ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2019 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE EUROPEAN UNION TOGETHER WITH THE LIMITED REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

ATRYS HEALTH, S.A. AND SUBSIDIARIES

Interim Consolidated Financial Statements as at
June 30, 2019 prepared in accordance with the International
Financial Reporting Standards (IFRS) adopted by the
European Union together with the Limited Review report on the
Interim Consolidated Financial Statements

LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2019:

Consolidated Statements of Financial Position at June 30, 2019 and December 31, 2018
Consolidated Statements of Comprehensive Income for the six-month periods ended June 30, 2019 and June 30, 2018
Consolidated Statements of Changes in Shareholders' Equity for the six-month period ended June 30, 2019 and for the 2018 financial year
Consolidated Cash Flows Statements for the six-month periods ended June 30, 2019 and June 30, 2018
Explanatory notes to the Interim Consolidated Financial statements at June 30, 2019

ATRYS HEALTH S.A. Y SOCIEDADES DEPENDIENTES

LIMITED REVIEW ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Limited review report on
interim consolidated financial statements

(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.**

Introduction

We have carried out a limited review of the accompanying interim consolidated financial statements for **ATRYS HEALTH, S.A. AND SUBSIDIARIES**, which comprise the statement of financial position as at June 30, 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 six-month period ended on that date. The Board of Directors of **ATRYS HEALTH, S.A.** is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, adopted by the European Union, for the preparation of interim financial reports. Our responsibility is to express a conclusion on these accompanying interim consolidated financial statements based on our limited review.

Scope of the review

We conducted our limited review in accordance with International Standard Review Work 2410 “Review of Interim Financial Reports by the Company’s Independent Auditor”. A limited review of interim financial statements consists of asking questions, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially narrower in scope than an audit performed in accordance with Spanish GAAP and therefore does not allow us to ensure that all material matters that might have been identified in an audit have come to our attention. Accordingly, we do not express an audit opinion on the accompanying interim consolidated financial statements.

Conclusion

As a result of our limited review, which cannot under any circumstances be considered as an audit of the interim consolidated financial statements, no matters have come to our attention that might cause us to conclude that the accompanying consolidated financial statements do not 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 June 30, 2019, and of the results of their operations for the six-month period ended on that date, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements.

Emphasised paragraphs

As indicated in Note 2.c of the accompanying explanatory notes, at June 30, 2019 the consolidated assets included intangible assets valued at 19,848,655.40 euros, consisting mainly of development projects and computer applications developed internally by the companies of the Group, and also goodwill arising from mergers with other companies and customer portfolios acquired from third parties. In turn, current and non-current consolidated liabilities include capital and interest rate grants amounting to 5,948,890 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 Board of Directors of the Parent Company has analysed the economic and financial viability of all the projects and considers that there are sound reasons for keeping them capitalised for the amount at which they appear on the assets side of the consolidated statement of financial position, and that there are no indications of impairment. It is considered that the liquidity plan prepared by management demonstrates the companies' future capacity to meet its investment commitments, which have been budgeted in order to continue its current projects and finance the growth plan designed for future years.

The Parent Company's Board of Directors has estimated the cash flows expected from the cash-generating units assigned to each part of the goodwill recognised, proving that their current value is higher than the value recognised in the consolidated assets. For this reason, no valuation adjustment was considered necessary.

As indicated in note 15 of the accompanying explanatory notes, the Group has capitalised tax credits relating to tax losses and deductions not yet applied due to the absence of tax payable, totalling 5,686,720.60 euros. In view of the Group's projections, its management has decided these rights should continue to be recorded as assets as the profits projected for future tax years will allow them to be offset.

The accompanying interim consolidated financial statements have been prepared in accordance with the principle of going concern, which assumes that the Group will continue to operate in the future and generate sufficient cash flows to realise its assets and settle its liabilities in accordance with the classification and amount shown, which will depend on the success of the development projects capitalised and fulfilment of the business plans. If the capitalised development projects are not successful and/or the business plans do not bear fruit, the ability to recover the intangible assets and capitalised tax credits would be in doubt.

