLN		0,41	2,88	0,47	(8,78)

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2023 *(audited)*	**995**	**290 712**	**(201 716)**	**89 992**
Comprehensive income for the reporting period				
Net profit/loss for the current reporting period	-	-	4 692	4 692
	-	**-**	**-**	**4 692**
Transactions recognized directly in equity				
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as at 30 September 2023 *(unaudited)*	**995**	**290 712**	**(197 024)**	**94 683**

	Share capital	Supplementary capital	Retained earnings	Total equity
Equity as at 1 January 2023 (audited)	**995**	**290 712**	**(201 716)**	**89 992**
Comprehensive income for the reporting period				
Net profit for the current reporting period	-	-	585	**585**
	-	**-**	**-**	**585**
Total contributions from and distributions to owners	**-**	**-**	**-**	**-**
Equity as at 30 June 2023 *(unaudited)*	**995**	**290 712**	**(201 131)**	**90 576**

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

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

Cash flows from operating activities	01.01.2023-30.09.2023 *(unaudited)*	01.01.2022-30.09.2022 *(unaudited)*
Net profit for the reporting period	**4 692**	**(43 681)**
Depreciation of property, plant and equipment	785	811
Amortization of intangible assets	1 036	2 047
Income tax	(1 080)	879
Change in inventories	(2 721)	(1 830)
Change in trade and other receivables	(1 331)	(17 755)
Change in accruals, prepayments and deferred income	1 781	-
Change in trade and other liabilities	(214)	127
Change in provisions	1 833	(720)
Change in financial liabilities	-	7 717
Impairment loss on intangible assets	(207)	1 142
Net finance profits/costs	-	(215)
Tax paid	-	2 108
Impairment loss on receivables	-	63 794
Foreign exchange differences	(102)	-
Interest	196	254
Other	-	226
	4 668	**14 906**
Cash flows from investing activities		
Loans granted	(3 017)	-
Purchase of property plant and equipment and intangible assets	(4 713)	(3 271)
Repayment of loans granted	9 917	-
Other influences	-	253
	2 187	**(3 017)**
Cash flows from financing activities		
Credit Card Debt	-	(46)
Proceeds from borrowings	-	237
Repayment of loans with interest	-	(200)
Other financial expenditure	(2 849)	-
Payments of finance lease liabilities	(826)	(754)
Interest on finance leases	(31)	(54)
Other inflows from financing activities	541	739
	(3 165)	**(79)**
Total net cash flows	**3 690**	**11 809**
Opening balance of cash and cash equivalents	25 156	706
Closing balance of cash	**28 846**	**12 515**

38. Structure of sales revenues

By type	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Revenue from sales of services	7 062	14 684	25 625	35 146
Revenue from sales of devices	1 877	2 621	2 998	7 615
	8 939	**17 305**	**28 623**	**42 761**

By territory	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Poland	980	184	1 617	691
United States	3 442	12 861	14 326	30 843
Other	4 517	4 260	12 680	11 227
	8 939	**17 305**	**28 623**	**42 761**

39. Other operating income and expenses

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Resolution of write-downs of receivables	-	25	-	3 586
Resolution of write-downs of intangible assets	207	-	207	-
Sale of receivables - Medical US Holding	-	6 128	-	6 128
Other	128	207	190	461
Other operating revenue	**335**	**6 360**	**397**	**10 175**
Write-down of receivables		63 854		-
Sale of receivables - Medical US Holding	-	(65 861)	-	(65 861)
Other	(99)	(353)	(295)	(913)
Other operating expenses	**(99)**	**(2 359)**	**(295)**	**(66 773)**

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

In the first half of 2022, the allowance for receivables due from Medi-Lynx was adjusted up by PLN 63.9 million, thereby writing off the entire sum of Medi-Lynx receivables as at June 30, 2022.

