ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE EUROPEAN UNION TOGETHER WITH THE AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

(Translation of the consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish Language version prevails)

Draft
(Subject to Changes)

ATRYS HEALTH, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and Consolidated Management Report for the financial year 2019 prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union together with the Auditor's Report on Consolidated Annual Accounts issued by an Independent Auditor.

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

CONSOLIDATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR 2019:

Consolidated Statements of Financial Position as of December 31, 2019 and 2018.
Consolidated Statements of Comprehensive Income for the financial years 2019 and 2018.
Consolidated Statements of Other Consolidated Comprehensive Income for the financial year 2019 and 2018.
Consolidated Statements of Changes in Shareholders' Equity for the years 2019 y 2018.
Consolidated Cash-Flow Statements for the financial years 2019 and 2018.
Explanatory notes to the Consolidated Annual Accounts for the financial year 2019.

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2019

ATRYS HEALTH S.A.AND SUBSIDIARIES

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Audit report on the consolidated financial statements issued by an independent auditor

(Free translation from the report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the shareholders of **ATRYS HEALTH, S.A.:**

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements for **ATRYS HEALTH, S.A. AND SUBSIDIARIES**, which comprise the statement of financial position as at December 31st, 2019, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes, all of which are consolidated, for the financial year 2019.

In our opinion, the accompanying consolidated financial statements give, in all significant respects, a true and fair view of the consolidated assets and financial position of **ATRYS HEALTH, S.A. AND SUBSIDIARIES** as at 31 December 2019 and of its consolidated results of their operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and other applicable Spanish financial reporting standards.

Basis of opinion

We conducted our audit in accordance with the regulations governing the auditing of accounts in force in Spain. Our responsibilities under those standards are described below in the section on the *Auditor's responsibilities for the audit of the consolidated financial statements* in our report.

We are independent from the Company in accordance with ethical requirements, including independence requirements, which are applicable to our audit of the financial statements in Spain as required by the regulations governing the auditing activity. In this regard, we have not provided services other than those relating to the auditing of financial statements, nor have there been any situations or circumstances which, in accordance with the provisions of the aforementioned regulatory regulations, have affected the necessary independence in such a way that it has been compromised.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our qualified opinion.

Key aspects of the audit

The key aspects of the audit are those, which, in our professional judgement, have been the most significant risks of material misstatement in our audit of the consolidated financial statements for the current period. These risks have been addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not express a separate opinion on these risks.

Key aspects of the audit	Audit Response
R&D project assessment risk As indicated in Note 4 of the accompanying explanatory notes, at 31 December 2019 the Group's consolidated assets included intangible assets valued at 16.284.382,45 euros, consisting of research and development projects, most of which are in progress. These projects were measured in accordance with the valuation standards described in Note 3.b of the accompanying explanatory notes. In turn, consolidated liabilities include capital and interest rate grants amounting to 6.096.980,87 euros, which are closely linked to the aforementioned development projects and will be recognised in the income statement as income as they are amortised. The analysis of the future viability of R&D projects by the Parent's Board of Directors is based on highly technical studies, hypotheses and projections, as well as on obtaining funding to complete the projects in accordance with the planned investment schedule. These matters require the application of significant value judgements and estimates by the Board of Directors of the Parent Company and incorporate uncertainty and a relevant risk component in the course of our audit.	We have carried out the following audit procedures, among others: - Understanding of the accounting policies followed in the process of activation of R&D projects and analysing possible impairment of these assets. - Monitoring of the evolution of all projects since the close of the previous financial year and analysis of deviations from the planned investment schedule. - Evaluation of the criteria set by the Company for allocating research and development expenses to each of the projects. - Obtaining for a sample of the most relevant projects, the documentary support of the amounts activated during the year. - Enquire with the Management and those responsible for each project, about the viability of the projects and request for written statements regarding those. - Obtaining for each Project, an analysis by management of the expected future profitability based on comparable studies and verifications that, based on these studies, the capitalized R&D projects are recoverable. - Obtaining a business plan from the Parent Company and the Group, together with a cash budget, to prove Group’s ability to meet the investments pending, in accordance with the schedule for each project, until its complete execution. - Monitoring of compliance of these business plans up to the date of our audit report. - Review of the information collected in the report on the consolidated annual financial statements in relation to the aforementioned projects.

Risk of recoverability of tax credits

As indicated in note 15 of the accompanying explanatory notes, the Parent Company and some of its subsidiaries has capitalised tax credits relating to tax losses and deductions not yet applied due to the absence of tax payable, totalling 5.549.761,84 euros.

The recoverability of these tax credits will depend on the ability of the companies to generate future tax benefits in a sufficient amount and within a period not exceeding 10 years.

Moreover, as indicated in Note 15 of the accompanying explanatory notes, the aforementioned tax credits include deductions relating to investments made in research and development projects from 2007 to 2012 amounting to 2.683.678 euros, which were disallowed by the tax authorities and are currently being disputed after the Parent Company has filed an appeal for judicial review with the Spanish National High Court (Audiencia Nacional in Spanish).

In the process of assessing and analysing the recoverability of these tax credits, the Parent's Company Board of Directors have made significant estimates and applied assumptions regarding the future development of its business and the expected market conditions. Also, the Board of Directors and its legal and tax advisers, based on existing case law, estimated the probabilities of obtaining a favourable ruling on the aforementioned tax credits. The above-mentioned matters involve a high degree of subjectivity and judgment, which has led us to consider these key issues during the course of our audit.

We have carried out the following audit procedures, among others:

- Obtaining a business plan with 10-year projections, which shows the capacity of the companies to recover tax credits.

- Evaluation of the reasonableness of the assumptions applied in the realization of the financial projections that support the above-mentioned business plan, based on historical data and the evolution of the business after closing financial year 2019.

- Verification of the arithmetical accuracy used to conclude on the capacity to generate future profits, as well as verification that all relevant variables have been considered.

- Assessment of whether the Parent Company and the Group meet the requirements established by current tax legislation for potentially claiming the monetisation of capitalised tax credits.

- Obtaining a detailed technical assessment by the Parent's Company advisors representing its interests in the claim as to the likelihood of ultimately obtaining a favourable ruling. Analysis of this assessment by our internal specialist.

- Review of the information contained in the explanatory notes with respect to the capitalised tax assets and their recoverability and of the contingency and assessment made by the Parent's Board of Directors and its advisers.

Consolidation and merger goodwill assessment risk:

As indicated in Notes 1 and 4 of the accompanying explanatory notes, the Group included various companies in the scope of consolidation during the year as a result of the purchase and sale transactions carried out in audited period, which led to the recognition of consolidation goodwill amounting to 21,9 million euros. The consolidated financial statement also reflects various business combination reflected by merger goodwill carried out in 2019 and in previous years, the net book value of those at year-end amounted to 13,5 million euros.

The assessment of the possible impairment of the goodwill arising will depend on the future performance of the companies included in the scope of consolidation and on compliance of the business plans prepared for each of goodwill. The application of relevant value judgements by Group management in the preparation of the aforementioned business plans, as well as the uncertainty associated with the evolution of the respective businesses, has led us to consider this aspect as a key issue in the course of our audit work.

We have carried out the following audit procedures, among others:

- On the documentation basis supporting the new acquisitions during the financial year, verification of the correct determination of the goodwill assigned to each one of them.

- Understanding the process of estimating the recoverable value of the goodwill assigned to the companies in the scope of consolidation and of the goodwill assigned to the cash-generating units integrated in the Parent Company.

- Obtaining and analysing the business plans prepared by Management for each of the companies in the scope of consolidation and the cash-generating units that served as the basis for the estimate of the recoverable value of the consolidation and merger goodwill arising.

- Review of the reasonableness of the assumptions applied in the projections and the discount rate applied, as well as the arithmetical accuracy and reasonableness of the methodology applied.

- Obtaining the financial statements of all the investees at the end of the year, as well as on interim dates after the end, to complete the analysis of the business plans provided.

- Review of the information contained in the consolidated report in relation to the criteria for recording goodwill on consolidation and merger and the process for evaluating its recoverability.

Other information: Consolidated management report

The other information comprises exclusively the consolidated management report for year ended December 31, 2019, the preparation of which is the responsibility of the Parent's Company Board of Directors and does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in accordance with the requirements of the regulations governing the audit activity, consists of evaluating and reporting on the concordance of the consolidated management report with the consolidated financial statements, based on the Group’s knowledge obtained during the audit of the aforementioned accounts and without including information other than that obtained as evidence during the audit.

It is also our responsibility to evaluate and report on whether the content and presentation of the consolidated management report comply with the applicable regulations. If, on the basis of the work we have carried out, we conclude that material misstatements exist, we are obliged to report them.

On the basis of the work performed, as described in the preceding paragraph, the information contained in the consolidated management report is consistent with the information included in the consolidated financial statements for the year ended December 31, 2019 and its content and presentation are in accordance with the applicable regulations.

Responsibility of the Board of Directors in relation to the consolidated annual accounts

The Board of Directors of the Parent Company are responsible for preparing the accompanying consolidated financial statements in such a way as to give a true and fair view of the Group's net worth, financial position and results, in accordance with the EU - IFRS and other regulatory framework for financial reporting applicable to the Group in Spain, and such internal control as they deem necessary to enable the preparation of consolidated financial statements free of material misstatement, due to fraud or error.

During preparation of the consolidated financial statements, the Parent's Board of Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as appropriate, going concern matters and using the going concern principle unless the Parent's Company Board of Directors intend to liquidate the Group or cease operations, or there is no realistic alternative.

The Parent Company's Audit Committee is responsible for supervising the process of preparing and presenting the consolidated financial statements.

Responsibilities of the auditor in relation to the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion.

Reasonable assurance is a high degree of assurance but does not guarantee that an audit conducted in accordance with the regulations governing the audit activity in force in Spain will always detect a material misstatement when it exists. Incorrect information may be due to fraud or error and is considered material if, individually or in the aggregate, it can reasonably be expected to influence the economic decisions that users make based on the consolidated financial statements.

As part of an audit in accordance with the regulations governing the activity of auditing accounts in Spain, we apply our professional judgment and maintain an attitude of professional scepticism throughout the audit. Also:

- We identify and assess risks of material misstatement of the consolidated financial statements due to fraud or error, design and implement audit procedures to respond to such risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud can involve collusion, forgery, deliberate omissions, intentional misstatements, or the circumvention of internal control.

- We obtain knowledge of internal control relevant to auditing in order to design right audit procedures according to the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate whether the accounting policies applied are adequate and the reasonableness of the accounting estimates and the corresponding information disclosed by the Board of Directors of the Parent Company.

- We conclude on whether it is appropriate for the Board of Directors of the Parent Company to use the accounting principle of a going concern and, based on the audit evidence obtained, we conclude on whether or not there is material uncertainty related to facts or conditions that may give rise to significant doubts about the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the relevant information disclosed in the consolidated annual accounts or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on audit evidence obtained as of the date of our audit report. However, future events or conditions may cause the Group to cease to be a going concern.

- We assess the overall presentation, structure and content of the consolidated financial statements, including the information disclosed, and whether the consolidated financial statements represent the underlying transactions and events in a way that gives a true and fair view.

- We obtain sufficient and appropriate 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 directing, supervising and conducting the audit of the Group. We are solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent Company regarding, among ther matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identify in the course of the audit.

We also provide the Parent Company's Audit Committee with a statement proving that we have complied with applicable ethical requirements, including those regarding independence, and have communicated with the Committee to report on any matters that may reasonably be expected to threaten our independence and, where appropriate, the relevant safeguards.

Among the significant risks reported to the Parent Company's Audit Committee, we determined those that have been of the greatest significance in the audit of the consolidated financial statements for the current period and which are, consequently, the key issues of the audit.

We describe these matters in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter.

Report on other legal and regulatory requirements

Additional Report for the Parent Company Audit Committee

The opinion expressed in this report is consistent with the one expressed in our additional report to the Parent Company Audit Committee dated 30 April 2020.

Engagement period

The Extraordinary General Meeting of Shareholders of the Parent Company held on October 17th, 2019 appointed us as the Group's auditors for a period of 2 years, which includes the years ended 1 January 2019 to 31 December 2020.

Previously, we were appointed by resolution of the General Shareholders' Meeting of the Parent Company for a period of 3 years and we have been auditing the consolidated financial statements since the financial year ended on 31 December 2016.

BDO Auditores, S.L.P. (ROAC nº S1273)

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Jordi García Antón (ROAC 20.667)
Audit Partner

April 30th,2020

The draft of this report has not yet undergone our Firm's usual internal review procedures and, therefore, we reserve the right to make the necessary modifications, insertions or deletions that might result from the mentioned review process.

ATRYS HEALTH, S.A.AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 2019 PREPARED IN ACCORDANCE
WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRS) ADOPTED BY THE EUROPEAN UNION

ATRYS HEALTH, S.A.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019, AND 2018
(In euros)

ASSETS	Explanatory Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS		**70.017.287,97**	**38.193.466,07**
Intangible fixed assets	**Note 4**	**55.002.392,25**	**27.104.018,46**
Property, plant and equipment	**Note 5**	**5.738.491,20**	**2.648.422,25**
Investments in non-consolidated group companies and associates	**Notes 7.b and 13**	**21.842,00**	**88.823,46**
Non-current financial assets	**Note 7. b**	**3.619.286,46**	**2.668.481,30**
Deferred tax assets	**Note 15**	**5.635.276,06**	**5.683.720,60**
CURRENT ASSETS		**18.025.606,93**	**15.499.654,40**
Inventories		**271.351,82**	**259.013,07**
Trade debtors and other accounts receivable	**Note 7.b**	**8.288.620,67**	**3.716.735,63**
Current tax assets and public administrations	**Note 15**	**682.139,74**	**441.114,19**
Current financial assets	**7.b**	**439.352,61**	**1.319.770,35**
Accrual accounts		**15.366,67**	**-**
Cash and cash equivalents	**Note 7.a**	**8.328.775,42**	**9.763.021,16**
TOTAL ASSETS		**88.042.894,90**	**53.693.120,47**

ATRYS HEALTH, S.A.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019, AND 2018
(In euros)

EQUITY AND LIABILITIES	Explanatory Notes	31/12/2019	31/12/2018
EQUITY		**39.954.310,73**	**26.443.008,45**
Shareholders' equity		**39.954.310,73**	**26.443.008,45**
Capital	**Note 11.1**	**256.415,51**	**215.550,51**
Share premium	**Note 11.2**	**38.425.973,86**	**24.958.603,58**
Reserves and results of previous financial years	**Note 11.3**	**1.563.634,62**	**1.549.936,51**
Reserves in consolidated companies	**Note 11.5**	**(64.148,96)**	**(10.340,55)**
Treasury shares	**Note 11.4**	**(148.187,23)**	**(282.727,20)**
Profit/loss for the period	**Note 12**	**(104.785,12)**	**11.985,60**
Adjustments for changes in value		**25.408,05**	**-**
NON-CURRENT ASSETS		**38.269.929,52**	**21.770.508,75**
Long-term provisions	**Notes 4, 15 and 20**	**1.965.720,86**	**664.203,33**
Non-current financial debts	**Note 8.1**	**5.410.613,88**	**6.419.820,85**
Other non-current liabilities	**Note 8.1**	**24.904.504,81**	**8.748.073,69**
Grants pending transfer to the income statement	**Note 14**	**5.829.261,49**	**5.889.966,34**
Deferred tax liabilities	**Note 15**	**159.828,48**	**48.444,54**
CURRENT LIABILITIES		**9.818.654,65**	**5.479.603,27**
Short-term provisions	**Note 4**	**1.049.362,98**	**405.954,65**
Current financial liabilities	**Note 8.1**	**2.166.957,12**	**1.307.337,31**
Other current liabilities	**Note 8.1**	**2.345.762,63**	**1.787.365,20**
Trade creditors and other accounts payable	**Note 8.1**	**2.850.565,38**	**1.202.927,31**
Current tax liabilities and Public Administrations	**Note 15**	**1.055.997,96**	**429.179,71**
Grants pending transfer to the income statement	**Note 14**	**267.719,38**	**298.237,47**
Short-term accrual accounts		**82.289,20**	**48.601,62**
TOTAL EQUITY AND LIABILITIES		**88.042.894,90**	**53.693.120,47**

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR 2019 AND 2018
(In euros)

INCOME STATEMENT	Explanatory Notes	2019	2018
CONTINUED OPERATIONS			
Net turnover	**Note 23**	**14.836.667,24**	**7.294.143,26**
Other operating income		**24.124,44**	**16.200,54**
Work carried out by the group for its assets		**1.821.894,12**	**2.012.954,35**
Allocation of grants for non-financial and other assets	**Note 14**	**298.237,40**	**293.714,62**
Other results		**-**	**63.911,47**
TOTAL OPERATING INCOME		**16.980.923,20**	**9.680.924,24**
Purchases	**Note 16.a**	**(4.461.029,19)**	**(2.434.730,83)**
Employee expenses	**Note 16.b**	**(5.218.472,33)**	**(2.841.449,50)**
Other operating expenses		**(4.166.796,60)**	**(2.357.261,44)**
Amortisation of fixed assets	**Notes 4 and 5**	**(1.905.984,83)**	**(1.277.524,83)**
Impairment and gains or losses on disposal of fixed assets		**(51,04)**	**-**
Other results		**(14.031,55)**	**-**
TOTAL OPERATING EXPENSES		**(15.766.365,54)**	**(8.910.966,60)**
OPERATING PROFIT		**1.214.557,66**	**769.957,64**
Financial income	**Note 16.c**	**655,10**	**254,92**
Financial expenses	**Note 16.c**	**(1.113.560,33)**	**(621.743,88)**
Variation of fair value of financial instruments		**103.592,40**	**(83.094,40)**
Exchange rate differences		**1.401,35**	**(1.737,62)**
FINANCIAL LOSS		**(1.007.911,48)**	**(706.320,98)**
PRE-TAX PROFIT/LOSS		**206.646,18**	**63.636,66**
Corporate income tax	**Note 15**	**(311.431,30)**	**(51.651,06)**
PROFIT/LOSS		**(104.785,12)**	**11.985,60**
BASIC AND DILUTED EARNINGS PER SHARE	**Note 22**	**(0,005)**	**0,001**

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR 2019 AND 2018

(In euros)

	2019	2018
PROFIT/LOSS	**(104.785,12)**	**11.985,60**
Income and expense recognised in equity	**13.482,86**	**-**
Translation differences	13.482,86	-
TOTAL INCOME AND EXPENSES RECOGNISED IN EQUITY	**13.482,86**	
TOTAL INCOME AND EXPENSES RECOGNISED DURING 2019	**(91.302,26)**	**11.985,60**

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR 2019 AND 2018

(In euros)

	Nominal Share Capital	Share Premium	Reserves and Profit/Loss of Previous financial years	Reserves in Consolidated Companies	Treasury shares	Profit/Loss for the Period	Adjustments for changes in value	Total
CLOSING BALANCE AT DECEMBER 31ST, 2017	**176.134,29**	**17.823.855,80**	**1.101.396,18**	**145.264,26**	**(586.851,10)**	**290.937,49**	**-**	**18.950.736,92**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**11.985,60**	**-**	**11.985,60**
Operations with shareholders or owners	**39.416,22**	**7.134.747,78**	**1.998,03**	**-**	**304.123,90**	**-**	**-**	**7.480.285,93**
Capital increases (Note 11.1)	39.416,22	7.134.747,78	(254.999,94)	-	-	-	-	6.919.164,06
Operations with treasury shares (Note 11.4)	-	-	256.997,97	-	304.123,90	-	-	561.121,87
Other changes in equity	**-**	**-**	**446.542,30**	**(155.604,81)**	**-**	**(290.937,49)**	**-**	**-**
Distribution of profit/loss of the previous f. year	-	-	446.542,30	(155.604,81)	-	(290.937,49)	-	-
CLOSING BALANCE AT DECEMBER 31ST 2018	**215.550,51**	**24.958.603,58**	**1.549.936,51**	**(10.340,55)**	**(282.727,20)**	**11.985,60**	**-**	**26.443.008,45**
Total income and expenses recognised	**-**	**-**	**-**	**-**	**-**	**(104.785,12)**	**13.482,86**	**(91.302,26)**
Operations with shareholders or owners	**40.865,00**	**13.467.370,28**	**75.353,93**	**(79.005,29)**	**134.539,97**	**-**	**11.925,19**	**13.651.049,08**
Capital increases (Note11.1)	40.865,00	13.467.370,28	(87.500,00)	-	-	-	-	13.420.735,28
Operations with treasury shares (Note 11.4)	-	-	162.853,93	-	18.077,70	-	-	180.931,63
Incentives plan (Note 19.4)	-	-	-	-	116.462,27	-	-	116.462,27
Additions to the perimeter (Note 20)	-	-	-	(79.005,29)	-	-	11.925,19	(67.080,10)
Other changes in equity	**-**	**-**	**(61.655,82)**	**25.196,88**	**-**	**(11.985,60)**	**-**	**(48.444,54)**
Distribution of profit/loss of the previous f. year	-	-	(61.655,82)	73.641,42	-	(11.985,60)	-	-
Other changes	-	-	-	(48.444,54)	-	-	-	(48.444,54)
CLOSING BALANCE AT DECEMBER 31ST, 2019	**256.415,51**	**38.425.973,86**	**1.563.634,62**	**(64.148,96)**	**(148.187,23)**	**(104.785,12)**	**25.408,05**	**39.954.310,73**