It should also be noted that 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 during the inspection to which the Parent Company was subject in 2014. However, the Parent Company has filed an appeal for judicial review before the Spanish High Court and requested an expert's report to substantiate that the investments made at that time did in fact relate to R&D projects and were therefore tax deductible.

A ruling has not yet been given on the appeal, but the Parent Company's Board of Directors and its tax advisers think that, once the expert's favourable report has been obtained, it is likely that the Court will rule in its favour, for which reason it has decided to that the tax credits in question should continue to be capitalised. However, at June 30, 2019, the Parent Company's Board of Directors held a provision of 364,840.55 euros to cover a possible contingency in the review of any of the projects in question. On the date of issuing this report, we are unable to determine the outcome of the litigation.

The above issues do not affect our conclusion.

Paragraph on other issues

This report has been prepared at the request of the Management of **ATRYS HEALTH, S.A.** in connection with the publication of the half-yearly financial report required by Circular 7/2017 of the Alternative Stock Market on "Information to be provided by companies in expansion and SOCIMI [Listed Property Investment Companies] incorporated for trading on the Alternative Stock Market".

BDO Auditores, S.L.P. (ROAC nº S1273)

Jordi García Antón (ROAC 20.667)
Audit Partner

October 18th,2019

ATRYS HEALTH, S.A.AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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 AT JUNE 30, 2019 AND DECEMBER 31, 2018

(In euros)

ASSETS	Explanatory Notes	30/06/2019	31/12/2018
NON-CURRENT ASSETS		**51,945,980.55**	**38,193,466.07**
Consolidated goodwill	**Note 4**	**19,221,587.05**	**8,157,312.38**
Intangible fixed assets	**Note 5**	**19,848,655.40**	**18,946,706.08**
Property, plant and equipment	**Note 6**	**3,394,488.01**	**2,648,422.25**
Investments in non-consolidated group companies and associates	**Notes 8.2 and 13**	**132,717.74**	**88,823.46**
Non-current financial assets	**Note 8.2**	**3,664,811.75**	**2,668,481.30**
Deferred tax assets	**Note 15**	**5,683,720.60**	**5,683,720.60**
CURRENT ASSETS		**8,098,885.70**	**15,499,654.40**
Inventories		**259,013.07**	**259,013.07**
Trade debtors and other accounts receivable	**Note 8.2**	**4,984,121.33**	**3,716,735.63**
Current tax assets and public administrations	**Note 15**	**560,217.23**	**441,114.19**
Current financial assets	**Note 8.2**	**958,911.69**	**1,319,770.35**
Accrual accounts		**16,866.66**	**-**
Cash and cash equivalents	**Note 8.1.a**	**1,319,755.72**	**9,763,021.16**
TOTAL ASSETS		**60,044,866.25**	**53,693,120.47**

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2019 AND DECEMBER 31, 2018

(In euros)

EQUITY AND LIABILITIES	Explanatory Notes	30/06/2019	31/12/2018
EQUITY		**26,752,095.02**	**26,443,008.45**
Shareholders' equity		**26,740,169.83**	**26,443,008.45**
Capital	**Note 11.1**	**215,550.51**	**215,550.51**
Share premium	**Note 11.2**	**24,958,603.58**	**24,958,603.58**
Reserves and results of previous financial years	**Note 11.3**	**1,579,607.52**	**1,549,936.51**
Reserves in consolidated companies	**Note 11.5**	**63,300.97**	**(10,340.55)**
Treasury shares	**Note 11.4**	**(205,805.62)**	**(282,727.20)**
Profit/loss for the period	**Note 12**	**128,912.87**	**11,985.60**
Adjustments for changes in value		**11,925.19**	**-**
NON-CURRENT ASSETS		**22,322,445.32**	**21,770,508.75**
Long-term provisions	**Notes 4 and 15**	**1,926,826.54**	**664,203.33**
Non-current financial debts	**Note 9.1**	**6,035,263.51**	**6,419,820.85**
Other non-current liabilities	**Note 9.1**	**8,486,795.64**	**8,748,073.69**
Grants pending transfer to the income statement	**Note 14**	**5,825,115.09**	**5,889,966.34**
Deferred tax liabilities	**Note 15**	**48,444.54**	**48,444.54**
CURRENT LIABILITIES		**10,970,325.91**	**5,479,603.27**
Short-term provisions	**Note 4**	**1,455,317.63**	**405,954.65**
Current financial liabilities	**Note 9.1**	**1,643,984.21**	**1,307,337.31**
Other current liabilities	**Note 9.1**	**4,513,523.07**	**1,787,365.20**
Trade creditors and other accounts payable	**Note 9.1**	**2,048,924.19**	**1,202,927.31**
Current tax liabilities and Public Administrations	**Note 15**	**985,097.05**	**429,179.71**
Grants pending transfer to the income statement	**Note 14**	**282,978.41**	**298,237.47**
Short-term accrual accounts		**40,501.35**	**48,601.62**
TOTAL EQUITY AND LIABILITIES		**60,044,866.25**	**53,693,120.47**