40. Financial income and expenses

	01.07.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2023-30.09.2023	01.01.2022-30.09.2022
Interest	279	1 100	648	2 985
Exchange differences from valuation	1 005	2 014	235	6 006
Other	-	-	-	215
Finance income	**1 284**	**3 114**	**883**	**9 206**
Interest on leases	(14)	(11)	(31)	(38)
Interest on the loan	-	(62)	-	(200)
Recognition of contingent liability Andy Bogdan	-	-	-	(7 272)

Interest on contingent liability	(282)		(282)	
Exchange differences from valuation	-	-	-	-
Other	(1)	(10)	(3)	(17)
Finance costs	**(297)**	**(83)**	**(316)**	**(7 526)**
Net finance (costs)/income	**987**	**3 031**	**567**	**1 680**

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

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

41. Financial assets

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Loans granted Kardiolytics	3 800	2 504	672	-
Loans granted MDG Holdco	78 510	72 873	85 007	95 888
Write-off of loans granted MDG Holdco	(78 510)	(72 873)	(75 090)	(95 888)
Shares	20	20	20	59
	3 820	**2 524**	**10 609**	**59**
of which long-term portion	3 820	2 524	10 609	59
of which short-term portion	-	-	-	-

Lending

	Borrower	Loan amount (USD '000)	Repayment date	Interest rate
Loan of 30 March 2016	MDG HoldCo	11 300	29.03.2026	Fixed (6%)
Loan of 16 January 2017	MDG HoldCo	1 000	30.12.2026	Fixed (4%)
Loan of 2 March 2017	MDG HoldCo	862	30.12.2026	Fixed (4%)
Loan of 28 January 2021	MDG HoldCo	300	30.12.2026	Fixed (4%)
Loan of 7 December 2022	Kardiolytics	150	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Loan of 15 February 2023	Kardiolytics	150	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Loan of 3 April 2023	Kardiolytics	20	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Loan of 4 April 2023	Kardiolytics	58	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Loan of 4 May 2023	Kardiolytics	120	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Loan of 12 May 2023	Kardiolytics	100	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Loan of 06 July 2023	Kardiolytics	147	31.12.2026	SOFR 3M and margin 2.0 percentage points per year
Total loans granted		14 206		
Write-off of loans granted		(13 462)		

On November 3, 2022, a loan agreement was concluded to extend a loan to Kardiolytics. As of the balance sheet date, USD 844 thousand (PLN 3.7 million) has been drawn. 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.

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

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

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

42. Interest in subsidiaries

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Medicalgorithmics US Holding Corporation	94 771	94 771	94 771	94 771
Medicalgorithmics US Holding Corporation - write-off of shares	(94 771)	(94 771)	(94 771)	(94 771)
Medicalgorithmics Polska Sp. z o.o.	1 267	1 267	1 267	1 267
Medicalgorithmics India Pvt. Ltd	183	183	183	183
Kardiolytics Inc	49 989	49 989	49 989	-
	51 439	**51 439**	**51 439**	**1 450**

On November 8, 2022, as the conditions precedent required under the investment agreement of October 1, 2022, made between the Company and Biofund Capital Management LLC, have been fulfilled, the Company and Biofund signed: an agreement under which Biofund contributed to the Company a total of 1,500 shares in Kardiolytics, representing 100% of its share capital (USD 44,890,589 according to the valuation report of BakerTilly TPA sp. z o.o. prepared in line with the Commercial Companies Code). The transaction made the Company the exclusive owner of all shares in Kardiolytics, which is a developer of AI algorithms for automated cardiac CT image analysis used in non-invasive diagnosis of e.g. coronary artery disease.

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

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

The value of the shares in MDG HoldCo was fully written off due to impairment tests conducted in 2021. Details of impairment tests are presented in Note 2.8 to the 2021 separate financial statements.