ATRYS HEALTH, S.A.
AND SUBSIDIARIES

CONSOLIDATED CASH-FLOW STATEMENT FOR THE FINANCIAL YEAR 2019 AND 2018

(In euros)

	2019	2018
CASH FLOWS OF THE OPERATING ACTIVITIES	**1.083.498,27**	**(913.679,91)**
Pre-tax profit/loss for the financial year	**206.646,18**	**63.636,66**
Adjustments to the profit/loss	**2.876.060,78**	**1.692.354,05**
Amortisation of fixed assets	1.905.984,83	1.277.524,83
Valuation adjustments for impairment	-	87.054,88
Changes in provisions	38.894,32	-
Allocation of grants	(298.237,40)	(293.714,62)
Loss on the retirement and disposal of fixed assets	51,04	-
Financial income	(655,10)	(254,92)
Financial expenses	1.113.560,33	621.743,88
Other income and expenses	116.462,76	-
Changes in current capital	**(1.039.193,86)**	**(2.002.054,97)**
Stock	(12.725,12)	(19.526,05)
Debtors and other accounts receivable	(2.476.122,25)	(1.643.061,91)
Other current assets	(8.241,67)	-
Creditors and other accounts payable	1.424.207,60	(388.068,63)
Other non-current assets and liabilities	33.687,58	48.601,62
Other cash flows from operating activities	**(960.014,83)**	**(667.615,65)**
Payment of interest	(928.217,86)	(621.743,88)
Receipt of interest	655,10	254,92
Income tax receipts and payments	(32.452,07)	(46.126,69)
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(21.098.006,69)**	**(7.667.611,93)**
Receipts (Payments) for divestments (investments)	**(21.098.006,69)**	**(7.667.611,93)**
Group companies	-	(14.016,28)
Intangible fixed assets	(1.945.886,12)	(2.041.849,06)
Property, plant and equipment	(2.856.231,67)	(245.433,68)
Other financial assets	3.026,90	(770.186,61)
Business unit	(16.298.915,80)	(4.596.126,30)
CASH FLOWS FROM FINANCING ACTIVITIES	**18.580.262,68**	**9.076.143,89**
Receipts (Payments) for equity instruments	**5.093.430,13**	**4.306.119,93**
Receipts and payments for financial liability instruments	**13.486.832,55**	**4.770.023,96**
Issue:	**16.226.572,99**	**7.012.188,24**
Debentures and other marketable securities	14.880.751,24	-
Debts with credit institutions	657.659,41	6.100.000,00
Others	688.162,34	912.188,24
Repayment and amortisation of:	**(2.739.740,44)**	**(2.242.164,28)**
Debts with credit institutions	(985.970,19)	(871.526,38)
Others	(1.753.770,25)	(1.370.637,90)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(1.434.245,74)**	**494.852,05**
Cash and cash equivalents at the beginning of the period	9.763.021,16	9.268.169,11
Cash and cash equivalents at the end of the period	8.328.775,42	9.763.021,16

ATRYS HEALTH, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2019

NOTE 1. COMPANIES OF THE GROUP

1.1) Parent Company

a) Incorporation and Registered Office

ATRYS HEALTH, S.A (hereinafter, “the Parent Company”) was incorporated in Madrid on 4 January 2007, under the name **ALTHIA HEALTH, S.L**. In May 2016, the Parent Company became a *Sociedad Anónima* [Corporation] and changed its name to its current one, as a preliminary step to its listing on the Alternative Stock Exchange in July 2016. Its registered office is in Madrid at Calle Velázquez, 24, fourth floor right.

The Company’s financial year begins on 1 January and ends on 31 December each year.

b) Activity of the Parent Company

The Parent Company’s main activity is the diagnosis, prognosis and research into cancer and precancerous lesions. Its corporate objects are to provide services and market products for human and animal health, with the aim of providing personalised diagnosis and prognosis, and also any other activity related with biomedical research and development.

c) Legal Status of the Companies

Companies are governed by their by-laws and by the current Corporate Enterprises Act.

1.2) Subsidiaries included in the Consolidation Perimeter

The Subsidiaries included in the consolidation perimeter by the aggregate integration method for the 2019 period are the following:

	Percentage holding
Atrys Health, S.A.	
Which has the following holdings:	
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	100%
Llebalust Patología, S.L.	99%
Institut Mèdic d’Onco-Radioteràpia, S.L.	100%
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	
which has the following holdings:	
E-Diagnostica, SAS	100%
E-Diagnostica, SAS	
which has the following holdings:	
Teleradiologia de Colombia Diagnóstico Digital Especializado, S.A.S.	100%

Institut Mèdic d'Onco-Radioteràpia, S.L. (IMOR)

Institut Mèdic d'Onco-Radioteràpia, S.L. (IMOR) is a company specialising in oncological treatment and a leader in the provision of oncological radiotherapy and brachytherapy services. Its registered office is in Barcelona at Calle Escoles Pies nº81.

On October 16th, 2019, the Parent Company completed the purchase of all the shares of **Institut Mèdic d'Onco-Radioteràpia, S.L**.

The operations of **Institut Mèdic d'Onco-Radioteràpia, S.L**. are thus deemed to form part of the consolidated income statement from October 16th, 2019 and the part relating to its income statement up to December 31st, 2019 has been included in the consolidated financial statements for 2019.

Llebalust Patología, S.L.

The main activity of **Llebalust Patología, S.L.** is medical-legal advice, the provision of medical services by qualified professionals, the management of anatomical pathology clinics and consultations and the provision of medical services in anatomical pathology. Its registered address is at Calle Balmes, 317, Entlo 2, Barcelona.

On 4 October 2018, the General Meeting of Shareholders of Llebalust Serveis, S.A**.** approved the incorporation of **Llebalust Patología, S.L.** by spinning off part of the former's assets, specifically the pathological anatomy activity. The operation was formalised before a notary on 13 November 2018, when the new company began its activity.

On 18 October 2018, the Parent Company acquired 999 shares in **Llebalust Patología, S.L.** from Llebalust Serveis, S.A. These shares conferred 99% of the dividend rights and 48,06% of the voting rights. However, the Company has a purchase option for the interest units held by Llebalust Serveis, S.A., which confers 51,94% of the remaining voting rights at a negligible price, so it is considered that the company has effective control over **Llebalust Patología, S.L.** and the latter should be included in the consolidation perimeter using the aggregate integration method, thereby avoiding the possible effect of external shareholdings.

Since control took place in November, only operations relating to December 2018 were included in the consolidated financial statements for 2018.

Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.

The main activity of **Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.** is to provide an integrated telemedicine services in various medical specialties, including medical-health treatment in the specialties of cardiology, radiodiagnosis, dermatology, ophthalmology and pathological anatomy, and any other speciality that can be carried out on line with new technologies. Its registered office is at Calle Balmes, 150 2º 1ª, Barcelona.

On July 19th, 2018, **Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.,** completed the purchase of all the shares of the company International Telemedicine Hospital, S.L. The operations of **Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.,** are thus deemed to form part of the consolidated income statement from July 19th, 2018 and the part relating to its income statement up to December 31st, 2018 has been included in the consolidated financial statements for 2018.

On October 23th, 2019, International Telemedicine Hospital, S.L. was merged by absorption. The company was dissolved and extinguished without liquidation, making a block transfer of all their assets to the absorbing company **Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.,** which acquired all the rights and obligations of the absorbed by universal succession. The merger balance sheets for this operation are those at 31 December 2018, establishing 1 January 2019 as the date on which the operations of the absorbed companies are deemed to have been carried out on behalf of the absorbing company.

E-Diagnostica, S.A.S

E-Diagnostica, S.A.S. is specialised in providing an integral telemedicine services, medical practice that can be carried out online with high technologies. Its main services include diagnosis, treatment and prevention. Its registered office is located at Carrera 48 nº 20-34 Oficina 909 Centro Empresarial Ciudad del Río de Medellín (Colombia).

The Company forms part of the consolidation scope and was consolidated as from January 1st, 2019.

Teleradiología de Colombia Diagnóstico Digital Especializado, SAS

The main activity of **Teleradiology of Colombia Diagnóstico Digital Especializado, S.A.S**. is the providing of digital medical services in radiology and diagnostic imaging. Its registered office is located at Calle 116 nº 9-72, office 410, Edificio Global Medical Center in Bogotá (Colombia).

On 23 September 2019, **E-Diagnostica S.A.S**. closed the acquisition of all the shares of Teleradiología de Colombia Diagnóstico Digital Especializado. The operations of **Teleradiología de Colombia Diagnóstico Digital Especializado** are thus deemed to form part of the consolidated income statement from September 23th, 2019, and the part relating to its income statement up to December 31st, 2019 has been included in the consolidated financial statements for 2019.

Unconsolidated companies

The companies in which **Atrys Health, S.A.** or its subsidiaries have holdings and which have not been consolidated because they are of minor significance, and which are shown at acquisition cost in the accompanying Consolidated Balance Sheet, are as follows:

Company	% Holding	Activity
e-Diagnostic Anatomía Patológica S.L.	70%	Online Diagnosis of Pathological Anatomy
Pathgenetics S.L.	50%	Diagnosis of Pathological Anatomy
Real Life Data for us	100%	Small/Big Data

NOTE 2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION OF THE FINANCIAL STATEMENTS

a) True and Fair View

The accompanying Consolidated Financial Statements for financial year 2019 have been prepared from the accounting records of the various Group companies in accordance with International Financial Reporting Standards (EU-IFRS) adopted for use in the European Union and approved by European Commission Regulations in force at December 31st, 2019.

The preparation of Consolidated Financial Statements in accordance with EU-IFRS requires the use of critical accounting estimates. It also requires the Board of Directors and the Management of the Parent Company to exercise judgment in the process of applying accounting policies to them. Note 2.c indicates the areas, aspects or circumstances involving a higher degree of judgment or complexity in those aspects and areas where the hypotheses, estimates or assumptions made are significant to the accompanying Consolidated Financial Statements.

b) Presentation Currency

In accordance with current legislation (IAS 21), the Consolidated Financial Statements are presented in euros.

c) Responsibility for Information and Estimates

The information contained in these Consolidated Financial Statements is the responsibility of the Board of Directors of the Parent Company. Estimates have been made to measure some of the assets, liabilities, income, expenses and commitments recorded in these Consolidated Financial Statements, in accordance with EU-IFRS. These estimates relate primarily to:

- The evaluation of possible impairment losses on certain assets.
- The estimation of the useful life of intangible assets and property, plant and equipment, including goodwill from mergers and consolidation.
- The evaluation of the recoverability of tax credits in respect of negative tax bases and tax deductions to be offset.
- The evaluation of capitalised development expenses.

Although these estimates have been made on the basis of the best information available on the date of preparing the Consolidated Financial Statements, it is possible that events may take place in the future that may make it necessary for them to be amended in future financial years. Should this be necessary, it would be done prospectively, recognising the effects of the estimated change in the relevant income statements.

d) Critical Aspects of Assessment and the Estimation of Uncertainty

At December 31st, 2019, the consolidated assets show intangible assets valued at 55.002.797,25 euros, mainly relating to research and development projects and computer applications that have been developed internally by the Group, and also goodwill derived from mergers with other companies and from customer portfolios acquired from third parties and consolidation goodwill.

The Board of Directors of the Parent Company has analysed the technical and economic-financial feasibility of all the projects and has considered that there are sound reasons for their continued capitalisation at the amount shown in the consolidated assets, and that there are no indications of impairment. It is also considered that the liquidity plan prepared by the Management provides proof of the companies' future ability to finance their investments, continue developing their current projects and finance the budgeted growth plan for the coming years.

In addition, the Board of Directors of the Parent Company has estimated the expected cash flows of the cash-generating units assigned to each part of the goodwill recognised, providing evidence that the present value of the goodwill is higher than the value recorded in the consolidated assets. For this reason, it was considered unnecessary to apply any valuation adjustments to goodwill.

Furthermore, as indicated in Note 15, the companies have capitalised tax credits arising from tax losses from previous years and deductions pending application due to the absence of tax liability for a total of 5.635.276,06 euros. In view of projections, the Management has considered it reasonable to maintain these rights as assets, since they consider that the projected profits for future years for each of the companies benefiting from the tax credits will enable them to be offset within a maximum of 10 years. In the case of the deductions pending offset, the companies could also consider the possibility of applying for their monetisation, as they have done in previous years in some cases, and they currently meet the requirements for doing so. On the principles of caution, the Parent Company has recorded provisions on the balance sheet for 364.840,55 euros at December 31st, 2019 for the risk inherent in the recoverability of these tax credits.

In view of the above and despite the uncertainty inherent in some of the above aspects, the Board of Directors of the Parent Company considers that there are no indications of a possible breach of the going concern principle. Furthermore, the uncertainties arising from the health crisis of the COVID-19 and the measures implemented by the Group to mitigate them are described in Note 18 of these explanatory notes.

e) Comparison of Information

In accordance with the commercial legislation, the Board of Directors of the Parent Company presents, for comparative purposes, for comparative purposes, in addition to the figures for the financial year 2019, for each of the items in the Consolidated Statements of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statements of Changes in Equity and the Consolidated Cash-flow Statements, those for the year ended 31 December 2018, which have been obtained by applying EU-IFRS. The items for both years are comparable and homogeneous.

f) New IFRS and Interpretations by the IFRS Interpretations Committee (IFRIC)

In the 2019 period, the following amendments to IFRS and their interpretations (hereinafter, IFRIC) came into force, but have not had an impact on the Group's Consolidated Financial Statements:

Approved for use in the European Union		Mandatory application: financial years beginning as from:
Amendment IFRS 9	Early cancellation characteristics with negative offset: this will allow the measurement at amortised cost of some financial assets that can be cancelled early for an amount lower than the outstanding amount of principal and interest.	1 January 2019
IFRIC 23	Uncertainty about tax treatments: clarification of how to apply the recording and measurement criteria in IAS 12 when the tax authority is uncertain about the acceptability of a particular tax treatment used by the company	1 January 2019
Amendment to IAS 28	Long-term interest in associates and joint ventures: clarifies the application of IFRS 9 to long-term interest in an associate or joint venture if the equity method is not applied	1 January 2019
Amendment to IAS 19	Plan amendment, curtailment or settlement: clarifies how to calculate the service cost for the current period and the net interest for the rest of an annual period when a defined benefit plan is amended, curtailed or settled	1 January 2019
Improvements to IFRS Cycle 2015-2017	Changes to a number of rules	1 January 2019

In addition, the following IFRS is effective for annual periods beginning 1 January 2019, and was applied in advance by the Group in 2018:

Approved for use in the European Union		Mandatory application: financial years beginning as from:
IFRS 16	Leases: new standard for the recognition of leases	1 January 2019

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions that adopt the legal form of a lease. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases using a single balance sheet format similar to the current accounting for finance leases in accordance with IAS 17.

The standard includes two exemptions to the recognition of leases by lessees: low-value asset leases and short-term leases, i.e. leases with a term of less than 12 months. On the commencement date of a lease, the lessee recognises a liability for the current value of the payments to be made under the lease agreement and an asset representing the right to use the underlying asset for the term of the lease.

Lessees should adopt separate recognition of expenditure on interest in respect of the lease liability, and expenditure on the amortisation of the right to use. Lessees are also required to revalue the lease liability when certain events occur. The lessee will generally recognise the amount of the revaluation of the lease liability as an adjustment to the asset for the right to use it.

The lessor's accounting under IFRS 16 is not substantially different from the current accounting under IAS 17. Leases will continue to be classified on the basis of the same principles as under IAS 17, with two types of lease being recorded, operating lease and finance lease.

IFRS 16 also requires lessees and lessors to include more extensive disclosures than those required by IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, its application being permitted earlier, but not before an entity applies IFRS 15. A tenant can choose to apply the rule fully retrospectively or by means of a modified retroactive transition. The transitional provisions of the standard permit certain exemptions. The Group elected to begin early application from 2018, the effect of which is discussed in notes 4, 6 and 8 to these financial statements.

New IFRSs and Amendments to IFRSs not effective at December 31st, 2019

Approved for not mandatory use in the European Union		Mandatory application: financial years beginning as from:
IRRS 17 Insurance Contracts (issued May 2017)	Replaces IFRS 4. It sets out the principles for the recording, measurement, presentation and disclosure of insurance contracts for an entity to provide relevant and reliable information to enable users of financial information to determine the effect of insurance contracts on the financial statements.	1 January 2021 (IASB proposed deferral to 1 January 2022 (Draft amendment to IFRS 7 published 26 June 2019))
Amendment to IFRS 3. Definition of a Business (published October 2018)	Clarifications to the definition of business.	January 1st, 2020
Amendments to IAS 1 and IAS 8. Definition of "Materiality" (issued October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of 'materiality' with that contained in the conceptual framework.	January 1st, 2020

For the standards that come into force on after January 1st, 2020, the Group is making an initial preliminary assessment of the impact that the future application of these standards could have on the consolidated financial statements once they come into force. To date, it is not expected that there will be any significant impacts arising from these standards.

NOTE 3. RECORDING AND VALUATION STANDARDS

The principal valuation standards used in the preparation of the Consolidated Financial Statements at December 31, 2019, in accordance with those established by EU-IFRS, were:

a) Principles of Consolidation

The consolidation of the Financial Statements of **Atrys Health, S.A.** with the Financial Statements of its subsidiaries referred to in Note 1.2 was carried out on the basis of the following basic principles:

- The consolidation was carried out using the aggregate integration method since the subsidiaries are effectively controlled by the majority shareholder which holds a majority of the votes on their representative and decision-making bodies.

- The Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity include the adjustments and eliminations arising from the consolidation process, as well as the relevant valuation adjustments to reconcile the balances and transactions between the consolidating companies, prior to their conversion from Spanish accounting standards and principles to those set out in the EU-IFRS.

- The balances and transactions between the consolidated companies have been eliminated in the process of consolidation.

- The assets and liabilities of subsidiaries whose functional currency is not the euro were translated to euros at the exchange rates as at December 31, 2019 and the equity at the historical exchange rate (that prevailing at the date of first-time consolidation). The income statements of these companies were translated to euros at the average exchange rates of the year.

- The consolidated profit/loss for the year shows the part of it attributable to the Parent Company, which consists of the result obtained by the Parent Company plus its share, by virtue of financial participation, of the profit/loss obtained by its subsidiaries. As indicated in Note 1.2, in the case of the new company included in the consolidation perimeter, only the operations subsequent to the effective takeover of control have been included in the consolidated Statement of Comprehensive Income.

- The investment/equity of the subsidiaries was eliminated by offsetting the Parent Company's holding against the proportion of the subsidiaries' equity represented by that holding at the date of acquisition, recognised at its fair value on that date.

b) Intangible fixed assets

Intangible assets are measured at cost, either of acquisition or production, less any accumulated amortisation (calculated on the basis of their useful life) and any accumulated impairment losses.

The amount of an intangible fixed asset with a finite useful life that can be amortised is distributed on a systematic basis over its useful life. The amortisation charge for each period is recognised in the profit or loss for the financial year.

Research and Development Expenses

Research expenses are recognised as expenses in the financial year in which they are incurred.

Capitalised development expenses are specifically broken down by project and their cost is clearly established so that it can be distributed over time. Management also has well-founded reasons for asserting the technical success and economic and commercial profitability of these projects.