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND JUNE 30, 2018

(In euros)

INCOME STATEMENT	Explanatory Notes	2019 (6 months)	2018 (6 months)
CONTINUING OPERATINS			
Net turnover	**Note 22**	**6,077,663.89**	**3,183,094.76**
Other operating income		**8,100.27**	**8,100.27**
Work carried out by the group for its assets		**884,348.60**	**1,184,752.71**
Allocation of grants for non-financial and other assets	**Note 14**	**145,324.08**	**-**
Impairment and results of disposals of fixed assets		**18,862.83**	**-**
Other results		**3,892.65**	**-**
TOTAL OPERATING INCOME		**7,138,192.32**	**4,375,947.74**
Procurement	**Note 16.a**	**(2,039,764.28)**	**(1,064,230.46)**
Employee expenses	**Note 16.b**	**(2,234,720.49)**	**(1,274,746.24)**
Other operating expenses		**(1,476,577.13)**	**(1,129,161.95)**
Amortisation of fixed assets	**Notes 5 and 6**	**(753,049.42)**	**(467,452.83)**
Other results		**-**	**(1,047.57)**
TOTAL OPERATING EXPENSES		**(6,504,111.32)**	**(3,936,639.05)**
OPERATING PROFIT		**634,081.00**	**439,308.69**
Financial income	**Note 16.c**	**176.36**	**128.75**
Financial expenses	**Note 16.c**	**(372,041.33)**	**(414,199.73)**
Variation of fair value of financial instruments		**38,467.42**	**(111,099.38)**
Exchange rate differences		**1,425.37**	**(2,192.47)**
FINANCIAL LOSS		**(331,972.18)**	**(527,362.83)**
PRE-TAX PROFIT/LOSS		**302,108.82**	**(88,054.14)**
Corporate income tax	**Note 15**	**(173,195.95)**	**326,647.68**
PROFIT/LOSS		**128,912.87**	**238,593.54**
BASIC AND DILUTED EARNINGS PER SHARE	**Note 21**	**0.006**	**0.013**

Draft
(Subject to Changes)

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND THE FINANCIAL YEAR 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
OPENING BALANCE AT 1 JANUARY 2018	**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	39,416.22	7,134,747.78	(254,999.94)	-	-	-	-	6,919,164.06
Operations with treasury shares	-	-	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 31 DECEMBER 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	**-**	**-**	**-**	**-**	**-**	**128,912.87**	**-**	**128,912.87**
Operations with shareholders or owners	**-**	**-**	**91,326.83**	**-**	**76,921.58**	**-**	**11,925.19**	**180,173.60**
Operations with treasury shares	-	-	91,326.83	-	29,988.14	-	-	121,314.97
Incentives plan	-	-	-	-	46,933.44	-	-	46,933.14
Additions to the perimeter	-	-	-	-	-	-	11,925.19	11,925.19
Other changes in equity	**-**	**-**	**(61,655.82)**	**73,641.52**	**-**	**(11,985.60)**	**-**	**0.10**
Distribution of profit/loss of the previous f. year	-	-	(61,655.82)	73,641.42	-	(11,985.60)	-	0.00
Other changes	-	-	-	0.10	-	-	-	0.10
CLOSING BALANCE AT JUNE 30, 2019	**215,550.51**	**24,958,603.58**	**1,579,607.52**	**63,300.97**	**(205,805.62)**	**128,912.87**	**11,925.19**	**26,752,095.02**

