

MDXHEALTH SA

**Statutory auditor's report
to the general meeting
for the year ended 31 December 2019
(Consolidated financial statements)**

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The original text is in French*

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STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF MDXHEALTH SA FOR THE YEAR ENDED 31 DECEMBER 2019 (CONSOLIDATED FINANCIAL STATEMENTS)

In the context of the statutory audit of the consolidated financial statements of MDxHealth SA ('the Company') and its subsidiaries (together referred to as 'the Group'), we hereby present our statutory auditor's report. It includes our report on the audit of the consolidated financial statements and the other legal and regulatory requirements. This report is an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 26 May 2017, following the proposal formulated by the board of directors issued upon recommendation of the Audit Committee. Our statutory auditor's mandate expires on the date of the General Meeting deliberating on the financial statements closed on 31 December 2019. We have performed the statutory audit of the consolidated financial statements of MDxHealth SA for fourteen consecutive years.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterized by a consolidated statement of financial position total of 40,268 (000) USD and for which consolidated income statement and other comprehensive income shows a loss for the year of 43,100 (000) USD.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as at 31 December 2019, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) as applicable in Belgium. Our responsibilities under those standards are further described in the 'Statutory auditor's responsibilities for the audit of the consolidated financial statements' section in this report. We have complied with all the ethical requirements that are relevant to the audit of consolidated financial statements in Belgium, including those concerning independence.

We have obtained from the administrative body and company officials the explanations and information necessary for performing our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Discussion of the matter

As described in notes 2.7 and 3 of the financial statements, the majority of the Group's revenue is derived from laboratory services with revenue recognized at a point in time when control of the services has transferred to the customer. This is generally when the test results are delivered to the customer. Other Group's revenue is derived from license fees, royalties and government grants.

The group's revenue recognition model includes critical accounting estimates based on management judgment. These estimates and underlying judgments are continuously revisited based on updated historical experience and the expected evolution of collections from third party payers.

Revenue recognition was significant to our audit procedures, because of its financial impact on the consolidated annual accounts, and the significant level of management judgment required in making the accounting estimates.

Procedures performed

Our audit procedures included, amongst others:

- We tested the Group's internal control procedures on revenues and evaluated the Group's assumptions and estimates used in assessing revenue recognition, in particular with respect to completeness, existence and accuracy.
- We tested the existence of persuasive evidence of underlying agreements and contracts and we substantively tested and challenged the underlying calculations, key assumptions and estimates used in the revenue model.
- We evaluated the reasonableness of the calculations of the ratio of claims collected in relation to claims billed, and of the trend of such ratio.
- We considered the historical accuracy of accrued amounts of revenue and used the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous years.
- We reviewed the adequacy of the Group's disclosures in notes 2.7 and 3 in respect of the use of estimates and judgments in the revenue recognition model.

Transition to IFRS 16, Leases

Discussion of the matter

IFRS 16 Leases has been adopted from 1 January 2019. Under IFRS 16, leases are accounted for based on a 'right-of-use model'. The model reflects that, at lease commencement, a lessee has a financial obligation to make lease payments to the lessor in exchange for its right to use the underlying asset during the lease term. The Group elected to apply the modified retrospective approach, not restating comparatives for the 2018 reporting period. The reclassifications and adjustments arising from the new lease standard were recognized in the opening balance sheet on 1 January 2019. The initial recognition led to an increase in fixed assets of 1,733 (000) USD, and to an increase in lease liabilities of the same amount as at 1 January 2019. We refer to note 2.5.1 New Standards, Interpretations and Amendments adopted by the Company, note 10 Property, plant & equipment and right-of-use assets and to the accounting policy in note 2.13. We considered this to be a key audit matter due to the significant related impact on some key accounting metrics.