Development costs will be amortised in accordance with a systematic plan specific to each project. Amortisation will commence in the year in which each project is completed and extend over the period in which it generates income but shall not exceed five years.

When there are reasonable doubts as to the technical success or economic and commercial profitability of a project, the amounts recorded in the assets relating to the project are charged directly to losses of the financial year. In addition, for projects that have already been executed and have resulted in marketable products or services, the Group periodically monitors the cash flows generated by these projects to determine the recoverability of the net investment at any given time.

Industrial property

This relates to capitalised development expenses for which the relevant patent or similar has been obtained, and includes the costs of registration and formalisation of industrial property, and also the costs of acquiring rights from third parties.

They are amortised on a straight-line basis over their useful life, at a rate of 10 % per annum, and are subject to valuation adjustments for impairment.

Computer applications

Licences for computer applications acquired, all of which are for own use and not for sale to third parties, or computer programs developed in-house, are capitalised on the basis of the costs incurred to acquire or develop them and prepare them for use.

The above-mentioned computer software is amortised on a straight-line basis over its useful life at a rate of 25% per year.

The maintenance costs of the above computer applications incurred during the financial year are recorded in the Consolidated Statement of Comprehensive Income.

Goodwill

Goodwill represents the excess of the cost of the business combination over the fair value of the interest in the identifiable net assets of the company acquired on the date of acquisition. Goodwill is only recognised when it has been acquired for consideration and represents future economic benefits from assets that could not be individually identified and recognised separately.

After its initial recognition, goodwill is measured at cost less any accumulated impairment losses that are deemed to be irreversible. Impairment tests are performed annually, or more frequently if events or changes in circumstances indicate that the book value may be impaired.

Goodwill is not amortised since its useful life is considered to be indefinite.

Consolidated goodwill

This heading includes the positive differences between the equity of the subsidiaries attributable to the Parent Company and the holding recorded in the Parent Company at the date of first consolidation that could not be attributed to the subsidiaries' specific assets and liabilities.

As in the previous case, consolidated goodwill is not amortised and has to be subject to an impairment test at least once a year. This consists of an analysis of the current value of the expected cash flows of each of the investee companies that generated it.

Impairment of merger and consolidation goodwill

The recoverable amount of assets is the higher of their fair value less costs to sell and their value in use. Value in use is determined on the basis of expected cash flows over the period during which the assets are expected to contribute to the generation of income, expectations about possible variations in the amount or timing of those flows, the time value of money and the price to be paid for bearing the uncertainty related to the asset, among others.

The Group uses the budgets and business plans, which generally cover a period of seven years, for the various cash-generating units (or investees in the case of goodwill on consolidation). The key assumptions on which the budgets and business plans are based are the estimated growth in revenue based on historical knowledge and agreements already entered into, the evolution of operating expenses, including estimated synergies in the event of new additions and higher productivity due to increased use of resources already available, and the estimated capex based on the periodic investment needs of each business.

The extrapolation of the estimated cash flows for the period not covered by the business plan is carried out by maintaining a growth rate and an expense structure like the one of previous year business plan, with no time limit (income for life). The discount rate used, in general, is a measure based on the risk-free rate for 10-year bonds issued by the government adjusted by a risk premium and a market correlation index to reflect the increase in risk associated to the Group's activity and structure.

The average discount rate used to calculate the present value of the estimated cash flows was 8,5%, with the growth rate applied to perpetual income being 0,5% based on growth in the last period of the business plan.

In addition, the Group performed a sensitivity analysis of the result of the impairment test to changes in the following assumptions:

- 2% reduction in future flows.
- Use of 0% growth rate in perpetuity.
- 1% increase in the discount rate.

As a result of that analysis, the application of those assumptions would not lead to the recording of any additional impairment.

c) Property, plant and equipment

Property, plant and equipment is measured at the price of acquisition or production cost, net of accumulated depreciation and, where appropriate, the cumulative amount of any recognised impairment losses.

Conservation and maintenance expenses incurred during the financial year are charged to the Consolidated Statement of Comprehensive Income. The costs of renewing, extending or improving property, plant and equipment which represent an increase in capacity or productivity or an extension of its useful life, are capitalised as an increase in the value of the assets concerned, once the book values of the items that have been replaced have been derecognised.

Property, plant and equipment, net of its residual value, if any, is depreciated by distributing the cost of the various assets on a straight-line basis over the years of estimated useful life in which they are expected to be used, as shown in the following table:

	Annual Percentage	**Estimated years of Useful Life**
Machinery	10	10
Technical plant	20	5
Other facilities, tools and furniture	10	10
Data processing equipment	25	4
Other property, plant and equipment	14.29	7

The book value of an item of property, plant and equipment is derecognised when it is sold or disposed of in some other way, or when no future economic benefits or returns are expected from its use, sale or disposal in some other way.

The profit or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net amount, if any, of the costs of sale incurred by its sale or disposal in some other way, if any, and the book value of the item, and is recognised in the Consolidated Statement of Comprehensive Income for the year in which it takes place.

At the close of the financial year, it is determined whether there is any indication of impairment of an asset or cash-generating unit, in which case the recoverable amounts are estimated, and the necessary valuation adjustments made.

An impairment loss is deemed to exist for an item of property, plant and equipment when its book value exceeds its recoverable amount, understanding the latter as its fair value less costs of sale or its value in use, whichever is higher.

d) Leases and Other Operations of a Similar Nature

Companies classify a lease as a finance lease when it is clear from the economic conditions of the lease agreement that substantially all the risks and rewards inherent in ownership of the asset covered by the lease have been transferred. If the conditions of the lease do not qualify it as a finance lease, it is deemed to be an operating lease.

However, the Company has applied IFRS 16 from 2018 onwards. IFRS 16 requires lessees to record all leases using a single balance sheet format similar to that used to record finance leases under IAS 17.

The standard includes two exemptions from the recognition of leases by lessees: leases on assets of low value and short-term leases, i.e. leases for a term of less than 12 months. The Company charges expenses deriving from these leases to the Consolidated Statement of Comprehensive Income.

On the start date of a lease, the lessee recognises a liability for the lease payments to be made and an asset representing the use of the underlying asset over the term of the lease. Lessees recognise expenditure on interest relating to the liability of the lease separately from expenditure on amortisation of the right of use. Lessees are required to revalue the lease liability when certain events occur. The lessee generally recognises the amount of the revaluation of the lease liability as an adjustment to the asset for the right to use it. The lessor's accounting in accordance with IFRS 16 is not materially different from current accounting required by IAS 17. In this regard, leases continue to be classified on the basis of the same classification principles as under IAS 17 and two types of lease, operating and finance, are recorded.

The calculation of the present value of the minimum payments on the finance lease uses the interest rate implicit in the lease and, if this cannot be determined, the interest rate paid by the lessee for similar transactions. The total finance charge is distributed over the term of the lease and is recognised in the Consolidated Statement of Comprehensive Income for the year in which it accrues, using the effective interest rate method. Contingent charges are recognised as an expense in the year in which they are incurred.

The assets recognised on the consolidated balance sheet in respect of finance leases are amortised, impaired and derecognised according to their type.

e) Financial instruments

Financial instruments are only recognised on the Statement of Financial Position when they become a mandatory part of the agreement or legal transaction in question, in accordance with the provisions thereof.

Companies classify their financial assets at the time of initial recognition and, where this is permitted and appropriate, the classification is reassessed on the closing date of each Balance Sheet.

For the purposes of valuation, the financial instruments used by companies are classified into one of the following categories:

Loans and Accounts Receivable or Debits and Accounts Payable

Loans and Accounts Receivable

This category includes:

a) Credits for commercial transactions: financial assets derived from the sale of goods and the provision of services in the course of trading.

b) Credits for non-commercial transactions: financial assets, other than equity instruments and derivatives, not arising from trade, for a specified or determinable amount that are not traded in an active market.

Debits and Accounts Payable

This category includes:

a) Debits arising from commercial transactions: financial liabilities arising from the purchase of goods and services in the course of trade operations.

b) Debits arising from non-commercial liabilities: financial liabilities that are not derivative instruments and are of non-commercial origin. This category includes interest-free loans and those with below-market interest rates. In these cases, the Group measures the financial liability at amortised cost by applying the effective interest rate method.

c) It also records on the Group's consolidated statement of comprehensive income the amount equivalent to the financial costs that would have been incurred if the market interest rate had been applied, increasing the liability by the same amount. In addition, the difference between the nominal value and the amortised cost of the loan is recorded as deferred income, in accordance with IAS 20, and transferred to results on a systematic basis over the useful life of the related asset.

Initially, the financial assets and liabilities included in this category are measured at fair value, which is the price of the transaction, and which is equivalent to the fair value of the consideration given, plus the transaction costs directly attributable to them.

However, trade receivables and payables maturing in one year or less without a contractual interest rate, and any advances and loans to employees, the amount of which is expected to be received in the short term, are measured at their nominal value when the effect of not discounting the cash flows is insignificant.

In subsequent valuations, both assets and liabilities are measured at their amortised cost. Accrued interest is recorded on the Consolidated Statement of Comprehensive Income using the effective interest method. However, receivables and payables maturing in one year or less, which were initially valued at their nominal value, continue to be measured at that amount, except in the case of any impaired credits.

At the close of the period, the necessary valuation adjustments are made if there is objective evidence that the value of a credit is impaired, i.e. if there is evidence of a reduction or delay in the estimated future cash flows relating to that asset.

The impairment loss on the value of loans and receivables is equivalent to the difference between their book value and the present value of the future cash flows it is estimated will be generated, discounted at the effective interest rate calculated at the time of their initial recognition.

Held-to-maturity investments

These are debt securities with a fixed maturity date, which pay a specified or determinable amount, traded on an active market, and which companies effectively intend and are able to hold to maturity. They are initially measured at fair value, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs.

They are subsequently measured at their amortised cost. Accrued interest is recorded on the Consolidated Statement of Comprehensive Income using the effective interest rate method.

At the close of the financial year, the necessary valuation adjustments are made if there is objective evidence that the value of the asset is impaired. The impairment loss is the difference between its book value and the market value of the instrument.

Investments in the Equity of Group Companies and Non-Consolidated Associates

Financial investments in companies are holdings in companies that have not been consolidated in these consolidated financial statements because they are companies whose relative importance is not relevant to the consolidated equity situation. They are initially measured at cost, which is equivalent to the fair value of the consideration given plus the transaction costs directly attributable to it.

Derecognition of Financial Assets

A financial asset, or part of it, is derecognised when the contractual rights to the cash flows from the financial asset expire or have been assigned and substantially all the risks and rewards of ownership have been transferred.

When a financial asset is derecognised, the difference between the consideration received net of attributable transaction costs, taking into account any new asset obtained less any liability assumed, and the book value of the financial asset, plus any cumulative amount recognised directly in equity, determines the gain or loss that arises on derecognition and contributes to the profit or loss for the period in which it occurs.

Derecognition of Financial Liabilities

A financial liability is derecognised when the corresponding obligation is extinguished.

The difference between the book value of the financial liability, or the part of it that has been derecognised, and the consideration paid, including attributable transaction costs and any assets transferred other than cash, or liabilities assumed, is recognised in the Consolidated Statement of Comprehensive Income for the year in which it takes place.

Entity's own Equity Financial Instruments

They are recognised in equity as a variation of the own funds, never are they recognised as financial assets, nor are any gains or losses recognised in the consolidated statement of comprehensive income as a result of transactions with those.

The expenses arising from these transactions, including the costs of issuing these instruments, are recognised directly in equity as a reduction in reserves.

Security Deposits Given and Received

Security deposits given and received for operating leases and the provision of services are valued at the amount paid or received.

f) Inventories

Goods and services included in inventories are measured at cost, either at the price of acquisition or cost of production, using the Weighted Average Price method.

g) Transactions in Foreign Currency

Transactions in foreign currency are recorded at their equivalent value in euros, using the spot exchange rates in force on the dates they are carried out.

At the close of each financial year, monetary items are valued by applying the average exchange rate for cash on that date. Exchange rate differences, both positive and negative, arising in the course of this process, and also those generated on the liquidation of mentioned assets and liabilities, are recognised in the Consolidated Statement of Comprehensive Income for the year in which they arise.

h) Corporate Income Tax

The companies do not consolidate for tax purposes. Consequently, Corporate Income Tax has been calculated by adding together the expenditure on this item by each of the consolidated companies as calculated on their individual profits, adjusted in accordance with tax criteria and taking into account the applicable tax credits and deductions.

Corporate Income tax is recorded in the Consolidated Statement of Comprehensive Income or directly in Consolidated Shareholders' Equity, depending on where the income or loss on which it is based is recorded. Corporate income tax for each year includes both current and deferred taxes, if applicable.

Current tax is the amount the companies will pay in tax on the basis of the tax assessments.

Differences between the book value of assets and liabilities and their tax base result in deferred tax assets or liabilities, which are calculated using the tax rates that are expected to apply when the asset or liability is reversed and in accordance with the way in which the asset or liability is expected to be recovered or paid.

Changes in deferred tax assets or liabilities in the course of the year are recognised in the Consolidated Statement of Comprehensive Income or directly in Consolidated Equity, as applicable.

Deferred tax assets are recognised only to the extent that it is probable that the companies concerned will have future taxable income that will enable them to be applied.

On the date of each balance sheet, the book value of the deferred tax assets recorded is analysed and the necessary adjustments are made if there are any doubts as to their future recoverability. In addition, on the date of each balance sheet, the deferred tax assets not recorded on the balance sheet are assessed and recognised to the extent that their recovery with future tax allowances becomes probable.

i) Revenues and Expenses

Revenues and expenses are recognised on an accrual basis, that is, when the actual flow of the goods and services that produce them occurs, irrespective of when the monetary or financial flow resulting from them arises.

Revenues from the sale of goods and the provision of services are measured at the fair value of the consideration received or receivable from them, which, unless there is evidence to the contrary, is the agreed price for the goods or services, after deduction of any discounts, rebates or similar items that may be allowed, and any interest included in the face value of credits.

j) Provisions and Contingencies

Obligations existing at the end of the financial year arising from past events which could result in losses for companies, the amount and timing of which are uncertain, are recognised as provisions in the consolidated Statement of Financial Position and are measured at the present value of the best possible estimate of the amount required to settle the obligation or to transfer it to a third party.

Adjustments due to updating the provision are recorded as a financial expense as they accrue. Provisions maturing in a year or less, and provided that the financial effect is insignificant, are not discounted.

k) Transactions with Payments based on Equity Instruments

The Parent Company has established a variable remuneration plan for executives, executive directors and other key personnel of the Group, which is settled through the distribution of shares of the Parent Company. The increase in equity required to settle this transaction is measured at the fair value at the date of the concession agreement. The balancing entry for this increase, which relates to the fair value of the services provided by the employees, is recognised either as an asset or as an expense, depending on its nature, in both cases during the validity of the plan.

l) Grants, Donations and Legacies

Government grants, including non-monetary grants valued at fair value, should not be recognised until there is reasonable assurance that the entity will comply with the conditions associated with their enjoyment and the grants will be received.

Government grants shall be recognised in profit or loss on a systematic basis over the financial years in which the entity recognises the costs that the grant is intended to offset as an expense. A government grant to be received to compensate expenses or losses already incurred, or for the purpose of providing the entity with immediate financial support, without related subsequent costs, shall be recognised in profit or loss in the financial year in which it becomes receivable.

Government grants related to assets (or capital), including non-monetary grants measured at fair value, are shown as deferred income and recognised on the income statement on a systematic basis over the life of the related asset.

Operating subsidies are credited to income for the year on an accrual basis. Monetary amounts received without being assigned to a specific purpose are recognised as income for the year in which they are recognised.

Non-refundable grants, donations and legacies received from members or owners do not constitute income and are recorded directly in equity, irrespective of the type of grant, donation or legacy in question. They are also valued at the fair value of the amount granted or the good received.

Repayable grants are recorded as long-term debts that can be converted into grants until they become non-refundable.

m) Interest rate subsidies

The companies have been granted loans by Public Entities or Bodies, at zero or below market interest rates. As a result, and in accordance with current accounting regulations, the companies have updated the value of these loans, taking their average cost of financing as a reference. The effect of the initial revaluation is recorded in accordance with IAS 20 as deferred income, which is recognised on the income statement on a systematic basis over the useful life of the asset concerned.

n) Business combination

At the acquisition date of a business combination resulting from a merger or spin-off or from the acquisition of all or some of a company's assets and liabilities, the companies recognise all the assets acquired and liabilities assumed and, where appropriate, the difference between the value of those assets and liabilities and the cost of the business combination.

The acquisition date is the date when control of the business or businesses acquired is acquired.

The cost of a business combination is the sum of:

a) The fair values, at the acquisition date, the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for the businesses acquired. However, when the fair value of the business acquired is more reliable, the latter is used to estimate the fair value of the consideration given.

b) The fair value of any additional compensation that depends on future events or on the fulfilment of certain conditions, unless the compensation gives rise to the recognition of a contingent asset that results in the recognition of income in the income statement, in which case the asset is measured by deducting the negative difference, initially calculated, from the amount of its fair value. If the amount of this negative difference is greater than the total value of the intangible asset, the asset is will not be recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at fair value provided that this fair value can be measured with sufficient reliability.

o) Cash-flow statements

The following expressions are used with the following meanings in the cash flow statement:

Cash and cash equivalents: cash includes both cash and on-sight bank deposits. Cash equivalents are financial instruments that form part of the Group's normal cash management, can be converted into cash, have initial maturities not exceeding three months and are subject to an insignificant risk of changes in value.

Cash flows: inflows and outflows of cash or cash equivalents, which are defined as highly liquid investments with a term of less than three months and a low risk of changes in value.

Operating activities: are the activities that constitute the Group's main source of ordinary income, and other activities that cannot be classified as investment or financing.

Investment activities: the acquisition, sale or other forms of disposal of long-term assets and other investments not included in cash and cash equivalents.

Financing: activities that produce changes in the size and composition of equity and financial liabilities.

p) Classification as Current or Non-Current

The Group classifies assets and liabilities as current or non-current on the Consolidated Statement of Financial Position. An asset is classified as current when:

- It is expected to be realised, or intended to be sold or consumed, during the normal operating cycle;
- It is held mainly for trading;
- It is expected to be realised within twelve months of the date of the financial year being reported; or
- It is cash or a cash equivalent, unless subject to restrictions, that can be exchanged or used to settle a liability for at least twelve months after the financial year being reported.

Any other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be cancelled in the normal operating cycle;
- It is held mainly for trading;
- It is expected to be settled within twelve months of the date of the financial year being reported; or
- There is no unconditional right to defer its cancellation for at least twelve months from the date of the financial year being reported.

The Group classifies any other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTE 4. INTANGIBLE FIXED ASSETS

The breakdown and changes in intangible assets during the 2019 period are as follows, in euros:

	31/12/2018	Additions	Additions due to business combination (*)	Additions due to inclusion in the perimeter (**)	Derecognition	31/012/2019
Cost:						
Development	16.325.404,25	1.353.285,20	-	-	-	17.678.689,45
Industrial Property	255.487,41	32.396,84	57.000,00	52.188,09	-	397.072,34
Computer applications	2.103.773,85	560.204,08	-	291.801,35	-	2.955.779,28
Rights to use under lease	596.078,47	1.703.881,81	-	-	-	2.299.960,28
Goodwill	10.095.093,88	25.849.985,86	-	-	(484.960,04)	35.460.119,70
	29.375.837,86	**29.499.753,79**	**57.000,00**	**343.989,44**	**(484.960,04)**	**58.791.621,05**
Accumulated amortisation:						
Development	(878.228,43)	(516.078,57)	-	-	-	(1.394.307,00)
Industrial Property	(133.589,52)	(28.529,27)	-	-	-	(162.118,79)
Computer applications	(1.104.094,90)	(435.872,58)	-	(239.226,33)	-	(1.779.193,81)
Rights to use under lease	(155.906,55)	(297.702,65)	-	-	-	(453.609,20)
	(2.271.819,40)	**(1.278.183,07)**	**-**	**(239.226,33)**	**-**	**(3.789.228,80)**
Net Intangible Fixed Assets	**27.104.018,46**	**28.221.570,72**	**57.000,00**	**104.763,11**	**(484.960,04)**	**55.002.392,25**

(*) Additions due to transferred non-current assets as a result of the merger by absorption of Real Life Data, S.L. by the Parent, as discussed in Note 20.

