Nestmed Sp. o.o. ("Nestmedic", the "Company") was established in July 2014, to carry out the research and development and later production and marketing of technologically innovative, unique mobile telemedicine solution for remote diagnostic services of fetal health applying cardiotocographic examination (CTG). After the completion of the research and development stage resulting in CE certification and commencement of sales activities, the Company will be the only one on the Polish market and one of the few in the global markets, supplier of a comprehensive offer: a proprietary medical device (teleCTG) and a remote service of CTG record analysis carried out by qualified medical personnel in the Medical Telemonitoring center. After entering the domestic market and the achievement of an appropriate scale that guarantees a high level of reliability of services offered, the company plans to expand into the most attractive European and world markets. The initiator of the project is dr Patricia Wizińska-Socha has been active in the scientific medical community, focusing on the subject of non-invasive diagnostic and pioneering diagnostic methods and testing of medical devices.

The first flagship product of the Company - a first generation PREGNABIT telemedicine device for remote CTG examination of pregnant women is overtaking the competitors thanks to a series of innovative technological solutions. Innovation of the technology lies in its use of an integrated device based on a microprocessor and a dedicated operating system, thereby reducing the total system size, while simplifying and speeding up the production phase of the equipment and increasing its reliability.

Mobile GSM/GPRS/3G communication allows for almost unlimited possibility of territorial transfer of CTG examination records, consisting of recording the fetal heart rate and recording contractile function of the uterus. The examination records are transferred using the SSL protocol, which guarantees that all the sensitive medical data is fully protected.

The Company plans to use advanced algorithms for analysis of medical data, ultimately, self-learning systems, which will support the work of doctors, midwives and will help prioritize the analysis of the tests performed. Further development of the system will allow for the establishment of a medical big data analysis, which in the future could significantly improve the telemedical diagnostic practice.

In the second stage of development of the device, the company plans to significantly increase the sensitivity of the signal detection systems, which will enhance the diagnostic area in the direction of prenatal cardiology. Moreover, the company plans to introduce its own design of advanced wireless probes. This unique in the global context solution will allow for extension of traditional CTG examination towards new diagnostic significance while introducing a new level of comfort to patients and medical professionals. The use of Bluetooth Low Energy technology in the next generation PREGNABIT device will create virtually unlimited possibilities for further development of prenatal diagnosis by allowing for examination of additional parameters, such as: body weight, blood sugar and blood oxygen, and blood pressure levels.

Creating intuitive applications for medical device provides an ease of use at home by pregnant women outside the maternity ward.

The project received a document confirming the technological innovation of the proposed solutions issued by the Centre for Innovation and Technology Transfer, University of Medical Sciences. Wrocław Medical University.

Innovation of the project on a global scale has been confirmed by the prestigious MIT Technology Review magazine, who gave Patrycja Wizińska - Socha an honorary title “Innovator Under 35 Poland” as well as a special award “Innovator of the Year 2016”. Previous year award went to Olga Malinkiewicz (Saule Technologies).
The PREGNABIT system was also named the most innovative telemedic product at the prestigious International Medical Fair WIHE 2016 in Telemedicine category.

Concept of the PREGNABIT system aroused great interest and trust of the medical community in Poland. Nestmedic cooperates the Universitätssklinikum Carl Gustav Carus Dresden an der Technischen Universität Dresden (University Clinic in Dresden), with whom it will cooperate in the area of testing of the device and the telemedical system – first generation PREGNABIT.

PREGNABIT consists of a medical device (teleCTG) allowing for a precise and safe collection of medical data using certified probes. It is a device defining the modern trend of high priority diagnosis and prevention in the area perinatal care. Exceptional accuracy of test results and ease of use allows for extensive use in commercial deployment of PREGNABIT.

Photo 1: First generation PREGNABIT device

Another element that completes the entire complex PREGNABIT telemedicine system is Telemonitoring Medical Center - working 24 hours a day, 7 days a week, where qualified medical personnel constantly analyzes flowing CTG records. Subsequently, the Company is able to provide medical services at the highest level, as apart from professional medical device it also provides remote analysis service of CTG records. Thanks to that, a pregnant woman can in a comfortable and safe way perform control CTG examination anywhere and at any time.

An efficient business model based on the product development, a commercial launch of the PREGNABIT system, and specially developed offer of services supporting the use of the device and analysis of the control examinations will secure a sustainable high profitability of the Company after reaching the break-even point of its operations. The project meets the new developments in the area of provision of healthcare services and makes it possible to provide such services to pregnant women as part of telemedic model, which would also have the effect of increasing the efficiency of operations of gynecological-obstetric practice and midwifery earnings.

WHAT IS CTG?