ATRYS HEALTH, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH-FLOW STATEMENT FOR THE SIX-MONTH PERIODS ENDING JUNE 30, 2019 AND JUNE 30, 2018

(In euros)

	2019 (6 months)	2018 (6 months)
CASH FLOWS OF THE OPERATING ACTIVITIES	**645,324.77**	**(356,906.70)**
Pre-tax profit/loss for the financial year	**302,108.82**	**(88,054.14)**
Adjustments to the profit/loss	**922,260.06**	**883,493.00**
Amortisation of fixed assets	753,049.42	467,452.83
Valuation adjustments for impairment	-	1,969.19
Allocation of grants	(145,324.08)	-
Loss on the retirement and disposal of fixed assets	(18,862.83)	-
Financial income	(176.36)	(128.75)
Financial expenses	372,041.33	414,199.73
Changes in the fair value of financial instruments	(38,467.42)	-
Changes in current capital	**(207,179.14)**	**(738,274.58)**
Debtors and other accounts receivable	(1,441,795.80)	(46,535.19)
Other current assets	(16,866.66)	-
Creditors and other accounts payable	1,339,693.90	(748,441.28)
Other current liabilities	(23,359.33)	56,701.89
Other non-current assets and liabilities	(64,851.25)	-
Other cash flows from operating activities	**(371,864.97)**	**(414,070.98)**
Payment of interest	(372,041.33)	(414,199.73)
Receipt of interest	176.36	128.75
CASH FLOWS FROM INVESTMENT ACTIVITIES	**(8,692,088.33)**	**(1,971,305.70)**
Receipts (Payments) for divestments (investments)	**(8,692,088.33)**	**(1,971,305.70)**
Group companies	(43,894.28)	-
Intangible fixed assets	(1,319,608.33)	(1,209,782.58)
Property, plant and equipment	(996,132.51)	(53,749.45)
Other financial assets	(580,164.73)	(707,773.67)
Business unit (**)	(5,752,288.48)	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(396,501.88)**	**3,096,144.07**
Receipts (Payments) for equity instruments	**121,314.97**	**4,269,320.20**
Receipts and payments for financial liability instruments	**(517,816.85)**	**(1,173,176.13)**
Issuing	**390,884.33**	**240,042.20**
Debts with credit institutions	160,000.00	-
Others	230,884.33	240,042.20
Repayment and amortisation of:	**(908,701.18)**	**(1,413,218.33)**
Debts with credit institutions	(207,910.44)	(476,524.53)
Others	(700,790.74)	(936,693.80)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(8,443,265.44)**	**767,931.67**
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	1,319,755.72	10,036,100.78

(*) The initial cash for the 2019 period does not coincide with the final cash for the 2018 period because the two periods are not consecutive.
(**) Relates to the net amount paid to acquire Life Data, S.L.

ATRYS HEALTH, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 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. However, the accompanying Interim Consolidated Financial Statements relate to the period from January 1, 2019 to June 30, 2019. In the remaining Explanatory Notes, whenever reference is made to the "2019 period", it will refer to the period commencing on January 1 2019 and ending on June 30, 2019, and the "2018 financial year" will refer to the period commencing January 1, 2018 and ending on December 31, 2018.

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
Direct	
Atrys Health, S.A.	
Which has the following holdings:	
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	100%
Llebalust Patología, S.L.	99%
Real Life Data, S.L.	100%
Indirect	
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	
which has the following holdings:	
International Telemedicine Hospital, S.L.	100%

Real Life Data, S.L.

Real Life Data, S.L. is a company specialising in Smart/Big Data and health information services. It is an eminent company in the sector, a leader in advanced health information management systems. Its registered office is in Madrid at Calle Cronos, 26, block 2, staircase entrance 3, ground floor.