(**) Additions due to purchase and sale of all the shares of the company Institut Mèdic d'Onco-Radioteràpia, S.L. (IMOR), date October 16, 2019 by the Parent Company and the inclusion of E-Diagnostica SAS in the scope of consolidation.

The breakdown and changes of intangible assets during the 2018 financial year was as follows, in euros:

	31/12/2017	Additions due to inclusion in the perimeter (*)	Additions due to transition to IFRS	Additions	31/12/2018
Cost:					
Development	14.769.780,90	4.475,00	-	1.551.148,35	16.325.404,25
Industrial Property	234.951,09	-	-	20.536,32	255.487,41
Computer applications	1.573.416,28	60.193,18	-	470.164,39	2.103.773,85
Rights to use under lease	-	-	596.078,47	-	596.078,47
Goodwill	1.937.781,50	8.157.312,38	-	-	10.095.093,88
	18.515.929,77	**8.221.980,56**	**596.078,47**	**2.041.849,06**	**29.375.837,86**
Accumulated amortisation:					
Development	(576.533,39)	(522,08)	-	(301.172,96)	(878.228,43)
Industrial Property	(110.044,76)	-	-	(23.544,76)	(133.589,52)
Computer applications	(714.321,72)	(36.115,36)	-	(353.657,82)	(1.104.094,90)
Rights to use under lease	-	-	-	(155.906,55)	(155.906,55)
	(1.400.899,87)	**(36.637,44)**	**-**	**(834.282,09)**	**(2.271.819,40)**
Net Intangible Fixed Assets	**17.115.029,90**	**8.185.343,12**	**596.078,47**	**1.207.566,97**	**27.104.018,46**

(*) Additions due to inclusion in the consolidation perimeter resulting from the purchase of all the interest units of International Telemedicine Hospital, S.L., on 19 July 2018 by one of the Group companies and the inclusion in the consolidation perimeter of the recently formed company Llebalust Patología, S.L.

The additions amounting to 596.078,47 euros due to transition to IFRS were the result of applying IFRS 16 from 2018. Accordingly, the Group began to record all leases using a single balance sheet model, recognising a liability for the lease payments to be made and an asset representing the right to use the underlying asset during the term of the lease. This asset is depreciated on a straight-line basis depending on its nature and the duration of the lease.

The amount transferred to the Consolidated Statement of Comprehensive Income for the 2019 period was 297.702,65 euros (155.906,55 euros in 2018).

The breakdown, by project, of the internal costs capitalised as "Development" during the 2019 financial year and those accrued up to December 31, 2019, is as follows, in euros:

	31/12/2018	Additions	30/06/2019
Glioblastoma project	2.033.242,20	218.249,28	2.251.491,48
Breast cancer project	2.336.370,60	-	2.336.370,60
Lymphoma programme	2.144.908,36	-	2.144.908,36
Advanced models of personal diagnostics	5.577.075,94	893.797,55	6.470.873,49
Prototype expert system for treatment	3.619.804,59	121.002,02	3.740.806,61
Predictors of response to radiotherapy and immunotherapy (lung)	609.527,56	-	609.527,56
Radio proliq	-	120.236,35	120.236,35
ITH development	4.475,00	-	4.475,00
Total	**16.325.404,25**	**1.353.285,20**	**17.678.689,45**

The breakdown, by project, of the internal costs capitalised as "Development" in intangible fixed assets during the 2018 financial year and those accrued up to 31 December 2018, was as follows, in euros:

	31/12/2017	Additions	Additions to perimeter	31/12/2018
Glioblastoma project	2.033.242,20	-	-	2.033.242,20
Breast cancer project	2.336.370,60	-	-	2.336.370,60
Lymphoma programme	2.090.755,62	54.152,74	-	2.144.908,36
Advanced models of personal diagnostics	4.385.462,19	1.191.613,75	-	5.577.075,94
Prototype expert system for treatment	3.492.639,26	127.165,33	-	3.619.804,59
Predictors of response to radiotherapy and immunotherapy (lung)	431.311,03	178.216,53	-	609.527,56
ITH development	-	-	4.475,00	4.475,00
Total	**14.769.780,90**	**1.551.148,35**	**4.475,00**	**16.325.404,25**

Radiotherapy treatment began in February 2016, using the state-of-the-art radiotherapy equipment acquired by the Parent Company in 2015 for treating cancer. As a result, part of the development project entitled "Advanced models for personal diagnosis", which was closely linked to the adaptation and implementation of this service, was considered to have been completed and amortisation of this service began over a period of 5 years.

In addition, in 2019 the line of research in Lymphoma has been completed, starting the amortization, in a period of 5 years, from the second half of 2019.

The rest of the projects are still at the development phase, with no relevant deviations, either in meeting the various milestones or in the investments budgeted.

“Glioblastoma”, “Breast Cancer”, “Predictors of response to radiotherapy and immunotherapy” and “Alarmins” Projects.

In 2016, the Parent Company entered into an agreement with the Economic Interest Grouping Higea Biotech EIG, which specialises in the development of research projects, for the temporary assignment of the rights to the “Glioblastomas” project. In 2017, the Parent Company reached a second agreement of the same kind with the same entity in relation to a “Breast Cancer” project. In 2019, the Parent Company entered into a new agreement of the same kind with the same entity in relation to projects entitled “Predictors of response to radio- and immunotherapy” and “Alarmins”.

In application of the agreements for the provision of services signed between the parties, the Parent Company has invoiced Higea Biotech for the development costs of these projects incurred during the financial years 2016, 2017 and 2018, and also during the 2019 period at a market price. The Parent Company continues to hold the rights on the final results of these projects and will regain full ownership of them once they have been completed.

Research costs

As indicated in IAS 38, no intangible assets arising from research (or from the research phase of internal projects) are recognised. Research expenditure is recognised as an expense in the year in which it is incurred. The Board of Directors of the Parent Company considers that research expenditure on internal projects carried out by the Group in both the 2019 period and the 2018 financial year is not significant.

Items amortised in full and still in use

The breakdown, by headings, of the most significant assets which, at December 31, 2019 and 31 December 2018, had been fully depreciated and were still in use is shown below, indicating their cost price, in euros:

	2019	2018
Industrial property	18.201,89	11.921,82
Computer applications	950.831,10	251.872,34
	969.032,99	**263.794,16**

Goodwill

The breakdown and changes in the goodwill included in intangible assets at December 31, 2019 and 31 December 2018 are as follows, in euros:

	31/12/2019	31/12/2018
CIE merger goodwill	1.102.615,63	1.102.615,63
DRIM merger goodwill	835.165,87	835.165,87
RLD merger goodwill	11.032.300,03	-
ITH (International Telemedicine Hospital, S.L.) merger goodwill	537.425,87	1.022.385,91
Llebalust Patalogía, S.L.	7.134.926,47	7.134.926,47
Institut Mèdic d’Onco-Radioteràpia, S.L.	10.455.143,09	-
Teleradiología de Colombia Diagnóstico Digital Especializado, SAS	4.362.542,74	-
	35.460.119,70	**10.095.093,88**

CIE-DRIM merger goodwill

Goodwill was generated in both cases by the merger by absorption of the companies CIE Telemedicina and Drim Medical, both of which are owned by Ediagnostic-Clínica Virtual de Especialidades Médicas S.L., during 2012 and 2014, respectively. Each of these companies is associated with a specific line of business: cardiological and radiological telediagnosis, and its recoverability is analysed in terms of the cash flows expected from each cash-generating unit on the basis of the Group's business plan, incorporating a percentage of indirect costs considered to be closely associated with and necessary for pursuing the activities. The Board of Directors, given the performance of both businesses and the future expectations set out in the Group's business plan, has established that the current value of the estimated cash flows in each case is higher than the net book value of the goodwill at December 31, 2019 in each case, so it does not consider there to be any indication of impairment and therefore no valuation adjustment needs to be made.

RLD merger goodwill

The RLD merger goodwill was generated as a result of the merger by absorption of Real Life Data, S.L. by the Parent in 2019, as discussed in Note 20.

An analysis of the expected cash flows from the business line of the absorbed company did not give rise to any valuation adjustments in 2019.

ITH merger goodwill

The ITH merger goodwill was generated as a result of the merger by absorption of International Telemedicine Hospital, S.L. by one of the Group companies in 2019. The absorbed company was included in the Group's scope of consolidation since 2018 and, accordingly, this transaction resulted in the derecognition of goodwill amounting to 79.005,39 euros.

An analysis of the expected cash flows from the absorbed company's business line did not give rise to any valuation adjustments in 2019.

On December 31st, 2018 the goodwill included a variable part to be satisfied by the Group according to the purchase-sale contract signed by the International Telemedicine Hospital, S.L. acquisition on the 2018 financial year. This corresponded to the maximum variable amount to be paid updated at a discount rate of 5%. On this basis, the Group maintained a short term provision in the amount of 405.954,65 euros. The Group Management, according to developments from the 2019 financial year, has estimated that it is unlikely that the figures determining the accrual of the variable payment will be reached. That is why the provision has been written off and the amount of goodwill recorded has been deducted in the amount of 405.954,65 euros.

Consolidation Goodwill

Consolidation goodwill have its origin in the acquisition of Llebalust Patología, S.L. in 2018 and of Institut Mèdic d'Onco-Radioteràpia, S.L. and Teleradiología de Colombia Diagnóstico Digital Especializado, S.A.S. in 2019, as detailed in Note 1.2.

Parent's Company Board of Directors have available the estimates and projections that show that the cash flow projections attributable to these cash-generating units to which each goodwill is allocated, enable the recover net amount recognised at December 31st, 2019.

The consolidation goodwill includes a variable portion to be paid by the Group according to the purchase agreements signed for the acquisition of Llebalust Patología, S.L. in 2018 and for the acquisition of Real Life Data, S.L. in 2019, which corresponds to the maximum variable amount payable discounted at a discount rate of 5%. On this basis, the Group maintains a short-term provision of 299.362,98 euros relating to Llebalust Patología, S.L., and long-term provisions (1.600.880,51 euros) and short-term provisions (750.000 euros) relating to Real Life Data, S.L.

Group management has estimated that there is a high probability that the figures that determine the accrual of the variable payment will be reached, which is why they have already been recognised as an increase in the value of the investment.

In application of IAS 38, the Trade Fund is not amortised and the corresponding impairment test has been performed for each of them based on the projected flows, without any valuation adjustments having been derived from them (see methodology in Note 3.b).

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes in property, plant and equipment in the course of the 2019 period is as follows:

	31/12/2018	Additions	Additions due to business combination (*)	Additions due to inclusion in the perimeter (**)	31/12/2019
Cost:					
Technical plant	975.140,73	44.833,34	-	1.440.170,86	2.460.144,93
Constructions	199.271,50	66.011,95	-	-	265.283,45
Machinery	4.825.716,28	833.797,69	-	5.308.250,46	10.967.764,43
Other facilities, tools and furniture	406.985,95	36.375,64	20.429,13	969.404,53	1.433.195,25
Data processing equipment	521.724,11	115.936,67	44.077,20	116.267,11	798.005,09
Other property, plant and equipment	1.131.480,09	2.395,80	14.237,17	13.586,71	1.161.699,77
Property, plant and equipment under construction and advances	149.896,62	1.756.880,58	-	-	1.906.777,20
	8.210.215,28	**2.856.231,67**	**78.743,50**	**7.847.679,67**	**18.992.870,12**
Accumulated depreciation:					
Technical plant	(867.255,38)	(10.811,43)	-	(1.440.170,86)	(2.318.237,67)
Constructions	(141.611,65)	(24.127,64)	-	-	(165.739,29)
Machinery	(2.632.957,89)	(418.790,97)	-	(4.620.506,03)	(7.672.254,89)
Other facilities, tools and furniture	(310.086,88)	(65.779,98)	(17.976,48)	(844.579,38)	(1.238.422,72)
Data processing equipment	(409.542,70)	(70.934,92)	(38.785,46)	(84.853,02)	(604.116,10)
Other property, plant and equipment	(1.200.338,53)	(37.125,25)	(12.527,91)	(5.616,56)	(1.255.608,25)
	(5.561.793,03)	**(627.570,19)**	**(69.289,85)**	**(6.995.725,85)**	**(13.254.378,92)**
Property, plant and equipment, net	**2.648.422,25**	**2.228.661,48**	**9.453,65**	**851.953,82**	**5.738.491,20**

(*) Additions due to the merger by absorption of Real Life Data, S.L. by the Parent Company, as explained in Note 20.

(**) Additions due to the purchase and sale of all the shares of the company Teleradiología de Colombia Diagnóstico Digital Especializado, SAS, on September 23, 2019, by one of the Group companies. Also due to the purchase and sale of all the shares of the company Institut Mèdic d'Onco-Radioteràpia, S.L. (IMOR) dated Octiber 16, 2019 by the Parent Company.

The additions in the 2019 period for the sum of 1.756.880,58 euros in respect of technical plant in the course of being assembled and advances relate to the start up of the facilities and equipment of the Advanced Oncology Radiotherapy Centre at the Sanitas CIMA Hospital in Barcelona. It is expected to be completed and put into operation during the first quarter of 2020.

The breakdown and changes in property, plant and equipment during the 2018 financial year was as follows, in euros:

	31/12/2017	Additions due to inclusion in the perimeter (*)	Additions	31/12/2018
Cost:				
Technical plant	904.284,57	-	70.856,16	975.140,73
Constructions	35.352,74	163.918,76	-	199.271,50
Machinery	4.486.668,19	316.980,82	22.067,27	4.825.716,28
Other facilities, tools and furniture	78.967,88	325.286,87	2.731,20	406.985,95
Data processing equipment	279.788,40	214.996,56	26.939,15	521.724,11
Other property, plant and equipment	1.129.153,93	-	2.326,16	1.131.480,09
Property, plant and equipment under construction and advances	29.044,05	338,83	120.513,74	149.896,62
	6.943.259,76	**1.021.521,84**	**245.433,68**	**8.210.215,28**
Accumulated depreciation:				
Technical plant	(864.355,93)	-	(2.899,45)	(867.255,38)
Constructions	(32.024,84)	(103.383,84)	(6.202,97)	(141.611,65)
Machinery	(2.029.474,64)	(264.404,92)	(339.078,33)	(2.632.957,89)
Other facilities, tools and furniture	(56.197,56)	(242.617,39)	(11.271,93)	(310.086,88)
Data processing equipment	(235.676,55)	(136.366,56)	(37.499,59)	(409.542,70)
Other property, plant and equipment	(1.154.048,06)	-	(46.290,47)	(1.200.338,53)
	(4.371.777,58)	**(746.772,71)**	**(443.242,74)**	**(5.561.793,03)**
Property, plant and equipment, Net	**2.571.482,18**	**274.749,13**	**(197.809,06)**	**2.648.422,25**

(*) *Additions due to inclusion in the consolidation perimeter resulting from the purchase of all the interest units of International Telemedicine Hospital, S.L., on 19 July 2018 by one of the Group companies and the inclusion in the consolidation perimeter of the recently formed company Llebalust Patología, S.L.*

Assets depreciated in full and still in use

The breakdown, by headings, of the most significant assets that, at December 31, 2019 and 31 December 2018, were depreciated in full and remained in use, is shown below, indicating their cost price in euros:

	31/12/2019	31/12/2018
Constructions	45.935,23	45.935,23
Technical plant	2.301.514,40	861.343,54
Machinery	2.809.630,82	1.531.946,27
Other facilities	11.286,58	7.702,40
Furniture	44.904,78	13.617,97
Data processing equipment	322.082,86	249.852,91
Other property, plant and equipment	997.751,84	991.196,47
	6.533.106,51	**3.701.594,79**

Commitments in relation to tangible fixed assets

In relation to the construction of the Advanced Radiation Oncology Centre that will be located in the facilities of the Hospital Sanitas CIMA in Barcelona, the Parent Company has taken commitments which were not executed at the end of the year amounting to 2.470.491 euros.

NOTE 6. LEASES AND OTHER OPERATIONS OF A SIMILAR NATURE

6.1) Operating Leases (the Group as Lessee)

As stated in Note 2.f, from 2018 the Group adopted IFRS 16, which requires it to record all leases using a single balance sheet format, recognising a liability for the current value of the payments to be made up to the end of the lease and an asset representing the right to use the underlying asset during the same period. This asset is depreciated on a straight-line basis on the basis of its nature for duration of the lease. The amount recognised as a right to use under a lease at December 31, 2019 amounted to 2.299.960,28 euros.

Leases on low-value assets and short-term leases are charged to the Consolidated Statement of Comprehensive Income. The amount recorded for this item for the 2019 period in the Consolidated Statement of Comprehensive Income was 121.395,72 euros (116.450,64 euros in the 2018 financial year).

6.2) Finance leases (the Group as Lessee)

The Group has financed the following assets by means of finance leases:

	Amount of Initial Recognition	Accumulated depreciation	Net book value
Data processing equipment	11.537,00	(11.537,00)	-
Machinery	25.880,00	(19.657,49)	6.222,51
Machinery	6.100,00	(3.055,01)	3.044,99
	43.517,00	**(34.249,50)**	**9.267,50**

The total amount of future payments under finance leases at December 31, 2019 and 31 December 2018, in euros, is as follows:

	31/12/2019	31/12/2018
Total amount of future minimum payments at the close of the financial year	9.923,85	19.447,86
(-) Financial expenses not accrued	(199,65)	(646,95)
Value of the purchase option	661,61	661,61
Current value at the close of the fin. year	**10.385,81**	**19.462,52**

The breakdown of the maturities of the finance leases is as follows, in euros:

	Minimum payments		Current value	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Up to one year	7.939,08	8.997,53	7.748,99	8.550,78
Between 1 and 5 years	1.984,77	10.450,33	2.636,82	10.911,74
	9.923,85	**19.447,86**	**10.385,81**	**19.462,52**

NOTE 7. FINANCIAL ASSETS

The breakdown of long-term financial assets, in euros, is as follows:

	Credits and others	
	31/12/2019	31/12/2018
Loans and accounts receivable (Note 7.b)	**3.619.286,46**	**2.707.052,32**

The breakdown of short-term financial assets is as follows, in euros:

	Credits and others	
	31/12/2019	31/12/2018
Assets at fair value with changes in the income statement	**8.328.775,42**	**9.763.021,16**
Cash and other liquid assets (Note 7.a)	8.328.775,42	9.763.021,16
Loans and accounts receivable (Note 7.b)	**8.731.057,79**	**5.039.590,49**
Total	**17.059.833,21**	**14.802.611,65**

a) Cash and Other Equivalent Liquid Assets

The breakdown of these assets at December 31, 2019 and 2018 is as follows, in euros:

	31/12/2019	31/12/2018
Current accounts	8.321.919,58	9.761.541,87
Cash	6.855,84	1.479,29
Total	**8.328.775,42**	**9.763.021,16**

b) Loans and accounts receivable

The composition of this heading at December 31, 2019 and 2018 is as follows, in euros:

	Balance at 31/12/2019		Balance at 31/12/2018	
	Long-term	Short-term	Long-term	Short-term
Trade receivables				
Third-party customers				
Related parties customers (Notes 4 and 19)	55.307,06	8.279.305,96	-	3.715.660,64
Other debtors	-	4.368,86	-	774,99
Advances to suppliers	-	3.084,51	-	3.084,51
Total trade receivables	**55.307,06**	**8.286.759,33**	**-**	**3.719.520,14**
Non-trade receivables				
Deposits	-	67.773,72	-	67.773,72
Credits to group companies (Note 19)	-	-	38.571,02	-
Credits to third parties (Note 19)	2.182.399,81	160.524,14	1.611.168,44	780.654,33
Security deposits	1.369.009,64	122.590,64	1.044.742,91	387.643,64
To personnel	-	4.945,85	-	300,00
Other financial assets	12.569,95	88.464,11	12.569,95	83.698,66
Total non-trade receivables	**3.563.979,40**	**444.298,46**	**2.707.052,32**	**1.320.070,35**
Total	**3.619.286,46**	**8.731.057,79**	**2.707.052,32**	**5.039.590,49**

At December 31, 2019 long-term guarantees and deposits related mainly to sums delivered as security for the award of certain public services and financing provided for R&D projects.