Cardiotocography (CTG) is the examination of fetal heart rate with simultaneous recording of the contractile function of the uterus. This examination is one of the fundamental examinations carried out in modern obstetrics. This allows for early detection of fetus life threatening situations. The CTG examinations are carried out in the last trimester of pregnancy and during labor, to know the state of the child and to be able to react as quickly as possible, when a threat appears.

The cardiotocography includes:

- **tocography** - a registration of uterine contractions, which can be done by an external sensor placed on the belly of the pregnant woman or by registering the change in pressure inside the cavity of the uterus, as measured by means of a catheter;
• **cardiography** - continuous recording of fetal heart rate using the electrocardiograph or the ultrasound probe defining systolic and diastolic heart action using the Doppler effect.

Basic study of CTG should last 30 minutes and possibly be extended to 60 minutes. The graph of cardiotocographic record shows the incidence of fetal heart rate and occurring of uterine contractions.

**BUSINESS MODEL**

PREGNABIT device along with the software platform is directed to medical professionals, and in this sense, is a B2B class medical solution. Market research and consultations carried out with environmental gynecologists and midwives at the stage of preparation for the commercialization of the system, helped to create a thoughtful offer tailored to the specific needs of each professional circles making up the Company’s key groups of customers.

In its assumption, business model developed by Nestmedic, tailored to the specifics of the market and the Company’s operations will be a source of high profitability of the business. Introduction of PREGNABIT system to the market will be carried out in the sales model specially adapted to the conditions of medical markets - domestically and abroad, providing a stable income stream in the medium and long term horizon.

- **Production** - technologically advanced production is a guarantee to ensure the preservation of full control over the quality of the product, maintaining the highest standards at every stage of production (ISO 13485) and to protect technological secrets. According to the adopted strategy, the Company has produced and assembled the initial batch of the devices. Further large-scale production will be carried out with the participation of specialized in that field external companies which have been selected at the stage of pre-production, and the contractors agreed to implement all the requirements and standards set by the Company as well as to comply with the requirements of ISO 13485.

- **Domestic distribution and retail sales** - the product offer of the Company will be directed in the domestic market to a group of private providers, i.e. private clinics, and medical practices, offering gynecological and obstetric services; the second target group are midwives performing so called pilot visits to pregnant women in their homes; the last group will be made of the antenatal classes. To provide the broad reach to the above recipients, the Company will organize its sales activities on the diversified co-operation in the area of sales of equipment and diagnostic services with the members of the internal sales team as well as the external distributors of medical equipment and disposable medical supplies, which in the opinion of the Company have developed unobstructed channels to reach the target groups of users. Multifaceted cooperation with customers has a significant impact on the sustainability of co-operation and stability of the customer base of the Company.

- **International distribution and sales** - will be implemented in cooperation with local partners - distributors of technologically advanced medical equipment and devices as well as telemedicine network operators on a "revenue sharing" basis.

- **Specialized services** - through the use of the 3G/GSM/GPRS module and the establishment of the call center, the company will offer expert service of remote CTG record analysis by skilled and certified personnel and the possibility of medical consultation with medical experts in severe cases.

**CURRENT DEVELOPMENT STAGE OF THE COMPANY**

Currently the project is at a stage in which the functional prototype, following the already obtained CE and ISO 13485 certifications - allowing a commercial launch of the medical device in the market within the European Union, goes into production phase and starts a commercial deployment. Works on the device, which lasted more than two years, were carried out by an interdisciplinary team of specialists. In addition to their expertise, the Company has been using the experience of firms in the Wroclaw Technology Park specializing in electronics, researchers from the Wroclaw University of Technology, specialists from Intel Corporation, and scientists from European research centers, technical and medical schools.

The Company has completed the certification process of the PREGNABIT system, and is starting the first production batch of the device. According to the status as of November 15th, 2016, the Company has also completed the development phase of the software that enables the collection and analysis of CTG records, and has completed the probe testing. The device positively passed the certification audit and the Company expects the release of certification related documents at the certification authority and the issuance of the certificates.

Developed innovative on a global scale product will be the only one of its kind available in the market as the solution combines the advantages of competitive solutions while eliminating their limitations. Thanks to high-quality remote fetal health examination results, their universal accessibility and the ability to read the results immediately after the examination which the patient can perform alone in her home, the system PREGNABIT in the opinion of the Company will become the preferred solution for CTG examination in both the gynecologist-obstetrician as well as the midwives’ professional circles.

Against the background of its competitors, the Company is also distinguished by a unique business model implemented in the subscription sales model targeting gynecologists-obstetricians and midwives with the service supporting the use of the device.
STRATEGIC OBJECTIVES

The strategic objective of the Company is to become the market leader in the field of modern telemedical diagnosis of gynecological and obstetrical field in Poland and abroad. In particular, in a five-year term, the Company intends to acquire a leading position in the remote study of fetal health using tele cardiotocography (teleCTG) and become a leader in the field of telemedicine in Poland in general. Nestmedic intends to achieve this objective through organic growth, achieving rapid dynamics and ensuring a high level of customer satisfaction targets. The achievement of this strategic goal will serve to build the enterprise value through continuous development of new products with specialized diagnostic services, associated with their use and sales model based on the subscription formula.