43. Trade and other receivables

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade receivables	5 825	3 762	5 510	4 505
Budgetary receivables	894	963	1 645	1 531
Other receivables	943	537	71	107
Prepayments and deferred expenses	188	209	84	118
	7 850	**5 471**	**7 310**	**6 261**
Long-term	855	-	-	-
Short-term	6 995	5 471	7 310	6 261

Trade receivables

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade receivables from related entities	521	509	64 319	64 296
Impairment loss on receivables from related entities	-	-	(63 881)	(63 879)
Trade receivables from other entities	5 304	3 253	5 149	4 165
Impairment loss on receivables from other entities	-	-	(77)	(77)
Total net trade receivables	**5 825**	**3 762**	**5 510**	**4 505**

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

As of June 30, 2022, the allowance for Medi-Lynx receivables was adjusted up to PLN 63.9 million and the allowance for receivables of other parties up to PLN 77 thousand. Beginning July 28, 2022, receivables due from Medi-Lynx are recognized as receivables from other (unrelated) entities.

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

30.09.2023	**Gross value**	**Write-down**	**Net value**
Non-matured	4 481	-	4 481
Past due 1-30 days	265	-	265
Past due 31-60 days	169	-	169
Past due 61-360	881	-	881
Past due more than 361 days	29	-	29
	5 825	**-**	**5 825**

30.06.2023	**Gross value**	**Write-down**	**Net value**
Non-matured	3 191	-	3 191
Past due 1-30 days	151	-	151
Past due 31-60 days	5	-	5
Past due 61-360	358	-	358
Past due more than 361 days	57	-	57
	3 762	**-**	**3 762**

31.12.2022	**Gross value**	**Write-down**	**Net value**
Non-matured	2 071	-	2 071
Past due 1-30 days	2 642	-	2 642
Past due 31-60 days	158	-	158
Past due 61-360	22 998	22 385	613
Past due more than 361 days	41 598	41 572	26
	69 467	**63 957**	**5 510**

30.09.2022	**Gross value**	**Write-down**	**Net value**
Non-matured	2 928	-	2 928
Past due 1-30 days	1 065	-	1 065
Past due 31-60 days	87	-	87
Past due 61-360	34 023	33 602	421
Past due more than 361 days	30 358	30 354	4
	68 461	**63 956**	**4 505**

Deferred income

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Insurance policies and deposits	95	63	51	58
Subscriptions	60	83	3	9
Fee for the listing of shares on the WSE	6	12	-	5
Advisory services	19	27	-	-
Commision	-	-	-	28
Other	8	24	30	18
Total prepayments and deferred expenses	**188**	**209**	**84**	**118**
Long-term	-	-	-	-
Short-term	188	209	84	118

44. Basic and diluted earnings per share

	01.01.2023-30.09.2023	01.01.2022-31.12.2022	01.01.2022-30.09.2022
Profit for the period (PLN '000)	4 692	(29 513)	(43 681)
Weighted average number of ordinary shares (in thousands of shares)	9 953	5 701	4 976
Basic profit per share in PLN (net profit/weighted average number of shares)	**0,47**	**(5,18)**	**(8,78)**
Diluted profit per share in PLN (net profit/weighted average number of diluted shares)	**0,47**	**(5,18)**	**(8,78)**

45. Borrowings

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Credit card debt	-	-	-	(7)
Credits and loans	-	-	-	1 631
	-	**-**	**-**	**1 624**
of which long-term	-	-	-	-
of which short-term	-	-	-	1 624

On November 29, 2022, the Company fully rapid its overdraft facility in line with the maturity date set in the underlying agreement. With this facility closed, all security collaterals set up in the 2020 agreement were lifted.

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

46. Trade and other payables and accruals

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade liabilities to other entities	2 190	1 571	2 327	2 649
Budgetary liabilities	336	388	329	359
Salaries and wages payable	-	225	562	405
Other liabilities to related parties	1 040	974	-	-
Other liabilities	193	150	756	1 054
	3 759	**3 308**	**3 974**	**4 467**
Short-term accruals and deferred income	489	57	57	46
Long-term accruals and deferred income	6 068	4 719	4 178	4 178
	10 316	**8 085**	**8 209**	**8 691**

47. Other financial liabilities

	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Recognition of a previously disclosed contingent liability	3 152	3 626	5 867	7 717
Finance lease liabilities	1 070	1 286	1 269	1 559
Financial liabilities	**4 222**	**4 912**	**7 137**	**9 276**
of which long-term	280	407	2 245	3 796
of which short-term	3 942	4 505	4 892	5 480

Financial liabilities include finance leases related to office rentals and a certain contingent liability.