On 7 June 2019, the Parent Company completed the purchase of all the interest units of Real Life Data, S.L.

The operations of **Real Life Data, S.L.** are thus deemed to form part of the consolidated income statement from 7 June 2019, and only the relevant part of its income statement up to June 30, 2019 has been included in the interim consolidated financial statements.

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.

International Telemedicine Hospital, S.L.

The corporate objects of **International Telemedicine Hospital, S.L.** consist of telecardiology, in particular the provision of online transmission services and the interpretation of graphs obtained by devices that record electrical currents and other physical or chemical parameters produced by the activity of organs and devices. Its registered office is at Calle Maria de la Luna, number 11, Edificio CEEI Aragón, Zaragoza.

On 19 July 2018, the Parent Company, through its subsidiary **Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.**, completed the purchase of all the interest units of the company **International Telemedicine Hospital, S.L.**

Thus the operations of **International Telemedicine Hospital, S.L.** are deemed to form part of the consolidated income statement from 19 July 2018 and the part relating to its income statement up to 31 December 2018 has been 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.

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
eDiagnostica S.A.S	50%	Online Radiological Diagnosis in Colombia
Pathgenetics S.L	50%	Diagnosis of Pathological Anatomy

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

a) True and Fair View

The accompanying Interim Consolidated Financial Statements at June 30, 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 June 30, 2019.

The preparation of Interim 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.e 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 Interim Consolidated Financial Statements.

These Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting, adopted by the European Union.

b) Presentation Currency

In accordance with current legislation, the Interim Consolidated Financial Statements are presented in euros.

c) Critical Aspects of Assessment and the Estimation of Uncertainty

At June 30, 2019, the consolidated assets show intangible assets valued at 19,848,655.40 euros, mainly relating to development projects and computer applications that have been developed internally by both companies, and also goodwill derived from mergers with other companies and customer portfolios acquired from third parties.

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 5,683,720.60 euros. In view its 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 grounds of caution, the Parent Company has recorded provisions on the balance sheet for 364,840.55 euros at June 30, 2019 for the risk inherent in the recoverability of these tax credits.

In addition, at June 30, 2019 the Group had negative working capital of 2,871,440.21 euros. However, current consolidated liabilities include debts and provisions totalling 4,049,362 euros which, as described in note 4, relate, on the one hand, to debts for the purchase of the holding in Real Life Data, S.L., which will be settled on delivery of new shares issued in the capital increase to be approved by the General Meeting on 17 October 2019 and, on the other, to the variable price of the same operation and the purchase of Llebalust, S.L. at the end of the previous financial year. As mentioned in Note 18, prior to the preparation of these Interim Financial Statements, the Parent Company carried out various operations, including issuing bonds to the value of 10 million euros and increasing its capital by 5 million euros, which has mitigated the whole of the liquidity risk.

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.

d) Comparison of Information

In accordance with the commercial legislation, the Board of Directors of the Parent Company presents, for comparative purposes, in addition to the figures for the six months ended June 30, 2019 for each of the items in the Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity and the Consolidated Cash-flow Statements, those for the year ended 31 December 2018, (for the six months ended June 30, 2019 in the case of the Consolidated Cash Flow Statements), which have been obtained by applying EU-IFRS. The items for both years are comparable and homogeneous.

These Interim Consolidated Financial Statements include the results generated up to June 30, 2019, with the comparative figures relating to the results generated in the first six months of 2018. This fact should be taken into consideration when interpreting the Interim Consolidated Financial Statements and accompanying explanatory notes.

e) Responsibility for Information and Estimates

The information contained in these Interim 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 Interim 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.
- The evaluation of the recoverability of deferred tax assets in respect of negative tax bases.
- 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 Interim 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.

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 Interim 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. 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 5, 7 and 9 to these financial statements.

NOTE 3. RECORDING AND VALUATION STANDARDS

The principal valuation standards used in the preparation of the Interim Consolidated Financial Statements at June 30, 2019, in accordance with those established by EU-IFRS, were:

a) Principles of Consolidation

The consolidation of the Interim Financial Statements of **Atrys Health, S.A.** with the Interim 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 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.