A detailed analysis of the various international markets in terms of their development potential for the devices specialized in the diagnostics services of pregnancy, and in particular mobile CTG devices, taking into account local demographic and economic characteristics of the different healthcare systems, their quality, structures and levels of reimbursement levels, economic and regulatory restrictions, allowed to estimate the sizes of these markets in terms of their values, assessments of their attractiveness in terms of potential ease in achieving the assumed revenue objectives, and also to carry out their prioritization.

INVESTMENT ATTRACTIVENESS

Key elements of the investment attractiveness of the Company:

- Full development of a comprehensive, innovative on a global scale, professional product - telemedical system for examination of fetal health - first generation PREGNABIT, whose innovation has been confirmed by numerous awards and distinctions;
- The first such technology in Poland and one of few in the world;
- Globally scalable business model based on subscription payment system;
- The forecasted high profitability resulting from the provision of diagnostic services based on proprietary technology;
- The acquisition of interest in the target audience - gynecologists-obstetricians and midwives in Poland;
- Initiation of discussions with interested distributors of the priority foreign markets at Medica – the largest medical trade fair in Dusseldorf;
- Positive rating by the experts from the National Center of Research and Development (NCBiR) and the German Fraunhofer MOEZ (one of the largest R&D institutions in the world), expressed through the support of public funds under the Go Global program;
- Unique combination of a medical device and the IT service resulting in a very high mobility of the device;
- Human capital - a project team with a specialist technical knowledge and experience, high motivation and personal commitment to the project carried out by interdisciplinary team of experts;
- Advanced discussions with leading medical centers and companies active in the field of telemedicine on the possibility of cooperation and testing of the devices;
- The entrance in the niche market of telemedicine and medical equipment - the lack of market established solutions and competing services offered within the objectives of the project;
- The implementation of a quality management system for a manufacturer of medical devices ISO 13485, as a desire for continuous improvement of product and service quality;
- Projected dynamic increase in sales revenue in the second year of commercial deployment of the device;
- The ability to bring a new quality to the market of remote medical services and make a significant impact on improving the efficiency of services offered by the health care providers within the field of cardiotocography (CTG);
- The certification authorizing the sale PREGNABIT system within the European Union;
- Initiation of certification activities in selected international markets, including the FDA and the FCC to allow the admission of system PREGNABIT for sale in the United States;
- The existence of reimbursement codes for CTG examinations in the United States and other priority one countries, which allows for reimbursement of CTG examination costs by the largest insurers in those markets;
- Entering into trends among consumers / patients in developed countries. The growing need for a more complete diagnosis and prevention for parents with difficult experiences (difficulty conceiving, miscarriage, in vitro) and the increasing average age of becoming the first pregnancy;
- The transition to the main market of the Warsaw Stock Exchange no later than 30 months from the date of admission of shares to trading to the NewConnect market.
FINANCIAL PROJECTIONS

Table 1. Financial projections. PLN

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<tbody>
<tr>
<td>yoy growth, %</td>
<td>-438,77%</td>
<td>-144,41%</td>
<td>73,90%</td>
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<td>EBITDA margin, %</td>
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<td>65,71%</td>
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<tr>
<td>EBIT margin, %</td>
<td>-298,00%</td>
<td>-30,52%</td>
<td>-18,2%</td>
<td>38,71%</td>
<td>48,73%</td>
<td>52,13%</td>
</tr>
<tr>
<td>net margin, %</td>
<td>-298,00%</td>
<td>-30,52%</td>
<td>18,2%</td>
<td>38,71%</td>
<td>48,73%</td>
<td>52,13%</td>
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Source: Capital One Advisers Sp. z o.o., P - projections

REWARDS AND DISTINCTIONS

The Company, the first generation PREGNABIT solution, and Patrycja Wizińska-Socha are the winners of the following awards and distinctions:

- Award "Enterprise Leader 2015" by SME Foundation;
- Distinction by MIT Technology Review magazine, which gave Patricia Wizińska - Socha honorary title "Innovator Under 35 Poland" and a special award "Innovator of the Year 2016";
- Title most innovative telemedical product at the prestigious International Medical Fair WIHE 2016 in the Telemedicine category;
- Award by the Foundation for Res Publica, which in cooperation with the Visegrad Fund, Google and daily "Financial Times" put Patricia Wizińska-Socha on the prestigious list of New Europe 100.
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