As of June 30, 2022, the Company recognized a PLN 7.3 million contingent liability for the 2016 guarantee, previously disclosed in the Company's financial statements, which secured an interest-bearing promissory note of Medicalgorithmics US Holding Corporation, a subsidiary based in the United States that had secured liabilities for the Holding's acquisition of Medi-Lynx Cardiac Monitoring, LLC from Medi-Lynx Monitoring Inc. (wholly owned by Mr Andrew Bogdan), which disposed of its Medi-Lynx interest to the Group.

The liabilities are recognized in the separate balance sheet of the Company because the Holding may lack own funds to repay the liabilities for the Medi-Lynx acquisition and effectively it will have to be financed by the Company using the guarantee.

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

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

48. Contingent liabilities

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

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

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

49. Related party transactions

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

Medicalgorithmics US Holding Corporation

Statement of financial position (in PLN '000) — as of	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Loans granted	78 510	72 873	85 007	95 888
Write-off of loans granted	(78 510)	(72 873)	(75 090)	(95 888)
Contribution to the supplementary capital	94 771	94 771	94 771	94 771
Write-off of the reserve capital	(94 771)	(94 771)	(94 771)	(94 771)
Other liabilities	(1 040)	(974)	-	

Statement of comprehensive income (in PLN '000)	01.01.2023-30.09.2023	01.01.2022-31.12.2022	01.01.2022-30.09.2022
Interest on loans	2 458	3 943	2 985
Write-off of interest on loans	(2 458)	(3 943)	(2 985)

Kardiolytics INC

Statement of financial position (in PLN '000) — as of	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Loans granted	3 689	2 454	672	-
Contribution to the supplementary capital	49 989	49 989	49 989	-
Other receivables	169	169	-	-

Statement of comprehensive income (in PLN '000)	01.01.2023-30.09.2023	01.01.2022-31.12.2022	01.01.2022-30.09.2022
Interest on loans	111	-	-

Medicalgorithmics Polska Sp. z o.o.

Statement of financial position (in PLN '000) — as of	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade receivables	361	298	264	157
Contribution to equity	1 267	1 267	1 267	1 267

Statement of comprehensive income (in PLN '000)	01.01.2023-30.09.2023	01.01.2022-31.12.2022	01.01.2022-30.09.2022
Revenue from sales of goods and services	294	376	256

Medicalgorithmics India Pvt. Ltd

Statement of financial position (in PLN '000) — as of	30.09.2023	30.06.2023	31.12.2022	30.09.2022
Trade receivables	160	210	174	259
Contribution to the supplementary capital	183	183	183	183

Statement of comprehensive income (in PLN '000)	01.01.2023-30.09.2023	01.01.2022-31.12.2022	01.01.2022-30.09.2022
Revenue from sales of goods and services	202	362	296

50. Transactions with officers

Transactions with officers are disclosed in Note 29 of this report.

51. Significant litigations

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

52. Events after balance sheet date

On October 3, 2023, the Parent signed an agreement with TÜV Rheinland Polska Sp. z o.o. to, among others, add new items to its Medical Devices Regulation (MDR) compliance certificate, namely VCAST technology developed by subsidiary Kardiolytics Inc. and its compliance with MDR's Annex IX, Chapter I, Category IIa, Z129092. Once secured in the EU the MDR compliance certificate will allow initiating the device registration procedure in the following markets: European Union, Australia, UK, Switzerland, and Asia.

On October 5, 2023, the Parent signed a strategic alliance agreement with a Texas-based operator who will soon provide services as 'IDTF' (a healthcare provider in the U.S.). According to the agreement, the Issuer will render certain support services to the Distributor relating to cardiac ECG diagnostics, cardiac ECG monitoring and cardiac ECG telemetry products based on Pocket ECG gen. IV software and devices from the Company.