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.

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) <u>Leases and Other Operations of a Similar Nature</u>

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) <u>Financial instruments</u>

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. It also records on the Group's consolidated statement of comprehensive income the amount equivalent to the financial costs that would have been incurred had the market interest rate 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 interim 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.

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 said 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) 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.

l) <u>Interest rate subsidies</u>

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.

m) <u>Cash-flow statements</u>

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

<u>Cash and cash equivalents</u>: 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.

<u>Cash flows</u>: 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.

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

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

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

n) <u>Classification as Current or Non-Current</u>

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. CONSOLIDATED GOODWILL

The breakdown of consolidated goodwill at June 30, 2019 and 31 December 2018 is as follows, in euros:

	30/06/2019	31/12/2018
Llebalust Patología, S.L.	7,134,926.47	7,134,926.47
International Telemedicine Hospital, S.L.	1,022,385.91	1,022,385.91
Real Life Data, S.L.	11,064,274.67	-
	19,221,587.05	**8,157,312.38**

According to the estimates and projections available to the Board of Directors of the Parent Company, the forecast cash flows attributable to these cash-generating units to which goodwill is allocated enable the recovery of the net value recorded at June 30, 2019.

Consolidated goodwill includes a variable part payable by the Group in accordance with the purchase agreements entered into to acquire Llebalust Patología, S.L. and International Telemedicine Hospital, S.L. in 2018, and Real Life Data, S.L. in 2019, which corresponds to the maximum variable amount payable discounted at the updated rate of 5%. Accordingly, the Group has a short-term provision of 299,362.98 euros for Llebalust Patología, S.L., a short-term provision of 405,954.65 euros for International Telemedicine Hospital, S.L. and long-term (1,561,986.19 euros) and short-term provisions (750,000 euros) for Real Life Data, S.L.

The management of the Group has estimated that there is a high probability of reaching the determinant figures for accrual of the variable payment, so they have already been recognised as an increase in the value of the investment.

NOTE 5. INTANGIBLE FIXED ASSETS

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

	31/12/2018	Additions due to inclusion in the perimeter (*)	Additions	30/06/2019
Cost:				
Development	16,325,404.25	-	646,642.60	16,972,046.85
Industrial Property	255,487.41	57,000.00	26,747.47	339,234.88
Computer applications	2,103,773.85	-	276,811.52	2,380,585.37
Rights to use under lease	596,078.47	-	369,406.74	965,485.21
Goodwill	1,937,781.50	-	-	1,937,781.50
	21,218,525.48	**57,000.00**	**1,319,608.33**	**22,595,133.81**
Accumulated amortisation:				
Development	(878,228.43)	-	(150,847.52)	(1,029,075.95)
Industrial Property	(133,589.52)	-	(12,494.60)	(146,084.12)
Computer applications	(1,104,094.90)	-	(200,476.49)	(1,304,571.39)
Rights to use under lease	(155,906.55)	-	(110,840.40)	(266,746.95)
	(2,271,819.40)	**-**	**(474,659.01)**	**(2,746,478.41)**
Net Intangible Fixed Assets	**18,946,706.08**	**57,000.00**	**844,949.32**	**19,848,655.40**

(*) Additions due to inclusion in the consolidation perimeter relate to the purchase and sale of all the interest units of Real Life Data, S.L. on 7 June 2019 by the Parent Company.

The breakdown and changes of intangible assets during the 2018 financial year is 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	-	-	-	1,937,781.50
	18,515,929.77	**64,668.18**	**596,078.47**	**2,041,849.06**	**21,218,525.48**
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**	**28,030.74**	**596,078.47**	**1,207,566.97**	**18,946,706.08**

(*) 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, as discussed in Note 2.f, 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 110,840.40 euros (155,906.55 euros in 2018).