Procedures performed

To assess the Group's process for estimating the impact of adopting IFRS 16, we performed the following audit procedures, amongst others:

- We have assessed the design of the systems and processes set up by management to account for transactions in accordance with the new standard and used in determining the impact of the initial application of IFRS 16;
- We have reviewed the accounting policy and challenged management on their judgments made in the process of applying the IFRS 16 accounting policy;

- We have reviewed the complete identification of leases as well as the consistent and accurate compilation of lease master data on implementation date;
- We have obtained support from management for their determination of the discount rates used to calculate the present value of the lease payments used to measure the lease liabilities; we have considered similarity of benchmark borrowing and securing assets, validated market inputs, and examined assumptions made by management;
- We have performed independent recalculation of the right-of-use assets and lease liabilities calculated by the system for a sample of leases.

Financial Funding

Description of the matter

In note 2.3 of the financial statements, the Group has disclosed that based on its current scope of activities and available funding, it estimates that as at 31 December 2019 it has sufficient liquidity to continue as a going concern.

Given the high cash burn rate inherent to the sector the Group is operating in, we consider financial funding a key audit matter requiring heightened auditors' attention.

Procedures performed

Our audit procedures included the following, amongst others:

- We obtained the business plan and the cash forecasts for the years 2020 and 2021, and reviewed them for reasonableness;

- We challenged the assumptions underlying these budget and cash forecasts, especially with respect to the expected level of revenue, collections and operating expenses;
- We compared the total of expected revenues included in the budget and cash forecasts with those expected from prior years' experience;
- We discussed with management any potential future financing possibilities and assessed their reasonableness;
- We considered the impact of the MVM agreement of 24 April 2020, as disclosed in notes 2.3 and 26, on the Group's financial position and management's going concern assessment;
- We challenged management's assessment the effects of the Covid-19 outbreak on the Group's ability to continue as a going concern.

Responsibilities of the administrative body for the drafting of the consolidated financial statements

The administrative body is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory provisions applicable in Belgium, and for such internal control as the administrative body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the administrative body is responsible for assessing the Group's ability to continue as a going concern,

disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the administrative body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

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

When executing our audit, we respect the legal, regulatory and normative framework applicable for the audit of the consolidated financial statements in Belgium. However, a statutory audit does not guarantee the future viability of the Group, neither the efficiency and effectiveness of the management of the Group by the administrative body.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit

procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the administrative body;
- Conclude on the appropriateness of the administrative body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements and

whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, the supervision and the performance of the Group audit. We assume full responsibility for the auditor's opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

We also provide the Audit Committee with a statement that we respected the relevant ethical requirements relating to independence, and we communicate with them about all relationships and other issues which may influence our independence, and, if applicable, about the related measures to guarantee our independence.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our statutory auditor's report, unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the administrative body

The administrative body is responsible for the preparation and the contents of the management report on the consolidated financial statements and for the other information included in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (version revised in 2020) which is complementary to the International Standards on Auditing (ISA) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report on the consolidated financial statements and the other information included in the management report on the consolidated financial statements, as well as to report on these elements.

Aspects relating to the management report on the consolidated financial statements and to the other information included in the annual report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the management report, this report is consistent with the consolidated financial statements for the same financial year, and it is prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the consolidated financial statements, we are

also responsible for considering, in particular based on the knowledge we have obtained during the audit, whether the management report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements, namely:

- Part I: Strategy & Business Review;
- Part II: Corporate Governance;
- Part III: Principle Risks & Uncertainties.

contain a material misstatement, i.e. information which is inadequately disclosed or otherwise misleading. Based on the procedures we have performed, there are no material misstatements we have to report to you.

Statement concerning independence

Our audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated financial statements and our audit firm remained independent of the Group during the terms of our mandate.

Other statements

This report is in compliance with the contents of our additional report to the Audit Committee as referred to in article 11 of regulation (EU) No 537/2014.

Zaventem, 28 April 2020

/signed/

BDO Réviseurs d'Entreprises SCRL
Statutory auditor
Represented by Gert Claes