Deposits

The balance of Deposits at the end of financial year 2019 consisted of 67.773,72 pledged to Bankinter as guarantee to obtain the bank guarantee required in order to take up a grant awarded by the Ministry of Economy, Industry and Competitiveness, formalised on 13 December 2016. This pledge expires on 31 December 2019.

Credits to third parties

This heading covers the credit granted by the Parent Company to Higea Biotech E.I.G., in application of the framework agreement for collaboration in the development of R&D activities signed by the two parties in 2016 (see note 5 for the projects involved). This loan is to be repaid in full over a period of 5 years, which ends in 2023. In the 2019 period, the Parent Company extended the loan granted to this entity, the total amount pending repayment being 1.815 thousand euros.

This heading also includes the loan derived from an agreement reached with a hospital group to refinance its existing debt at the close of the 2018 financial year, derived from the joint operation of highly specialised radiotherapy equipment. Under this agreement, the debt would be repaid in instalments over the next 5 years, accruing a market rate of interest.

The schedule established for repayment of this credit is as follows:

Due date	**31/12/2019**
2020	160.524,14
2021	64.842,11
2022	64.842,11
2023	64.842,11
2024	64.842,11
More than 5 years	108.070,19
Total	**527.962,77**

The schedule for collecting this credit at 31 December 2018 was as follows, in euros:

Due date	**31/12/2018**
2019	780.654,33
2020	160.524,15
2021	64.842,11
2022	64.842,11
2023	64.842,11
More than 5 years	172.912,29
Total	**1.308.617,10**

Impairment adjustments for credit risk

In 2019 there were no changes in the impairment of trade and other accounts receivable.

The evolution of the impairment of credits and other accounts receivable during the 2018 financial year was as follows:

Impairment	
Impairment of trade balances at 31 December 2017	**188.823,61**
Impairment recognised during the period	8.475,61
Reversal of impairment recognised during the period	(4.515,13)
Impairment of trade balances at 31 December 2018	**192.784,09**

Classification by maturities

At 31 December 2019 and 31 December 2018, all of the Group's financial assets matured in less than one year, except for credits to third parties and group companies and long-term guarantees and deposits made, primarily consisted of the security deposit for the lease on the Parent Company's offices and laboratories and the guarantees lodged for the various interest-rate 0% loans received by the Group. The vast majority of these have a maturity of more than 5 years.

NOTE 8. FINANCIAL LIABILITIES

The breakdown of long-term financial liabilities is as follows, in euros:

	Debts with credit institutions		**Derivatives and others**		**Total**	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Debits and accounts payable (Note 8.1)	**5.410.613,88**	**6.419.820,85**	**24.904.504,81**	**8.748.073,69**	**30.315.118,69**	**15.167.894,54**

The breakdown of short-term financial liabilities is as follows, in euros:

	Debts with credit institutions		**Derivatives and others**		**Total**	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Debits and accounts payable (Note 8.1)	**2.166.957,12**	**1.307.337,31**	**5.196.328,01**	**2.990.292,51**	**7.363.285,13**	**4.297.629,82**

8.1) Debits and accounts payable

The breakdown of debits and accounts payable at December 31, 2019 and 2018 is shown below, in euros:

	Balance at 31/12/2019		Balance at 31/12/2018	
	Long-term	**Short-term**	**Long-term**	**Short-term**
For trade operations:				
Suppliers	-	1.999.897,67	-	797.692,86
Sundry creditors	-	727.084,65	-	362.777,77
Total balances for trade operations	**-**	**2.726.982,32**	**-**	**1.160.470,63**
For non-trade operations:				
Debentures and other marketable securities (Note 9.1.4)	14.880.751,24	185.342,47	-	-
Debts with credit institutions (Note 9.1.1)	5.410.613,88	2.166.957,12	6.419.820,85	1.307.337,31
Financial debt with third parties (Note 9.1.2)	8.564.309,90	1.600.264,10	8.292.383,71	1.534.500,29
Other leasing liabilities (Note 9.1.3)	1.313.264,90	533.086,18	291.689,48	148.482,43
Current account with related parties	-	-	-	33.482,48
Other debts	19.645,63	26.919,88	37.467,36	70.690,00
Loans and other debts	**30.188.585,55**	**4.512.569,75**	**15.041.361,40**	**3.094.492,51**
Security deposits	126.533,14	150,00	126.533,14	210,00
Employees (outstanding salaries)	-	123.583,06	-	42.456,68
Total balances for non-trade operations	**30.315.118,69**	**4.636.302,81**	**15.167.894,54**	**3.137.159,19**
Total Debits and accounts payable	**30.315.118,69**	**7.363.285,13**	**15.167.894,54**	**4.297.629,82**

8.1.1) Debts with Credit Institutions

Debts with credit institutions as at December 31, 2019 summarised below, in euros:

	Short-term	**Long-term**	**Total**
Loans	936.050,50	5.407.973,38	6.344.023,88
Leasing	7.745,31	2.640,50	10.385,81
Credit lines	1.223.161,31	-	1.223.161,31
	2.166.957,12	**5.410.613,88**	**7.577.571,00**

Debts with credit institutions as at 31 December 2018 are summarised below, in euros:

	Short-term	**Long-term**	**Total**
Loans	765.145,42	6.307.281,35	7.072.426,77
Leasing	8.550,78	10.911,74	19.462,52
Credit lines	490.454,92	101.627,76	592.082,68
Advances on invoices	43.186,19	-	43.186,19
	1.307.337,31	**6.419.820,85**	**7.727.158,16**

Loans

This heading covers the loan granted by BBVA to the Parent Company for the acquisition of state-of-the-art radiotherapy equipment. This loan has a 7-year grace period and matures in July 2022.

In addition, in the 2018 financial year the Parent Company increased bank financing with new loans for an aggregate amount of 6 million euros. These loans are being used to finance the Group's investments and are expected to mature between 2023 and 2025.

Credit Lines

At December 31, 2019 the Group had been granted credit lines for a total limit of 1.510.000,00 euros (1.746.000 euros in 2018), the amount drawn down at that date being 1.223.161,31euros (592.082,68 euros in 2018).

Advances on Invoices

At December 31, 2019 the Group has no advance lines for invoices granted (130.000,00 euros in 2018), hence there is no amount drawn down at that date (43.186,19 euros in 2018).

Guarantee lines

At December 31, 2019 and 2018, the Group had been granted guarantee lines for a total limit of 500.000 euros, which were fully drawn down at the close of the year. They consisted of a guarantee granted by Iberaval, which was set up as a partial guarantee for the bank loan of 1.2 million euros obtained to finance radiotherapy equipment acquired in 2015.

The Parent Company's Board of Directors does not consider that the guarantees granted will give rise to contingent liabilities.

Maturity of Long-term Loans

The breakdown of maturities of long-term bank loans at December 31, 2019 is as follows, in euros:

Maturing in	31/12/2019
2021	1.400.165,89
2022	1.285.484,18
2023	1.175.193,38
2024	795.164,29
More than 5 years	751.965,64
Total	**5.407.973,38**

The breakdown of maturities of long-term loans with credit institutions at 31 December 2018 is as follows, in euros:

Maturing in	31/12/2018
2020	894.897,78
2021	1.400.266,18
2022	1.288.484,18
2023	1.175.193,38
More than 5 years	1.548.439,83
Total	**6.307.281,35**

Maturities of Long-term Leasing Agreements

The breakdown of maturities of long-term leasing agreements with credit institutions at December 31, 2019 is as follows, in euros:

Year	31/12/2019
2021	2.640,50
	2.640,50

The breakdown of maturities of long-term leasing agreements with credit institutions at 31 December 2018 is as follows, in euros:

Year	31/12/2018
2020	7.748,99
2021	3.162,75
	10.911,74

Maturity of Long-term Credit Agreements

At December 31, 2019, there were long-term credit agreements of which 150.844,27 euros had been drawn down (101.627,76 euros in the previous financial year), maturing in 2020.

8.1.2) Financial debt with third parties

The breakdown of financial debt with third parties at December 31, 2019 and 2018 is as follows, in euros:

	31/12/2019	31/12/2018
Ministry of Industry, Tourism and Business	22.827	26.634
CDTI	-	42.850
Ministry of Health	4.290.355	4.924.147
Ministry of Science and Innovation	216.664	247.090
Ministry of Economy and Competitiveness	422.333	630.172
Ministry of Industry, Energy and Tourism	-	49.591
Ministry of Economy and Competitiveness	142.926	148.935
CDTI integrated project	438.105	536.412
Long-term shareholder loan	-	212.747
Catalan Initiatives loan	192.100	192.100
Gliomatherapy loan	557.034	541.612
Predictgyn loan	386.194	378.332
Ministry of Economy and Competitiveness	184.271	176.047
Ministry of Economy, Industry and Competitiveness	280.596	230.480
Ministry of Economy, Industry and Competitiveness	309.229	101.880
Ministry of Economy and Competitiveness	100.016	96.631
Ministry of Science, Innovation and Universities	207.260	-
Ministry of Science, Innovation and Universities	47.404	-
Ministry of Economy, Industry and Competitiveness	459.236	443.963
Ministry of Energy, Tourism and Digital Agenda	209.969	309.660
Ministry of Industry, Energy and Tourism	221.990	215.939
Effect of amortised cost of other debts	(23.935)	(35.906)
Loan against transfer of treasury shares (see note 10.4)	-	357.568
Debt for purchase of IMOR (Note 1.2)	1.500.000,00	-
Total	**10.164.574**	**9.826.884**

Most of the loans granted are for financing the current or future costs incurred by the Group in the development of its research projects.

Other debts at December 31, 2019 include 1.5 million euros payable by the Group relating to the purchase of the company Institut Mèdic d'Onco-Radioteràpia, S.L. (IMOR) in the 2019 period (Note 1.2), which will be cancelled by deferred during the next 5 years, at the rate of 300.000,00 euros per year.

Maturity of long-term financial Debt with third parties

The breakdown of the maturities for other long-term debts at December 31, 2019 is as follows, in euros:

Maturity	31/12/2019
2021	1.210.373,27
2022	1.403.306,44
2023	1.218.620,57
2024	1.223.022,88
More than 5 years	3.508.986,74
Total	**8.564.309,90**

The breakdown of the maturities of other long-term debts at 31 December 2018 was as follows in euros:

Maturity	31/12/2018
2020	1.310.446,00
2021	1.028.938,66
2022	1.070.632,52
2023	924.254,56
More than 5 years	3.958.111,97
Total	**8.292.383,71**

The amounts indicated in the foregoing tables relate to the valuation of subsidised loans at amortised cost and therefore coincide with the outstanding balances at the end of the accounting period. However, they do not coincide with the actual cash outflows that will occur on the maturity of each loan.

8.1.3) Other Leasing Liabilities

As detailed in Note 2.g, from 2018 the Group adopted IFRS 16, which requires it to account for all leases using a single balance sheet format, recognising a liability for the lease payments to be made and an asset representing the use of the underlying asset over the term of the lease.

The breakdown of the maturities of other long-term leasing liabilities at December 31, 2019 is as follows, in euros:

Maturity	31/12/2019
2021	478.457,04
2022	379.267,22
2023	314.720,67
2024	140.819,97
Total	**1.313.264,90**

The breakdown of the maturities of other long-term leasing liabilities at 31 December 2018 is as follows, in euros:

Maturity	31/12/2018
2020	141.392,94
2021	109.630,78
2022	40.665,76
Total	**291.689,48**

8.1.4) Debentures and other marketable securities

On July 5th, 2019, the Parent Company registered on the Alternative Market BME's Fixed Income Securities (MARF) a new bond issuance programme for an amount 25 million euros, with a credit rating issued by Axesor of "*BB-with a stable trend*."

The objective of this issue is to finance the acquisition of national and international companies. Also, to be able to make substantial investments in Capex for the opening of new high-precision radiotherapy centres.

In this regard, on July 8, 2019, the first bond issue was made for a total nominal amount of 10 million euros, bearing interest at a variable rate of 3-month Euribor base with a margin of 5,50%, payable quarterly and whose maturity is July 10, 2024.

On October 31, 2019, a second bond issue was made for an amount 5 million euros, under the same conditions as the first one.

In accordance with the conditions of the bond issue programme, at Group level comply with a series of financial ratios on a regular basis. At the end of the 2019 financial year the company met all of these ratios.

NOTE 9. INFORMATION ON THE DEFERMENT OF PAYMENTS MADE TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO INFORM" OF LAW 15/2010, OF JULY 5

As indicated in the second final provision of Law 31/2014, of 3 December, which amends the Law on Capital Companies for the improvement of corporate governance, amends the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, and regarding Resolution of January 29th of 2016 of the Accounting and Audit Institute on the information of the Parent Company to be included in the notes to the consolidated annual accounts in relation to said Law, the information is as follows for 2019 and 2018:

	Financial year 2019 (days)	Financial year 2018 (days)
Average payment period to suppliers	72	62
Ratio of paid transactions	71,93	58,81
Ratio of remaining payment transactions	76,14	78,32
	Euros	**Euros**
Total payments realized	9.565.428	5.844.009
Total pending payments	1.714.643	1.160.471

NOTE 10. INFORMATION ON THE NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The companies' activities are exposed to various types of financial risk, most notably credit risk, liquidity risk and market risk (exchange rate and interest rate risk).

10.1) Credit risk

The companies' main financial assets are cash balances, trade and other receivables and investments, which represent their maximum exposure to credit risk in relation to financial assets.

In the case of costumers, the risk of non-payment of credits consists of the counterpart of a contract fails to comply with its contractual obligations, causing the Group a loss economic. Historically, the Group's customer credit defaults have been very low and with occasional cases of material amounts, in relation to the turnover of each societies. The amounts have been reflected in the balance sheet, net of provisions for insolvencies, estimated by management on the basis of previous years' experience and of their assessment of the current economic environment.

All investments are liquid in the short term with no restrictions on their use, except for those pledged to secure loans received or services to be rendered, which are described in Note 7.

10.2) Liquidity Risk

Liquidity risk means that the Group may not have the capacity to meet its short-term financial obligations. In order to avoid this circumstance Group management carries out careful liquidity risk management by means of maintenance of sufficient cash and marketable securities, and through the availability of financing for sufficient amounts through committed credit facilities.

In this respect, the companies significantly extended their credit lines during 2018, which allow them to comfortably meet their short-term payment commitments term and even those arising from expected increases in activity in future years.

The companies' average collection time is high, due to the weight of sales made to public sector customers. However, there was a notable improvement during the financial year 2018 and the 2019 period, thanks to the progressive reduction of dependence on customers of this kind.

Direct contact also continues to be maintained with various public bodies, which are fully committed to continue backing the companies in the funding of their research projects.

Finally, as described in detail in note 11, various capital increases were carried out in 2018, which resulted in an inflow of 4 million euros liquidity. In addition, as discussed in Note 18, in the second half of 2019 the Parent Company carried out a first bond issue of 10 million euros and increased its capital by 5 million euros, enabling the Group to finance its recurrent operations, continue ongoing research projects and acquire new businesses.

Finally, as described extensively in note 11, during fiscal years 2018 and 2019, various capital increase operations were carried out which resulted in an inflow of 9 million euros liquidity. In addition, as discussed in Note 8, two bond issues were made in the second half of 2019 for an amount of 15 million, which will enable the Group to finance its operations the continuity of ongoing research projects and the acquisition of new business. In addition, the Parent company may still issue an additional 10 million euros in bonuses according to the plan initially registered.

10.3) Interest Rate Risk

Variations in interest rate affect the fair value of assets and liabilities that accrue a fixed interest rate and the future flows of assets and liabilities with a variable interest rate.

The aim of interest rate risk management is to achieve a balance in the debt structure that enables the cost of debt to be minimised over a multi-year horizon with reduced volatility in the Consolidated Statement of Comprehensive Income.

A large part of the Group's financing with banks is referenced at floating interest rates. This means that the Group is exposed to fluctuations of interest rates and that an increase in interest rates could result in an increase in financing costs relating to existing debt, which could affect negative to the business, the results, the prospects or the financial situation, economic or patrimonial of the Group. However, management pays constant attention to the evolution of rates during the year and does not foresee significant variations in the short and medium term that could significantly affect the Group. In the event that a increase in risk, hedging measures would be taken in good time.

10.3) Exchange Rate Risk

As the Group has begun to develop part of its economic activity in the foreigner, specifically in Colombia, could experience an impact on his and in the consolidated balance sheet as a result of changes in the value of currencies against the euro. At the present time, given the volume of transactions in the consolidated income statement made abroad, the potential impact of the above variations are very small.

NOTE 11. SHAREHOLDERS’ EQUITY

11.1) Capital Stock of the Parent Company

At 31 December 2019, following the capital increases detailed below, the Parent's capital amounted to 256.415,51 euros and was divided into 25.641.051 shares of 0,01euros par value each.

All the shares belong to the same class and series, and confer the same rights and obligations on their holder. All the shares are fully subscribed and paid up.

At December 31, 2019, the following companies held 10% or more of its share capital:

Company	Holding	Number of Shares
Fondos Grupo Inveready	15,85%	4.064.106
Caja de Seguros Reunidos Compañía de Seguros y Reaseguros, S.A.	13,96%	3.579.491

Increases – 2019 Financial Year

The capital increases that took place in 2019 are summarised below:

On 17 December 2019, the Extraordinary and Universal Shareholders' Meeting of the Parent agreed to the following capital increases:

a) Capital increase of 11.114,29 euros by issuing 1.111.429 shares with a par value of 0,01 euros and a share premium of 3.878.887,21 euros. This increase was paid out through the offsetting of loans
b) Increase of share capital for an amount of 4.069,54 euros by issuing 406.954 shares with a par value of 0,01 euros and a share premium of 1.160.816,54 euros. This increase has been paid out through the offsetting of credits.

These extensions were registered at the Mercantile Registry prior to the preparation of these Consolidated Financial Statements. The securities issued in these increases have been listed on the MAB since 10 February 2019.

On 17 October 2019, the Extraordinary and Universal General Meeting of Shareholders of the Parent resolved to increase the share capital by 14.285,71 euros by issuing 1.428.571 shares with a par value of 0,01 euros and a share premium per share of 3,49 euros. Consequently, the total amount of the issue was 4.999.998,50 euros, which was fully subscribed and paid in by means of monetary contributions.

This capital increase was registered with the Mercantile Registry prior to the preparation of these consolidated financial statements. The securities issued in this capital increase have been listed on the MAB since 13 January 2020.

On 17 October 2019, the Extraordinary and Universal Shareholders' Meeting of the Parent agreed to the following capital increases:

a) Capital increase of 10.118,42 euros by issuing 1.011.842 shares with a par value of 0,01 euros and a share premium of 2.989.881,58 euros. This increase was paid out through the offsetting of loans.

b) Share capital increase of 1.277,04 euros by issuing 127.704 shares with a par value of 0,01 euros and a share premium of 452.072,16 euros. This increase was paid out through the offsetting of loans.

These extensions were registered at the Mercantile Registry prior to the preparation of these Consolidated Financial Statements. The securities issued in these increases have been listed on the MAB since 22 November 2019.

In accordance with current accounting regulations, the Parent recorded the expenses associated with the capital increases described above directly against equity, with a charge to voluntary reserves, amounting to EUR 87,5 thousand.

Increases – 2018 Financial Year

The capital increases that took place in 2018 are summarised below:

On 19 December 2018, the Extraordinary and Universal Shareholders' Meeting of the Parent Company agreed the following capital increases:

a) Increase of 1.247,22 euros in the share capital by issuing 124.722 shares with a face value of 0,01 euros and a share premium of 373.918,78 euros. This increase was paid up by offsetting credits.

b) Increase of 10.000,00 euros in the share capital by issuing 1.000.000 shares with a face value of 0,01 euros each and a share premium of 2.790.000 euros. This increase was paid out by offsetting credits.

These increases were registered in the Commercial Register before the Financial Statements for the 2018 financial year were prepared. The securities issued in these increases were listed on the MAB [Alternative Stock Exchange] as of 15 February 2019.

On 22 December 2017, the Parent Company's Extraordinary and Universal Shareholders' Meeting agreed to increase the share capital by 28.169 euros by issuing 2.816.900 shares with a face value of 0,01 euros and a share premium of 1,41 euros per share. Consequently, the issue totalled 3.999.998 euros, which was fully subscribed and paid up in the form of cash contributions.