The Agreement becomes effective on October 6, 2023 and will continues indefinitely until either the Seller or the Buyer (a) terminates the Agreement upon a prior notice of six months or (b) otherwise terminates the Agreement according to its provisions.
The minimum quantity of the first order is 200 units of Pocket ECG IV devices. The average annual contract value is estimated at around USD 120,000 per quarter, according to the estimated scale of operations as at the signing and initiation of this business partnership.

On October 10, 2023, the Parent signed agreements with one of TOP 3 leaders of non-invasive cardiac diagnostics and monitoring, which operates mainly in the US market and is NASDAQ listed

The agreements allow this partner to evaluate the viability of the integration of the Company's software technology and the partner's signal recorder. To this end, the Company's technology will be linked to the partner's ECG signal device using dedicated software developed specifically for this project.

According to the agreement, if the Company secures the MDR certificate in the EU for the dedicated software within 6 (six) months of the underlying application, the Company will receive a service fee of USD 250,000.00 (approx. PLN 1.1 million). In addition, the Agreement acknowledges that the two parties are interested in signing a business partnership agreement regarding the partner's future use of the Company's products and services. More information can be found in Current Report 30/2023.

On October 20, 2023, the Parent made an agreement with a listed global supplier of medical devices, including for arrhythmia diagnostics. The agreement lays the ground for the evaluation of potential long-term partnership aimed at joint commercialization of the Issuer's cloud-based ECG diagnostics solutions. The initial step towards the evaluation of the potential for such partnership will be to a commercial pilot where the Company will integrate the software and implement it for the partner's client. According to the Agreement, the pilot will evaluate any gains in performance and added value in the diagnostic procedures of that client and the partner, thanks to the application of the Issuer's cloud-based software solutions and AI algorithms dedicated to ECG signal diagnostics.

The signed partner is a major player in the cardiovascular technology market and a worldwide supplier of medical devices, including in Europe, North and South America, Asia and Africa. More information can be found in Current Report 31/2023.

The aforementioned agreements and contracts are a significant milestone towards the successful implementation of the Company's strategy as outlined in Current Report 16/2023 of June 19, 2023. The Company has been seeking distributors based on a non-exclusive model, with the priority focus being the US market, and such agreements and contracts follow the adopted Strategy.

On October 10, 2023, Mr David Cash resigned from the Supervisory Board, effective as of the date of submission of the resignation letter.

On October 21, the Company received a notice of termination of the service agreements signed with React Group subsidiaries, effective December 31, 2023.

Until the end of Q2 2023, React Group had been the exclusive revenue client in the U.S. The geographical structure of revenue, including the U.S. revenue, was published in the consolidated interim financial statements for the first half of 2023 as well as this report. In addition, this revenue is constantly decreasing yet it remain above the minimum levels under the agreements with React (cf. Current Report 52/2022 of July 28, 2022). In addition, the Company has been holding talks concerning the potential continuation of its partnership with React starting in 2024.

According to the Management Board, in the context of the 2023-2026 growth strategy adopted and implemented by the Company, the strategy and related action plan foresaw such scenario and prepared the Company to the risk of the termination of React’s exclusive agreements and the need to shift the strategy in the U.S. market. Consequently, the Management Board assesses that the Issuer is well prepared to terminate its partnership with React.

On November 22, 2023, the Management Board of Medicalgorithmics S.A. announced the Extraordinary General Meeting which will convene on December 19, 2023, 3:30 p.m., at the Company's headquarters (Central Tower building, Al. Jerozolimskie 81, 02-001 Warsaw, floor 18), according to the meeting agenda also attached in Current Report 33/2023.

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

This Report was approved for publication on November 29, 2023.

Maciej Gamrot
Member of Management Board, CFO

Jarosław Jerzakowski
Member of Management Board

Przemysław Tadla
Member of Management Board

Warsaw, November 29, 2023

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