This capital increase operation was recorded in a public instrument on 20 February 2018 and registered in the Commercial Register before the 2018 Financial Statements were prepared. The securities issued in this capital increase were listed on the MAB as from 5 March 2018.

In accordance with current accounting regulations, the Parent Company recorded the expenses associated with the capital increases described above directly against equity, with a charge to voluntary reserves amounting to 255 thousand euros.

11.2) Share premium

This reserve arose as a result of the capital increases in 2018, 2017, 2016 and 2012. It is subject to the same restrictions and can be used for the same purposes as voluntary reserves, including conversion into share capital.

11.3) The Parent Company's reserves

The breakdown of the Parent Company's reserves at December 31, 2019 and at 31 December 2018, is as follows, in euros:

	31/12/2019	31/12/2018
Legal reserve	68.181,06	68.181,06
Voluntary reserves	1.557.109,38	1.481.755,45
Total	**1.625.290,44**	**1.549.936,51**

Legal Reserve

Use of the Legal Reserve is restricted, and is determined by various legal provisions. In accordance with the Corporate Enterprises Act, commercial companies that obtain profits are obliged to set aside 10% of said profits until the reserve fund reaches one fifth of the subscribed share capital. The purpose of the legal reserve is to offset losses or increase capital by the part exceeding 10% of the capital already increased, and also for distribution to the shareholders in the event of liquidation. At December 31, 2019, the legal reserve was fully funded.

11.4) Treasury shares

At 31 December 2019, the Parent held 52.930 treasury shares with a value of 264.650,00 euros. At 31 December 2018, the Parent held 100.974 treasury shares with a value of 282.727,20 euros.

Some of these shares, specifically 127.703 shares, had been transferred by two of the Parent's shareholders at the end of 2018. Both share loans had a term of one year and were tacitly renewed on an annual basis. It bore interest equivalent to one-year EURIBOR + 0,25%.

The securities transferred had a valuation at the end of the 2018 financial year of 357.568,40 euros (see note 10 "other debts"). In 2019 this debt has been fully repaid.

All the shares at the end of the year are valued at market value of 5,00 euros per share. The transactions carried out during the year 2019 with own shares have resulted in a profit of 162.853,93 euros, having been recorded directly against Equity, with credit to voluntary reserves, in accordance with current legislation.

In addition, in 2019 an amount of EUR 116.462,27 was recognised against treasury shares in relation to the share-based incentive plan, the detail of which is discussed in Note 19.4.

11.5) Reserves in Consolidated Companies

The breakdown of the reserves in Consolidated Companies at December 31, 2019 and 31 December 2018 is shown below, in euros:

Subsidiary	31/12/2019	31/12/2018
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	(125.117,59)	(10.340,55)
Llebalust Patología, S.L.	60.968,63	-
	(64.148,96)	**(10.340,55)**

NOTE 12. CONSOLIDATED PROFIT

The breakdown of the Results obtained by the Parent Company at December 31, 2019 is as follows, in euros:

Subsidiary	Percentage Holding	Individual Results of the Companies under IFRS	Result Attributed to the Parent Company
Atrys Health, S.A.	-	(453.510,73)	(453.510,73)
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	100%	10.837,07	10.837,07
Llebalust Patología, S.L.	99% (*)	355.834,47	355.834,47
Institut Mèdic d'Onco-Radioteràpia, S.L. (**)	100%	(48.369,31)	(48.369,31)
Teleradiología de Colombia Diagnóstico Digital Especializado	100%	106.990,37	106.990,37
E-Diagnostica, SAS	100%	(76.566,99)	(76.566,99)
		(104.785,12)	**(104.785,12)**

(*) The effect of external partners is ignored because of their limited relevance
(**) Only the results of operations carried out since taking control are included

The detail of the result obtained by the Parent Company at 31 December 2018 is as follows, in euros:

Subsidiary	Percentage Holding	Individual Results of the Companies under IFRS	Result Attributed to the Parent Company
Atrys Health, S.A.	-	(61.655,82)	(61.655,82)
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	100%	(66.332,50)	(66.332,50)
Llebalust Patología, S.L. (**)	99% (*)	60.968,63	60.968,63
International Telemedicine Hospital, S.L. (**)	100%	79.005,29	79.005,29
		11.985,60	**11.985,60**

(*) The effect of external partners is ignored because of their limited relevance
(**) Only the results of operations carried out since taking control are included

NOTE 13. HOLDINGS IN NON-CONSOLIDATED GROUP COMPANIES

Its composition at 31 December 2019 and 2018 is as follows, in euros:

Company	31/12/2018	Altas	Bajas	31/12/2019
Group Companies - Cost				
Althia R&D, S.L.	1.452,00	-	-	1.452,00
EDiagnostica, SAS	46.410,44	-	(46.410,44)	-
Real Life Data for us	-	18.000,00	-	18.000,00
Partner companies - Coste				
Pathgenetic S.L	2.372,00	-	-	2.372,00
Net Book Value	**50.234,44**	**18.000,00**	**(46.410,44)**	**21.824,00**

EDiagnostica, SAS has been included in the scope of consolidation with effect from 1 January 2019.

NOTE 14. GRANTS PENDING TO TRANSFER TO THE INCOME STATEMENT

In accordance with IAS 20, the Group records government grants related to assets as deferred income that is recognised in the income statement on a systematic basis over the useful life of the asset with which they are associated.

The breakdown of the grants attributable to the companies is as follows, in euros:

	31/12/2019	31/12/2018
Capital grants	1.718.348	1.762.985
Interest-free loan subsidies	4.378.633	4.425.219
Total	**6.096.981**	**6.188.204**

Capital Grants

The breakdown of the capital grants received by the companies, allocated and pending allocation to results at December 31, 2019 and 31 December 2018, are as follows, in euros:

Company awarded the grant	Date granted	Amount granted	Balance at 31/12/2019	Balance at 31/12/2018
The Innovative Medicine Initiative	2014	243.365	243.365	243.365
Ministry of the Economy and Competitiveness	2014	64.637	64.637	64.637
CDTI	2011	548.020	548.020	548.020
Ministry of Industry, Energy and Tourism "Avanza Project"	2014	69.339	69.339	69.339
Ministry of Economic and Competitiveness "Globaliquid Project"	2016	67.773	67.773	67.773
Ministry of Economic and Competitiveness "Esalud Project"	2016	72.469	72.469	72.469
CDTI "Eurostars Project"	2016	635.833	635.833	635.833
Ministry of Industry, Energy and Tourism	2016	178.545	16.912	61.549
		1.879.981	**1.718.348**	**1.762.985**

At 31 December 2019, there were accrued capital grants pending collection amounting to EUR 349.015,87 (EUR 434.960,87 in 2018). During the year, practically none of the detailed subsidies have been taken to the Consolidated Statement of Comprehensive Income, since most of them are linked to development projects that have not yet been completed and are therefore not being amortised.

Interest Rate Subsidies

The Group has received loans from various government agencies at a subsidised rate of interest or interest free, which, under current accounting regulations, have to be recorded at cost and amortised, recognising an implicit interest rate for each transaction. A market interest rate has been used to calculate the amortised cost.

At December 31, 2019 and 31 December 2018, the loans granted by official bodies and received by the companies at that date are summarised as follows, in euros:

Company awarded the grant	Date granted	Amount granted	Current Value	Subsidies at 31/12/2019	Subsidies at 31/12/2018
Ministerio de Sanidad y Política Social	2009	4.000.000	2.449.336	1.182.618	1.277.346
Ministerio de Sanidad y Política Social	2009	2.500.000	1.458.731	786.789	848.792
Ministerio de Sanidad y Política Social	2009	2.500.000	1.467.069	795.125	859.815
Ministerio de Industria, Turismo y Comercio	2008	143.805	100.931	42.873	42.873
CDTI	2009	351.643	300.752	76.005	76.005
CDTI Proyecto Integrado	2010	1.112.648	896.008	216.640	216.640
Ministerio de Ciencia e Innovación	2010	513.750	344.180	169.571	169.571
Ministerio de Economía y Competitividad	2012	846.972	691.257	162.723	162.723
Ministerio de Industria, Energía y Turismo	2014	161.843	131.433	30.409	30.409
Ministerio de Economía y Competitividad	2014	177.408	132.235	45.173	45.173
Ministerio de Economía y Competitividad	2015	475.950	347.058	128.892	128.892
Ministerio de Economía y Competitividad	2015	689.523	497.648	191.875	191.875
Ministerio de Economía y Competitividad	2015	229.202	160.686	68.517	68.517
Ministerio de Economía y Competitividad	2015	125.095	89.210	35.885	35.885
Ministry of the Economy, Industry and Competitiveness	2016	360.828	252.535	108.293	92.172
Ministry of the Economy, Industry and Competitiveness	2016	409.068	285.306	123.762	42.349
Ministry of Science, Innovation and Universities	2018	285.632	197.390	88.241	-
Ministry of Science, Innovation and Universities	2018	66.386	45.147	21.239	-
Ministry of the Economy, Industry and Competitiveness	2016	539.720	428.118	81.922	95.757
Ministry of Energy, Tourism and Digital Agenda	2016	331.584	289.070	11.087	21.925
Ministry of Industry, Energy and Tourism	2017	234.311	210.053	12.321	18.372
		16.055.368	**10.774.153**	**4.379.960**	**4.425.091**

In the 2019 period, the interest accrued on these loans was transferred to the Consolidated Statement of Comprehensive Income, and amounted to 464.038,42euros (487.308,22 euros in the 2018 financial year). In addition, as a result of the amortisation of the research and development expenses of the “advanced models” project related with the radiotherapy machine, 221.440,16 euros was recognised as income from the allocation of subsidies in the 2019 period (221.440,16 euros in 2018).

The total amount allocated as income from the allocation of subsidies was 298.237,40 euros in the 2019 period (293.714,62 euros in the 2018 financial year).

NOTE 15. TAX SITUATION

The breakdown of balances held with public authorities is as follows, in euros:

	31/12/2019		31/12/2018	
	Receivable	**Payable**	**Receivable**	**Payable**
Non-current:				
Deferred tax assets	5.635.276,06	-	5.683.720,60	-
Deferred tax liabilities	-	159.828,48	-	48.444,54
	5.635.276,06	**159.828,48**	**5.683.720,60**	**48.444,54**
Current:				
Value Added Tax	38.787,62	115.403,81	3.637,14	120.691,03
Tax rebates	50.515,79	-	2.516,18	-
Grants receivable (Note 14)	349.015,87	-	434.960,87	-
Withholding tax for Personal Income Tax	-	388.084,34	-	199.202,51
Corporate Income Tax	-	392.976,24	-	32.452,17
Social Security Authorities	6.153,90	133.252,12	-	76.834,00
Other taxes (Colombia)	237.666,56	26.281,45		
	682.139,74	**1.055.997,96**	**441.114,19**	**429.179,71**

(*) Includes an income tax expense of EUR 192.541,22 relating to the profit generated in 2019 by Real Life Data, S.L. prior to its merger by absorption by Atrys Health, S.A., as discussed in Note 20 to the consolidated financial statements.

Tax situation

The companies are open to inspection by the tax authorities for the taxes to which they are subject, in respect of the last four years.
According to the legislation in force, tax assessments cannot be considered definitive until they have been inspected by the tax authorities or the four-year statute of limitation period has expired. Consequently, possible inspections could give rise to liabilities in addition to those recorded by the Group. However, the Board of Directors of the Parent Company considers that such liabilities, if any, would not be significant in comparison with the shareholders' equity and the annual results obtained.

Corporate Income Tax

The companies in the scope do not consolidate for tax purposes, having applied for this regime from 2020 onwards. Consequently, the consolidated income tax expense was obtained by adding up the income tax expenses of each of the consolidated companies, which were calculated on the basis of the individual economic benefits, adjusted for tax purposes, and taking into account the applicable tax credits and tax relief.

The breakdown by companies of the amount recorded for income and expenditure on Corporate Income Tax, is as follows:

	Income / (Expense) on Corporate Income Tax (2019)	Income / (Expense) on Corporate Income Tax (2018)
Atrys Health, S.A.	(80.443,85)	(29.215,35)
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	(30.940,09)	24.222,27
Llebalust Patología, S.L.	(118.611,49)	(20.322,88)
International Telemedicine Hospital, S.L.	-	(26.335,10)
Institut Mèdic d'Onco-Radioteràpia, S.L. (*)	16.123,10	-
Teleradiología de Colombia Diagnóstico Digital Especializado, S.A.S. (*)	(97.436,82)	-
E-Diagnostica, SAS	(122,15)	-
	(311.431,30)	**(51.651,06)**

(*) Only the result corresponding to operations carried out since the date of the takeover is incorporated

The breakdown of the composition of income from Corporate Income Tax for the 2019 period, by company is as follows, in euros:

	Atrys Health, S.A.	Ediagnostic	Llebalust	IMOR	TRC	IMOR
Current tax	-	-	(118.611,49)	16.123,10	(97.436,82)	(122,15)
Temporary differences	(80.443,85)	(30.940,09)	-	-	-	-
	(80.443,85)	**(30.940,09)**	**(118.611,49)**	**16.123,10**	**(97.436,82)**	**(122,15)**

The breakdown of the composition of income from Corporate Income Tax for the 2018 financial year, by company is as follows, in euros:

	Atrys Health, S.A.	Ediagnostic	Llebalust	ITH
Current tax	-	-	(20.322,88)	(9.880,54)
Offset of negative tax bases	-	-	-	(16.454,56)
Temporary differences	-	24.222,27	-	-
Provision for tax	(29.215,35)	-	-	
	(29.215,35)	**24.222,27**	**(20.322,88)**	**(26.335,10)**

The changes in deferred and prepaid taxes generated and cancelled in 2019 is shown below, in euros:

	31/12/2018	Generados	Aplicados	Regularizaciones	31/12/2019
Deferred tax assets					
Tax deductions on expenses of capital increases	85.514,22	-	-	-	85.514,22
Investment in R&D&i	4.196.401,56	-	-	-	4.196.401,56
Tax credits	1.353.360,28	-	-	-	1.353.360,28
Tax assets due to temporary differences	48.444,54	-	-	(48.444,54)	-
	5.683.720,60	**-**	**-**	**(48.444,54)**	**5.635.276,06**
Defferred tax liabilities					
Liabilities due to taxable temporary differences	48.444,54	111.383,94	-	-	159.828,48
	48.444,54	**111.383,94**	**-**	**-**	**159.828,48**

The changes in deferred and prepaid taxes generated and cancelled in 2018 is shown below, in euros:

	31/12/2017	Additions included in the perimeter	Generated	Applied	31/12/2018
Deferred tax assets					
Tax deductions on expenses of capital increases	85.514,22	-	-	-	85.514,22
Investment in R&D&i	4.196.401,56	-	-	-	4.196.401,56
Tax credits	1.353.360,28	16.454,56	-	(16.454,56)	1.353.360,28
Tax assets due to temporary differences	24.222,27	-	24.222,27	-	48.444,54
	5.659.498,33	**16.454,56**	**24.222,27**	**(16.454,56)**	**5.683.720,60**
Deferred tax liabilities					
Liabilities due to taxable temporary differences	48.444,54	-	-	-	48.444,54
	48.444,54	**-**	**-**	**-**	**48.444,54**

Negative Tax Bases Pending Offset against Tax

Part of the credits for taxable income have been recognised, as the Parent Company's Board of Directors considers that the requirements laid down in the accounting legislation in force have been met, because it believes that taxable profits will be obtained that will enable them to be offset within a period not exceeding 10 years, in accordance with the provisions of current commercial legislation. In the case of Ediagnostic, after the completion of a lengthy restructuring process, the Board believes that it has been possible to optimise fixed costs and achieve an optimum volume of operations in order to start making profits on a consistent basis.

The tax losses that are expected to be offset beyond the 10-year period have not been capitalised.

The breakdown of capitalised tax losses, by year of generation and company, is as follows:

Year generated	Company	Total Base
2010	Atrys Health, S.A.	708.800
2011	Atrys Health, S.A.	266.686
2012	Atrys Health, S.A.	294.951
2013	Atrys Health, S.A.	476.490
2016	Atrys Health, S.A	238.549
2017	Atrys Health, S.A	299.729
2018	Atrys Health, S.A	284.239
2019	Atrys Health, S.A	781.181
		3.350.625

Year generated	Company	Total Base
2014 and earlier	Ediagnostic-Clinica Virtual de Especialidades Médicas	1.068.647
2015	Ediagnostic-Clinica Virtual de Especialidades Médicas	344.999
2016	Ediagnostic-Clinica Virtual de Especialidades Médicas	742.407
2017	Ediagnostic-Clinica Virtual de Especialidades Médicas	432.495
2018	Ediagnostic-Clinica Virtual de Especialidades Médicas	186.048
2019	Ediagnostic-Clinica Virtual de Especialidades Médicas	64.590
		2.839.187
		6.189.812

<u>Deductions pending application for Research and Development Expenses</u>

The breakdown, by year of generation, of these deductions pending application is as follows:

Year generated	Company	31/12/2019
2007	Atrys Health, S.A.	359.476
2008	Atrys Health, S.A.	503.791
2009	Atrys Health, S.A.	239.607
2010	Atrys Health, S.A.	230.621
2011	Atrys Health, S.A.	487.141
2012	Atrys Health, S.A.	863.043
2014	Atrys Health, S.A.	242.309
2015	Atrys Health, S.A.	396.593
2016	Atrys Health, S.A.	310.715
2016	Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	114.134
2017	Atrys Health, S.A.	410.956
2017	Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	38.016
		4.196.402

With regard to the deductions of 2.683.678 euros capitalised by the Parent Company in respect of investments in research and development projects in the years from 2007 to 2012, these were credited and reported in 2012 and resulted in the modification of the negative tax bases pending offset at 31 December 2011.

In May 2014, the Tax Authorities ask for said deductions to be substantiated and declared them invalid, without imposing any sanctions. In June 2014 the Parent Company filed a claim with the Central Economic-Administrative Court, since it considered that the tax credits had been duly justified, on the basis of exactly the same criteria, and for the same projects, as those which were expressly accepted by the same tax authorities in the recognition of the tax credits for the 2013 financial year.

On 2 November 2017, the Central Economic Administrative Court rejected the claim filed by the Parent Company. However, an administrative appeal was filed with the Spanish National Court of Justice and an expert report requested in order to justify that the investments made really were related to R&D projects and were therefore eligible for tax relief.

The claim proceedings are currently pending a ruling, and the Board of Directors of the Parent Company and its tax advisors consider that, once a favourable expert report has been obtained, it is likely that a ruling in favour of the Parent Company will be obtained, which is why it has been decided that the deductions in question should remain capitalised.

However, at the end of the 2019 period, the Board of Directors of the Parent Company, applying the principle of prudence, maintained a provision of 364.840 euros to cover possible contingencies arising from the review and substantiation of some of the projects in question.

NOTE 16. INCOME AND EXPENDITURE

16.a) Purchases

The breakdown of this heading in the accompanying Consolidated Statement of Comprehensive Income is as follows, in euros:

	2019	**2018**
Purchasing of goods	1.170.032,11	706.920,23
Variation in the stock of goods	(12.338,75)	(19.912,42)
Work done by other companies	3.303.335,83	1.747.723,02
	4.461.029,19	**2.434.730,83**

16.b) Welfare costs

The breakdown of this heading in the accompanying Consolidated Statement of Comprehensive Income is as follows, in euros:

	2019	**2018**
Social Security contributions paid by the company	971.081,88	581.825,70
Other welfare expenses	20.668,57	9.556,79
Welfare costs	**991.750,45**	**591.382,49**

16.c) Financial Results

The breakdown of this heading of the accompanying Consolidated Statement of Comprehensive Income is as follows, in euros:

	2019	2018
Financial expenses, related parties	11.967,52	9.320,45
Financial expenses with credit institutions	174.511,68	58.312,08
Financial expenses, other debts	549.728,13	541.810,76
Financial expenses of bonds and debentures	322.655,47	-
Update of provisions	38.894,32	-
Other financial expenses	15.803,21	12.300,59
Total financial expenses	**1.113.560,33**	**621.743,88**
Other income	655,10	254,92
Total financial income	**655,10**	**254,92**

NOTE 17. INFORMATION ON THE ENVIRONMENT

The Group does not have significant assets and has not incurred significant expenses designed to minimise the impact on the environment and protecting and improving the environment. Similarly, there are no provisions for risks and expenses or contingencies related to the protection and improvement of the environment.

NOTE 18. SUBSEQUENT EVENTS TO THE CLOSE OF THE FINANCIAL YEAR

On March 11, 2020, the World Health Organization elevated the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The rapid national and international developments represent an unprecedented health crisis, which will impact the macroeconomic environment and business developments. To address this situation, among other measures, the Spanish Government has declared a state of alarm by publishing Royal Decree 463/2020 of 14 March and has approved a series of extraordinary urgent measures to address the economic and social impact of COVID-19 by Royal Decree Law 8/2020 of 17 March.

Although the impact of this crisis may vary depending on the industry, the markets in which it operates, the supply chain and the previous financial situation of the companies, it is expected to be serious in all sectors since companies are seeing their level of activity reduced considerably and this situation is likely to continue in the coming weeks and even months.

At the date of preparation of these Consolidated Financial Statements, the Parent's Board of Directors estimates that the COVID-19 crisis is expected to last between 2-3 months with two different phases of quarantine: A first phase considered as hard which is estimated to last until the end of April and a second phase called soft quarantine which will lead to a progressive deconfinement of the population during the month of May.

In this scenario, the impact on the Group's income will be moderate and timely due to the transitory closure of schedules in hospitals, an activity that we understand will recover quickly in order to attend to medical diagnostic tests that have been left on standby during the hard quarantine phase.

The business area most affected in the hard quarantine phase is telecardiology (5% of the company's global turnover) because it provides diagnostic medical services mainly in occupational check-ups.

Group management believes that the moderate and timely impact of the COVID-19 crisis on its revenues, and in a scenario of crisis duration of between 2-3 months, does not jeopardize the company's liquidity levels or compliance with financial covenants, as at the date of this report it had a global liquidity position and credit line availability of over 9 million euros. In addition, during the month of March 2020 it has obtained extraordinary financing guaranteed by the Official Credit Institute of 2 million euros.

The Group is studying contingency plans in the event that the duration of the COVID-19 crisis were to be extended over time and could consider presenting measures to make the workforce more flexible and reduce it temporarily in those business lines most affected.

In addition, the company has taken the following measures to help overcome the COVID-19 crisis:

- The Group's teleradiology area is covering casualties in the radiology departments of public hospitals by diagnosing CT scans and chest X-rays of COVID-19 patients.

- The activity of the central laboratory in Barcelona has been redefined to operate at maximum capacity for the diagnosis of COVID-19 PCR tests and antibody tests.

- The smart data area is collaborating directly, pro bono, with 3 Autonomous Communities to estimate the evolution of COVID-19.

- The R&D area is applying via fast-track to the CDTI to develop a rapid diagnostic immunization kit against SARS-CoV-2 in consortium with technology centers and health groups

In any case, the great uncertainty that exists does not allow reasonable predictions to be made about future events and the reaction of customers, competitors and the market in general to this crisis, which, where appropriate, will be recorded prospectively in the annual accounts for 2020.

Apart from the above, no significant events have occurred after 31 December 2019 that would affect the Group's consolidated financial statements at that date.

NOTE 19. RELATED-PARTY TRANSACTIONS

19.1) Balances with related parties

The breakdown of the main balances held with related parties at December 31, 2019 and 31 December 2018 is as follows, in euros:

Outstanding balances with related parties	31/12/2019	31/12/2018
NON-CURRENT ASSETS	**1.814.961,18**	**1.083.205,67**
Long-term financial investments:		
Credits to related parties (Note 8.2)	1.814.961,18	1.083.205,67
CURRENT ASSETS	**1.351.123,52**	**1.217.782,17**
Related party clients (Notes 5 and 8.2)	1.351.123,52	1.217.782,17
NON-CURRENT LIABILITIES	**-**	**357.568,40**
Long-term loans		
Shareholders' loans (Note 10)	-	357.568,40
CURRENT LIABILITIES	**-**	**212.747,41**
Short-term loans		
Shareholders' loans (Note 10)	-	212.747,41

19.2) Related-party transactions

The most significant transactions carried out with related parties in 2019 and in 2018 are indicated below, in euros:

	2019	2018
Provision of services	1.116.631,00	1.006.431,54
Financial expenses	11.967,52	9.320,45

19.3) Balances and Transactions with Governing Bodies and Senior Management

Remuneration of members of the Board of Directors

The remuneration accrued during the 2019 period by the members of the Board of Directors amounted to 132.166,62 euros (54.500 euros in the 2018 financial year), as board fees.

Remuneration of Senior Management

The remuneration accrued during the 2019 period by the Parent Company's Senior Management amounted to 265.000 euros (215.000 euros in the year 2018), in wages and salaries.

19.4) Other Information Relating to the Board of Directors of the Parent Company

At December 31, 2019, no commitments for supplementary pensions, bank or other guarantees had been made to members of the Parent Company's Governing Body.

In addition, at 2018 year-end the Parent had a debt to a member of the Board of Directors for the transfer of treasury shares, which at the end of the year amounted to EUR 178.782,80 (see Note 9). This debt has been cancelled during 2019.

Incentive Plan based on Shares

On 19 December 2018, the Board of Directors of the Parent Company approved the implementation of a share-based incentive plan ("the Plan") for the benefit of the Company's Directors, Executive Officers and other key personnel. On the basis of this plan, beneficiaries will be able to receive a number of shares in Atrys Health, S.A. on the basis of the increase in the value of the shares during the term of the Plan, starting from a reference value of 2,74 euros per share. The Plan is voluntary and the deadline for joining it was 28 February 2019. The shares will vest on 28 February 2022, when the corresponding rights will be consolidated.

The number of shares used to remunerate the beneficiaries will under no circumstances exceed 612.910 shares. At today's date a maximum of 440.000 shares having been assigned to the beneficiaries, which will be consolidated on the basis of the evolution of the share price and always on the condition that the beneficiaries remain with the Company until the Plan vests (28 February 2022). The remaining shares are pending allocation to other employees, by decision of the Board.

An independent expert has determined the fair value of the Incentive Plan, determining an initial value of 401.867,58 euros, which has been updated during 2019 due to the accession of new executives, increasing the value to 442.967,58 euros. 442.967,58. This amount will be distributed on a straight-line basis over the maturity or accrual period of the Plan, i.e. over the three years between 28 February 2019 (or the date of subsequent accession, if applicable) and 28 February 2022.

As established in current accounting regulations, recognition of the Plan during the vesting period will result in the recognition of a personnel expense, with a balancing entry in consolidated equity

At the close of the 2019 period, the Parent Company had recorded employee expenses of 74.216,83 euros for this purpose and the investee companies have recorded expenses of 42.245,94 euros, depending on the company in which each of the plan's beneficiaries works. The balancing entry for the expense accrued at the group level was recorded as treasury shares within equity, as discussed in Note 11.4.

NOTE 20. BUSINESS COMBINATIONS

On 7 June 2019, the Parent closed the purchase of all the shares of Real Life Data, S.L. for a price comprising a fixed part of EUR 12.000.000 and a maximum variable part of EUR 2.500.000.

The payment of the fixed part is made in two parts. 6.000.000 through a cash payment and 3.000.000 through the delivery of shares in Atrys Health, S.A., which were issued in the context of a capital increase by offsetting loans that took place in the second half of 2019, as indicated in Note 11.1.

The variable portion includes an amount payable in 2020, 2021 and 2022 based on the EBITDA of the company acquired in the period 2019-2021. At 31 December 2019, the Parent had recognised a provision of EUR 2.350.880,51, which corresponds to the maximum variable amount payable, revalued at a discount rate of 5%, since it is considered that the milestones established for the accrual of the variable payment will most probably occur.

Real Life Data S.L. is a company specialized in Smart/Big Data and health information services. It is a reference company in the sector, a leader in advanced health information management systems.

In 2019 the Parent (absorbing company) merged Real Life Data, S.L. by absorption. (absorbed).

The main objective pursued with this merger is the positioning of the Parent Company as a reference in the provision of Smart and Big Data services and data management in the health sector.

A merger by absorption is carried out through the absorption by the Parent of the absorbed company, and involves the dissolution and extinction without liquidation of the latter and the transfer en bloc of its assets and liabilities to the absorbing company, which acquires such assets and liabilities by universal succession, taking over the rights and obligations of the absorbed company. This is a special merger, specifically a merger by absorption of companies in which the same sole shareholder has a direct interest. There is no increase in the share capital of the Absorbing Company, nor is there any exchange of shares, as a result of the merger operation.

The merger operation was approved by the absorbing company (Sole Shareholder of the absorbed company) at the General Shareholders' Meeting on 17 October 2019, setting as the merger balance sheets those closed on 31 December 2018 and establishing 7 June 2019 as the date on which the operations of the absorbed companies are deemed to have been carried out on behalf of the absorbing company (acquisition date). The merger was made public on 28 November 2019 and registered at the Mercantile Registry with effect from 11 December 2019.

The assets and liabilities of the absorbed company were integrated into the absorbing company in 2019 at the book value on the integration date. This resulted in the recording of merger goodwill amounting to 11.032.300,03 euros.

The balance sheet at 31 December 2018 of the absorbed company is as follows, in euros:

	Real Life Data, S.L.
ASSET	**1.486.490,68**
Non-current assets	**80.706,48**
Intangible fixed assets	4.800,00
Tangible fixed assets	75.906,48
Current assets	**1.405.784,20**
Trade and other receivables	781.521,11
Other debtors	55,76
Short-term financial investments	159.571,12
Short-term accruals	7.125,00
Cash and cash equivalents	457.511,21
EQUITY AND LIABILITIES	**1.486.490,68**
EQUITY	**738.333,51**
Capital	3.000,00
Reserves	109.535,31
Year's result	613.873,01
Adjustments for changes in value	11.925,19
Current liabilities	**748.157,17**
Short term debts	8.345,73
Trade and other payables	758.414,79
Debts with special short-term characteristics	(18.603,35)

All the assets of the absorbed company were included in the balance sheet of the absorbing company at the book value shown in its financial statements, and no revaluation was recorded. Also, there are no tax benefits enjoyed by the absorbed company for which the absorbing company must assume compliance with certain conditions

NOTE 21. OTHER INFORMATION

The distribution of the companies' employees at December 31, 2019 and 31 December 2018, by categories and sexes, is as follows:

	31/12/2019			31/12/2018		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executives	10	4	14	7	5	12
Team leaders	11	13	24	4	14	18
Technicians	33	52	85	23	24	47
Administrative staff	2	31	33	2	20	22
Total	**56**	**100**	**156**	**36**	**63**	**99**

The average number of employees during the 2019 period and the 2018 financial year, distributed by categories, is as follows:

	2019	2018
Executives	10	8
Team leaders	19	13
Technicians	58	29
Administrative staff	20	7
Total	**107**	**57**

The average number of employees in 2019 does not include the staff corresponding to the companies Institut Mèdic d'Onco-Radioteràpia, S.L. and Teleradiología de Colombia Diagnóstico Digital Especializado, S.A.S., which were included in the scope of consolidation at the end of 2019, as discussed in Note 1.2.

The average number of employees in 2018 does not include the staff corresponding to Llebalust Patología, S.L., which was included in the scope of consolidation at the end of 2018, as discussed in Note 1.2.

As of 31 December 2019, there are 3 employees on the staff with a disability exceeding 33%.

The fees accrued for services provided by BDO Auditores, S.L.P. during 2018 and 2019 are detailed below:

	2019	2018
Audit of the individual financial statements of the Group's consolidated companies and limited review of the half-yearly closing	85.950	64.900
Other services due to actions required by commercial regulations	5.000	1.500
Other non-audit services	102.500	-

NOTE 22. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the results for the financial year attributable to the holders of equity instruments in the Parent Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

The basic earnings per share are calculated as follows:

	31/12/2019	31/12/2018
Profit attributed to the Parent Company	(104.785,12)	11.985,60
Weighted average of ordinary shares in circulation	21.463.013,26	19.455.196,42
Basic earnings per share	**(0,005)**	**0,001**

Diluted

Diluted earnings per share are calculated by dividing profit or loss attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares, plus the weighted average number of ordinary shares that would be issued if all the potential dilutive ordinary shares were converted into ordinary shares.

The diluted earnings per share are calculated as follows:

	31/12/2019	31/12/2018
Profit attributed to the Parent Company	(104.785,12)	11.985,60
Weighted average of ordinary shares in circulation plus potential shares	22.856.426,47	19.455.196,42
Diluted earnings per share	**(0,005)**	**0,001**

NOTE 23. SEGMENTED INFORMATION

The distribution of the net turnover relating to the Group's ordinary activities, by activity, is shown below:

	2019		2018	
Activity	**Euro**	**%**	**Euro**	**%**
Telediagnosis	3.798.888,76	25,60%	2.637.134,49	36,15%
Diagnosis	6.620.135,54	44,62%	2.805.566,58	38,46%
Radiotherapy	1.394.135,33	9,40%	845.010,65	11,59%
Research and Development	1.116.631,00	7,53%	1.006.431,54	13,80%
Smart/Big Data	1.906.876,61	12,85%	-	-
Total	**14.836.667,24**	**100%**	**7.294.143,26**	**100%**

ATRYS HEALTH, S.A. & SUBSIDARIES COMPANIES

CONSOLIDATED MANAGEMENT REPORT
FOR THE FINANCIAL YEAR 2019

ATRYS HEALTH, S.A.
& SUBSIDIARIES COMPANIES

CONSOLIDATED MANAGEMENT REPORT
FOR THE FINANCIAL YEAR 2019

SITUATION OF THE COMPANY AND EVOLUTION OF ITS BUSINESS:

ATRYS HEALTH S.A. (hereinafter "The Parent Company") and Subsidiaries (in hereinafter "Atrys Group" or "The Group" or "ATRYS") form a consolidated group of companies. The parent company of the Atrys Group is ATRYS HEALTH. S.A.

Hereinafter in this Management Report, and unless otherwise explicitly stated, the figures and narrative always refer to the ATRYS Group and Subsidiaries.

ATRYS is an innovative company dedicated to providing diagnostic and medical treatments of excellence, combining precision diagnostic techniques in molecular and pathological anatomy and online imaging, through its own multi-specialty technological platform, with new oncological radiotherapy treatments.

ATRYS aims to apply the most advanced methods of diagnosis and treatment of cancer. The Company's commitment is to bring medical excellence to the greatest number possible patients, through the application of the latest technologies and scientific knowledge.

The company also offers online medical imaging diagnostic services in different specialties, through its own platform, such as radiology, cardiology, ophthalmology and dermatology. These services allow you to relocate the specialist's report from the centre to the that the test is performed.

ATRYS carries out an integrated management of the oncological disease, from the diagnosis individualized (pathological, molecular, genetic and radiological), up to hypofractionated radiotherapy or Single-Dose for some of the patients who may benefit from this treatment treatment, through collaboration agreements with reference health centres.

The Company, whose headquarters are located in Madrid, has two main laboratories, equipped with the necessary equipment and technologies for diagnosis and research, located in Barcelona and at the Genyo Centre in Granada.

Likewise, ATRYS develops applied R&D projects that have generated several families of patents, in collaboration with national and international centres of reference, which allows the Company to incorporate the latest scientific advances into its clinical practice.

ATRYS provides services to private and public health centres both in Spain and abroad. international.

ATRYS's business model is based on four pillars:

- Online multi-specialty medical imaging and diagnostic services personalized oncology, incorporating the latest scientific advances.

- Advanced radiation oncology services to provide personalized treatments of single-dose radiation therapy.

- Smart and Big Data services for companies in the health sector. The company has an extensive database to develop and understand in depth the evolution and dimension of the pathologies, diagnoses and medical treatments with which specific tools that meet the needs of customers.

- R&D to develop new diagnostic tools and cancer treatments advanced.

The Group's strategy is focused on improving people's health with special emphasis on in oncological diseases, and provide value to its customers, mainly groups private hospitals and public health systems, providing diagnostic and quality treatment that allows for the optimization of health resources.

1·Business development:

In 2019, ATRYS has consolidated its revenues, reaching a net amount of 14,8 million, a 103% increase over the previous year. Organic revenue growth has been reinforced by the acquisitions of Real Life Data S.L. in June 2019, dedicated to providing Smart and Big Data services in the health sector, Teleradiologia de Colombia Diagnóstico Digital Especializado S.A.S. acquired in September 2019 and dedicated to providing teleradiology services, and the acquisition in October 2019 of Institut Mèdic D'Onco-Radioterapia S.L. (IMOR), a centre specialized in teleradiology services. of radiation oncology and brachytherapy.

The three acquisitions are part of the strategic growth plan initiated in 2018, which includes the acquisition of companies with a clear strategic fit that allow ATRYS to consolidate its position in the market.

If the acquisitions had been executed on 1 January 2019 and had consolidated the entire year, the Group's pro-forma revenue would have amounted to EUR 20,8 million, an increase of 88% with respect to revenue for 2018.

In 2019, the company continued to improve its Gross Margin (operating income less supplies), which reached 10,3 million euros in 2019, representing a margin of 69.9% of turnover, improving the margin of 66.6% obtained in 2018. This margin improvement is due to the greater weight in the revenue mix of the Smart/Big Data and Radiation Oncology activities derived from the acquisition of Real Life Data and IMOR, since both activities have a higher gross margin than the diagnostic services activity.

Personnel expenses have increased by 84% with respect to 2018, reaching 5,2 million euros, and operating expenses have increased by 77%, in line with the increase in the Group's activity.

This has enabled the Group to improve its operating profit by 58% to 1,2 million euros.

Financial expenses increased by 79% to 1,1 million euros. The bulk of this increase is due to the launch of a MARF bond programme worth EUR 25m, of which EUR 15m was drawn down at the end of 2019, financing that has a cost of euribor3m +5,5% and whose objective is to finance the acquisition of companies by the Group.

The points mentioned above have enabled us to close 2019 with a consolidated pre-tax result of 206 thousand euros, an increase of 225% over 2018.
It should be noted that in 2019, as in 2018, the Group opted not to activate negative tax bases or tax deductions and that in 2019 it was not possible to take advantage of the tax consolidation of IMOR (company acquired in October 2019), thus closing 2019 with a consolidated profit for the year of -105 thousand euros.

2· Situation of the society

The annual accounts for 2019 show a favourable evolution. We consider it important to highlight that in September 2018 the Group signed an agreement with the CIMA Hospital in Barcelona (Sanitas Group) to start up a high-precision radiotherapy centre in an integrated cancer centre. This radiotherapy centre, which will be managed entirely by ATRYS, is expected to come into operation during the second quarter of 2020.

The investment associated with this centre amounts to 6 million euros and is fully financed with loans from various financial institutions with repayment periods ranging from five to seven years.

Despite the significant disbursements made in 2019 with the acquisition of Real Life Data, Teleradiologia de Colombia and Institut IMOR, the Group closed 2019 with a cash position of 8,3 million euros.

In December 2019 the Group carried out a monetary capital increase with the issue of 1.428.571 new shares at a price or issue rate of EUR 3,5 per share, the effective value of this increase being EUR 5 million. The tranche of pre-emptive subscription rights accounted for 86,85% of the increase (4,3 million euros), showing the confidence of the shareholders in the company.

In addition, during 2019 the company carried out a series of non-monetary capital increases to offset loans linked to acquisitions made during the year:

(i) Increase of share capital for an amount of 11.114,29 euros by issuing 1.111.429 shares with a par value of 0,01 euros and a share premium of 3.878.887,21 euros. This increase was paid out through the offsetting of loans and is linked to the acquisition of IMOR.

(ii) Share capital increase of 4.069,54 euros by issuing 406.954 shares with a par value of 0,01 euros and a share premium of 1.160.816,54 euros. This increase has been carried out through the offsetting of credits and is linked to the acquisition of Teleradiologia de Colombia.

(iii) Capital increase of 10.118,42 euros by issuing 1.011.842 shares with a par value of 0,01 euros and a share premium of 2.989.811,58 euros. This increase was paid out through the offsetting of credits derived from the acquisition of Real Life Data.

(iv) Increase of share capital for an amount of 1.277,04 euros by issuing 127.704 shares with a par value of 0,01 euros and a share premium of 452.072,16 euros. 452.072,16. This issue was paid out through the offsetting of shareholder loans.

The capital increases carried out in 2019 have enabled the Group to significantly increase its equity from EUR 26,4 million in 2018 to EUR 39,9 million at 2019 year-end, thereby strengthening the Group's solvency.

3·Foreseeable evolution of society

The Group clearly maintains the objective of sustainable growth in its business lines and plans to reinforce this growth with specific acquisitions of companies with a clear strategic business fit. In the event of new acquisitions of companies in the future, the company will finance such acquisitions with a combination of payment in Atrys shares, a cash capital increase, the company's own resources and external financing in order to maintain the company's current levels of solvency.

Among the medium-term growth objectives is the internationalization of business lines with special emphasis on Latin America.

The start-up of the high-precision radiotherapy centre in an integrated cancer centre at the CIMA Sanitas Hospital in Barcelona in 2020 should be another of the company's medium-term revenue growth levers.

4·Research and development activities

The nature of the Group, which is intensive in research and development, has led to a capitalisation of EUR 1,8 million in 2019, an R&D investment figure similar to that for 2018, which the Group aims to maintain over the coming years since it considers this to be a key factor in differentiating the diagnostic and treatment services it provides to its customers.

5·Significant events after the closure

On March 11, 2020, the World Health Organization elevated the public health emergency caused by the SARS-CoV-2 outbreak to an international pandemic and the Spanish Government declared a state of alarm by publishing Royal Decree 463/2020 of March 14 and approving a series of extraordinary urgent measures to address the economic and social impact of SARS-CoV-2.

As of the date of this report, the company estimates an expected duration of the COVID-19 crisis of between 2-3 months with two differentiated quarantine phases: A first phase considered as hard which is estimated to extend until the end of April and a second phase called soft quarantine which will lead to a progressive decontamination of the population during the month of May.

In this scenario, the impact on the company's revenues will be moderate and timely due to the transitory closure of schedules in hospitals, an activity that we understand will recover quickly in order to attend to medical diagnostic tests that have been left on standby during the hard quarantine phase.

The business area most affected in the quarantine phases is tele-cardiology (5% of the company's global turnover) because it provides diagnostic medical services mainly in occupational check-ups.

The company's management considers that the impact of the COVID19 crisis on its revenues, in a scenario of crisis duration of between 2-3 months, does not put at risk the company's liquidity levels or compliance with financial covenants as it has a global liquidity position and credit line availability of over 9 million euros at the date of this report.

The company is studying contingency plans in the event that the duration of the COVID19 crisis were to be extended over time and could consider presenting measures to make the workforce more flexible and reduce it temporarily in those business lines most affected.

In addition, the company has taken the following measures to help overcome the COVID crisis19:

- Atrys' teleradiology area is covering the casualties in the radiology departments of public hospitals by diagnosing CT scans and chest X-rays of COVID19 patients.

- The activity of the central laboratory at BCN has been redefined to operate at maximum capacity to diagnose COVID19.

- The smart data area is collaborating directly, pro bono, with 3 Autonomous Regions to estimate the evolution and impact of COVID-19.

The R&D area is presenting a fast-track project to the CDTI to develop a rapid diagnostic immunization kit against SARS-CoV-2 in a consortium with technology centres and health groups

6. Supplier payment information

The average period of payment to suppliers is 72 days.

7. Risk factors

7.1. Risk factors specific to the Group and its sector of activity

7.1.1. Macroeconomic risk

ATRYS's activity is mainly within the health sector in Spain. Any unfavourable change in the current macroeconomic environment could be a potential risk factor, both for the Group and for the other operators in the sector, since the budgets available in the health sector for potential clients (private health groups, public health sector and companies) could be reduced and indirect clients (patients) could see their disposable income and their capacity to access the private health system reduced. This could result in customer losses and lower revenues, materially affecting the business, prospects, financial condition and results of operations of the Group and its competitors.

In addition, the current and persistent public deficit of the Spanish State and of many Autonomous Communities may force adjustments to be made to public health services that may have an adverse impact on the income that the Group obtains from providing its services to various public health service customers, both directly and indirectly via private health groups, thereby having a negative impact on the Group's results, prospects or financial, economic or asset situation.

In the same line, the need to reduce the public deficit may mean that in the future the Spanish State will change its policy of supporting R&D or cut the amounts granted both in subsidies and in "soft" financing, which may have a negative impact on the capacity of ATRYS to be able to finance this type of project which is key to its future development.

In addition to the fact that access to financing granted by the State and other public entities in the country may be tightened, the public deficit could lead to a delay in the payment periods of the public health system to its service providers, including ATRYS, which would strain the Group's working capital and could potentially jeopardize its ability to meet its obligations in a timely manner if the Group does not find alternative financing.

7.1.2 Regulatory risk

ATRYS operates mainly in the Spanish market and, therefore, its activities are subject to different rules and regulations, including those of a local, regional, state and community nature. Any change in the current regulatory framework could vary current market conditions and therefore represent a potential risk factor, both for the Group and for the rest of the players involved in the national health market.

In addition, the health sector is a sector that is subject to high demands in order to guarantee society quality, safety, efficacy and transparent information on medicines, medical devices, therapies and any health-related activity.

Companies operating in the sector are monitored and controlled to verify that the services or products they operate with are in compliance with the regulatory framework at all times. In order for a drug to be authorized, it has to go through several research stages, which aim to demonstrate the efficacy, quality and safety of the drug. The research phases of the medicinal product include basic research, pre-clinical trials and clinical trials on humans and animals, and any clinical trials must be authorised by the competent authorities before they are carried out. In carrying out its activities, ATRYS ensures that all requirements are met. However, unforeseen changes in the sector's regulations could have a negative impact on the Group's ability to carry out the necessary studies to place its products/services on the market, with the consequent negative impact on the Group's financial and economic situation.

7.1.3 Environmental risk

The health sector in which ATRYS operates is characterized by a highly competitive market in which actors of different sizes, capacities and nationalities coexist.

During the last few years in Spain there has been an important movement of business concentration through acquisitions carried out by large national and international groups, a concentration that is occurring especially at the hospital level. If the current trend continues, the merger may lead to a reduction in the number of ATRYS customers or give these groups greater bargaining power over third parties (which could include ATRYS) with the negative impact this could have on the Group's revenues, margins, results, prospects or financial, economic or equity position.

7.1.4 Litigation and claims risk

ATRYS may be involved in litigation and claims as a result of its activity, the outcome of which may be uncertain. While litigation is not, and has not historically been, relevant to the Group, an unfavourable outcome in any future proceedings could have an adverse impact on the Group's financial and economic position. The Group does not currently have any open litigation or claims.

7.1.5 Health-related and reputational risk

Any perceived or actual health risks related to ATRYS services or the industry in general could have a negative impact on the Group's revenues, margins, results, prospects or financial, economic or asset position. ATRYS is therefore subject to health risks that affect the sector, among which are:

Adverse publicity about any perceived or actual health risks associated with ATRYS services could also cause customers to lose confidence in the safety and quality of ATRYS services, which could adversely affect the Group's revenues, margins, results, prospects or financial, economic or asset position. They could also be adversely affected by perceived or actual health risks associated with similar services offered by others to the extent that such risks cause customers to lose confidence in the security and quality of services in the industry generally.

Therefore, ATRYS' revenues, margins and results could be affected by reputational damage due to actual or perceived health problems.

At the date of preparation of this report, the group's management has not identified nor is it aware of any corporate or employee practices that may pose a potential reputational risk.

7.1.6 Risk of dependence on others

ATRYS interacts with many private health groups and private and public health centres, both in Spain and abroad, to which it provides services. The termination of the agreements through which ATRYS provides services to these groups and health centres could have a negative impact on the Group's income, margins, results, prospects or financial, economic or asset situation.

7.1.7 Risk arising from changes in socio-demographic trends, innovations in the field of health and changes in diagnosis and treatment

ATRYS's business success depends largely on the ability to detect and respond in a timely and efficient manner to changes in sociodemographic trends, the emergence of innovations in the health sector and changes in diagnosis and treatment. As a result, there is a risk that sociodemographic trends or the introduction of innovations may mean that the Group is unable to adapt or react appropriately to such changes in circumstances, which could adversely affect the Group's business, results, prospects or financial, economic or asset position.

7.1.8 Risk related to technological adaptation

ATRYS provides clinical and diagnostic reports of different specialties through its technological platform, developing software solutions for the health sector and offering services to ensure the total interoperability of multiple information systems. The platform as a technological element is critical for the Group, so there would be a risk of platform obsolescence if ATRYS were unable to adapt to new technological developments, which would have a negative impact on the Group's business, results, prospects or financial, economic and asset situation.

7.1.9 Risk linked to intangible assets and the success of R&D projects

The Group's research and development expenses are key to the success of its business activity. The activation of these expenses is conditioned by the following parameters: i) the costs must be specifically individualized by projects and their cost clearly established so that it can be distributed over time; and (ii) there must be sound reasons for the technical success and future economic and commercial viability of the project(s) concerned. Future non-compliance with either of the above conditions could result in the Group having to defray some of the expenses considered in the past, with the consequent negative impact this could have on the Group's results, prospects or financial, economic or asset situation.

The R&D activity, although it has a financial risk limited to the maximum of the foreseen investment, has associated uncertainty about the possibility that the developments - current and future - end up being commercially viable products. At the date of preparation of this report, the Company has met the milestones set in the various R&D projects.

7.1.10 Risk related to intellectual property and innovation

Innovation and intellectual property are key to ATRYS' success in business. The Group cannot guarantee that the steps it has taken to register and protect its intangibles will be sufficient to prevent imitation or copying of the products by third parties, which could have a negative effect on the Group's business, results, prospects or financial, economic and asset situation.

7.1.11 Commercial risk related to the signing of strategic partnership agreements

In the development of the advanced radiotherapy business, ATRYS has signed and is considering signing strategic agreements with healthcare groups to jointly implement and operate this service in their hospital facilities. Variations in the conditions agreed in the contract(s) with these healthcare groups or their eventual termination may have a negative impact on the Group's results, prospects or financial, economic or asset situation.

7.1.12 Risk related to the execution of corporate operations

A significant part of ATRYS' growth strategy is based on inorganic development, through the acquisition of companies. Although the Group acts with the utmost diligence in the selection, analysis and execution of its acquisitions, the Group may carry out transactions that do not have the expected positive impact on the Group, that have higher integration costs than expected, or that cause losses due to hidden contingencies not detected in the acquisition process.

Any of these risks, if they materialize, could have an adverse effect on the Group's results, prospects, financial and economic situation or assets. Similarly, the inability of the Group to find or execute acquisitions that complement its organic growth could have an adverse impact on the Group's results, prospects, financial and economic situation or assets.

To mitigate this risk, the Company commissions renowned firms to carry out financial, labor, tax and legal due diligence of the acquired companies and incorporates systems of guarantees granted by the sellers of the companies in the purchase-sale contracts according to the usual market standards.

7.1.13 Risk related to international expansion

Another pillar of the Group's growth strategy is its internationalisation, mainly in Latin America, which entails exposure to additional economic, regulatory, cultural and tax risks, etc. ATRYS's internationalisation strategy is developed either by buying and selling companies or by entering into commercial collaboration contracts with local strategic partners in the new countries to be addressed. In this process of international expansion, the Group may not be able to carry out its activities successfully or may do so more slowly than initially planned.

In addition, the political, financial and economic situation of the foreign countries in which the Group operates and may operate may be unstable, which could adversely affect ATRYS' business, results, prospects or financial, economic or equity position.

7.1.14 Risk relating to the working relationships with your employees and the retention of key managers

ATRYS' operations depend on the availability, retention and costs of its employees and on maintaining satisfactory employee relationships. If the company is unable to maintain satisfactory relations with its employees, it may be exposed to strikes, work stoppages, or other labor disputes.

In addition, ATRYS has management personnel who have accumulated experience, knowledge and talent over the years in the Group and in other companies in the sector. These people are key to the present and, above all, the future of ATRYS. Any undesired departure of any of these people, provided they are not adequately replaced, could have a substantial negative impact on the Group's activities, operating results and financial situation.

To mitigate the risk of departure of key executives, on 19 December 2018 the Group approved a share-based incentive plan under which beneficiaries will be able to receive a number of Atrys shares based on the increase in value of the shares during the term of the plan, which will accrue on 28 February 2022.

7.1.15 Environmental risk

ATRYS generates a series of wastes in the course of its activity which, due to the heterogeneity of their physicochemical or biological properties, may present a certain degree of danger.

The Group is strongly committed to sustainability and good environmental management and, to this end, has implemented good environmental management practices, ranging from cleaning and removal of packaging, to waste management and prevention measures aimed at ensuring that no environmental impact is caused. Despite the Group's commitment, changes in environmental management regulations or possible risks in environmental management could have a negative impact on the business, results, prospects or financial, economic and asset situation of the Group.

7.1.16 Operating risk

There is the possibility of losses due to legal problems, inefficiencies in internal control, weak supervision of employees, fraud or misinterpretation of accounting regulations, among others, as a result of technological developments, increasing complexity in operations, product diversification and new lines of business. Operational risk is inherent to all the Group's activities.

The company has mitigated this risk by incorporating an Internal Control Officer in 2019 to supervise internal control processes and strengthen the reporting of the Group's companies to the company's management.

7.1.17 Other temporary risks

As the company operates mainly in Spain, its activities and results may be affected by the country's political environment.

7.2 Group financial risks

7.2.1 Liquidity risk

Liquidity risk involves the possibility that the Company may not be able to meet its short-term financial obligations. In order to avoid this circumstance, ATRYS carries out careful liquidity risk management by maintaining sufficient cash and marketable securities, and by making sufficient financing available through committed credit facilities.

The Group is financed by a combination of equity, loans with financial institutions, public research funding programs, etc., in addition to the issue of the Notes under this Base Information Document.

In the future, the Group may need to raise new equity or third party funds to meet its short, medium or long-term financing needs or to continue expanding its business. ATRYS cannot guarantee the availability of third party financial resources or that they will be available on acceptable terms. If obtaining financial resources is not possible or is more costly than in the past, this could adversely affect the Group's business, results, prospects or financial, economic or asset position.

In addition, the repayment schedules of loans from public sources depend on the degree of justification of the projects presented at the technical level. There is a risk that failure to comply with any of the justification criteria could modify the maturity schedule, which could have a negative impact on liquidity and, therefore, on the Group's financial position.

7.2.2. Interest rate risk

Much of the Group's financing with banks is tied to floating interest rates. This means that the Group is exposed to interest rate fluctuations. An increase in interest rates could result in an increase in financing costs relating to existing debt, which could have an adverse effect on the Group's business, results, prospects or financial, economic or equity position.

7.2.3 Foreign exchange risk

As ATRYS carries out part of its economic activity abroad and outside the European market, it may experience a significant impact on its income statement and consolidated balance sheet as a result of changes in the value of currencies in the countries in which it operates with respect to the euro.

7.2.4 Risk of credit default

The risk of non-payment of credits consists of the counterpart of a contract failing to comply with its contractual obligations, causing ATRYS an economic loss. Historically, the Group's customer credit defaults have been very low, with occasional cases of immaterial amounts, in relation to the Company's turnover.

7.2.5 Risk arising from the Group's current phase of development

The Group is currently in an initial development phase in some business lines and has a moderately high level of debt, which could affect the Company's solvency and, therefore, its ability to repay the Bonds and financial debt.

As a result, the funds generated by the Group may not be used exclusively to repay the Bonds and financial debt to the extent that they could be used (in whole or in part) to repay other sources of third-party financing.

This could adversely affect the Group's ability to repay the Bonds. Notwithstanding the foregoing, the Group's external financing structure is made up of financing from both public agencies and financial institutions. The new bank financing has been obtained on advantageous terms, in a scenario of reduced rates, with loans with shortfalls of between one and two years and maturities of between five and seven years.

Similarly, the Bond Issues will enable the company to further diversify funding sources and a more optimised maturity profile. Furthermore, the amounts obtained from the Bond Issues will be allocated to the Group's expansion plan (both organic and inorganic), which could contribute favourably to its growth and consolidation.

To mitigate this risk, the company's financial management monitors the group's liquidity position on a monthly basis and the forecast of compliance with 12-month covenants by monitoring compliance with the budget for the year.

7.3 Securities-specific risk factors

7.3.1 Credit risk

Credit risk is understood to be that associated with an economic loss as a result of the failure of one of the parties to comply with its contractual obligations. The credit risk of the Notes therefore implies the possible economic loss that the bondholders may suffer as a result of the failure to comply, in whole or in part, with the payment obligations arising from the Notes. Investors in the Notes should be aware that ATRYS may be subject to circumstances that could prevent or delay payment of principal or interest associated with the Notes.

7.3.2 Risk of subordination and priority of the Bonds in bankruptcy situations

Investors in the Bonds could suffer an economic loss in the event of the Group going bankrupt. By virtue of the classification and order of priority of credits established by Law 22/2003, of 9 July, on Bankruptcy (the "Bankruptcy Law"), in the event of the Group's bankruptcy, the credits held by investors in the Bonds would be at the same level as ordinary creditors, i.e. behind privileged creditors, although ahead of subordinate creditors. However, if the claims held by the investors in the Notes were to be classified as subordinated claims under the Bankruptcy Law, the holders of these Notes would be placed at the level of the subordinated creditors and therefore behind the privileged creditors and the unsecured creditors.

7.3.3 Market risk

The quoted price of the Notes may change favourably or unfavourably depending on market conditions. There is a possibility that the Notes may be traded at market prices below the subscription price of the Notes. If the price of the Notes falls below the subscription price, those investors who decide to sell their securities will suffer permanent losses. The Bonds are fixed-income securities and therefore their price is particularly sensitive to changes in interest rates.

7.3.4 Risk from changes in the Group's rating and securities

The credit quality of ATRYS may worsen due to various circumstances such as a worsening of the Group's business prospects, a deterioration in financial ratios, an increase in indebtedness, etc., which imply a worsening in the Group's ability to meet its debt commitments.

The Bonds issued under this Base Information Document will be subject to credit rating by Axesor Risk Management, S.L.U. ("Axesor") or other credit risk rating agencies as indicated in the Final Terms of each Issue.

The rating of the Bonds may be revised upwards or downwards, suspended or even withdrawn by Axesor. The downgrading, suspension or withdrawal of the rating by the rating agency could alter the price of the Bonds due to the negative perception of the markets and make it difficult for the Group to access the debt markets in the future. Credit ratings may not reflect all risks, are not recommendations to purchase or hold securities and may be subject to review, suspension or withdrawal at any time.

7.3.5. Liquidity risk or representativeness of the securities in the market

Investors in the Bonds may not find a counterparty when they want to execute the sale of the Bonds. In addition, the Group cannot guarantee that the Notes will be widely distributed or that active trading will take place in the market or outside it. The listing of the Notes for trading in the MARF does not guarantee the development of a liquid secondary market in the securities, which may make it difficult for investors who wish to divest themselves of the securities at a given time to sell them. In this sense, it is indicated that ATRYS has not signed any liquidity contract so there is no entity obliged to quote purchase and sale prices.

7.3.6. Risk of insolvency or liquidation of the Group's subsidiaries

The Bonds will be, from a structural point of view, subordinated to any indebtedness of the Group's subsidiaries. In the event of liquidation, dissolution, administration, reorganization or any other insolvency event, the subsidiaries would pay the holders of their debt and their commercial creditors before they could distribute any of their assets to the Group.

7.3.7. Risk relating to the assemblies of the Syndicate of Noteholders

Pueden tomar decisiones con las que no esté de acuerdo un Bonista individual. The terms and conditions of the Notes include certain provisions concerning the operation of the general meeting of the Syndicate of Noteholders which may take place to resolve matters relating to the interests of the Noteholders.

Such provisions establish certain majorities which shall bind all the Noteholders, including the Noteholders who have not attended or voted in the assembly, or who have voted against the majority, being bound by the decisions taken in a General Assembly of Noteholders validly called and held. Therefore, it is possible that the Syndicate of Noteholders may take a decision with which an individual Noteholder does not agree, but by which all Noteholders shall be bound.

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FORMULATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR 2019

In compliance with current commercial legislation, the Board of Directors of **ATRYS HEALTH, S.A.** formulates the Consolidated Financial Statements and the Consolidated Management Report of ATRYS HEALTH, S.A. AND SUBSIDIARIES COMPANIES, for the year ended 31 December 2019, comprising sheets 1 to 73.

Madrid, March 31, 2020
The Board of Directors

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