The breakdown, by project, of the internal costs capitalised as "Development" in the 2018 financial year and those accrued up to June 30, 2019, is as follows, in euros:

	31/12/2018	Additions	30/06/2019
Glioblastoma project	2,033,242.20	100,124.64	2,133,366.84
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	444,398.77	6,021,474.71
Prototype expert system for treatment	3,619,804.59	52,001.01	3,671,805.60
Predictors of response to radiotherapy and immunotherapy (lung)	609,527.56	-	609,527.56
Radio proliq	-	50,118.18	50,118.18
ITH development	4,475.00	-	4,475.00
Total	**16,325,404.25**	**646,642.60**	**16,972,046.85**

The breakdown, by project, of the internal costs capitalised as "Development" in intangible fixed assets during the 2017 financial year and those accrued up to 31 December 2018, is 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. 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 June 30, 2019 and 31 December 2018, had been fully depreciated and were still in use is shown below, indicating their cost price, in euros:

	30/06/2019	31/12/2018
Industrial property	19,296.63	11,921.82
Computer applications	407,865.53	251,872.34
	427,162.16	**263,794.16**

Goodwill

The breakdown and changes in the goodwill included in intangible assets at June 30, 2019 and 31 December 2018 are as follows, in euros:

	31/12/2018	30/06/2019
CIE merger goodwill	1,102,615.63	1,102,615.63
DRIM merger goodwill	835,165.87	835,165.87
	1,937,781.50	**1,937,781.50**

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 June 30, 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. In accordance with IAS 38, goodwill is not amortised.

NOTE 6. 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 due to inclusion in the perimeter (*)**	**Additions**	**30/06/2019**
Cost:				
Technical plant	975,140.73	-	41,604.49	1,016,745.22
Constructions	199,271.50	-	44,601.25	243,872.75
Machinery	4,825,716.28	-	91,412.08	4,917,128.36
Other facilities, tools and furniture	406,985.95	20,429.13	5,307.65	432,722.73
Data processing equipment	521,724.11	44,077.20	41,240.05	607,041.36
Other property, plant and equipment	1,131,480.09	-	-	1,131,480.09
Property, plant and equipment under construction and advances	149,896.62	14,237.17	771,966.99	936,100.78
	8,210,215.28	**78,743.50**	**996,132.51**	**9,285,091.29**
Accumulated depreciation:				
Technical plant	(867,255.38)	-	(4,833.33)	(872,088.71)
Constructions	(141,611.65)	-	(11,744.28)	(153,355.93)
Machinery	(2,632,957.89)	-	(179,360.91)	(2,812,318.80)
Other facilities, tools and furniture	(310,086.88)	(17,976.48)	(21,143.83)	(349,207.19)
Data processing equipment	(409,542.70)	(38,785.46)	(25,463.44)	(473,791.60)
Other property, plant and equipment	(1,200,338.53)	(12,527.91)	(16,974.61)	(1,229,841.05)
	(5,561,793.03)	**(69,289.85)**	**(259,520.40)**	**(5,890,603.28)**
Property, plant and equipment, net	**2,648,422.25**	**9,453.65**	**736,612.11**	**3,394,488.01**

(*) Additions due to inclusion in the consolidation perimeter relate to the purchase and sale of all the interest units in Real Life Data, S.L. on 7 June 2019 by the Parent Company.

The additions in the 2019 period for the sum of 771,966.99 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 were 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 June 30, 2019 and 31 December 2018, were depreciated in full and remained in use, is shown below, indicating their cost price in euros:

	30/06/2019	31/12/2018
Constructions	45,935.23	45,935.23
Technical plant	861,343.54	861,343.54
Machinery	1,531,946.28	1,531,946.27
Other facilities	11,404.51	7,702.40
Furniture	32,797.55	13,617.97
Data processing equipment	262,896.39	249,852.91
Other property, plant and equipment	1,106,560.17	991,196.47
	3,852,883.67	**3,701,594.79**

NOTE 7. LEASES AND OTHER OPERATIONS OF A SIMILAR NATURE

7.1) 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	(17,048.19)	8,831.81
Machinery	6,100.00	(2,439.96)	3,660.04
	43,517.00	**(31,025.15)**	**12,491.85**

The total amount of future payments under finance leases at June 30, 2019 and 31 December 2018, in euros, is as follows:

	30/06/2019	31/12/2018
Total amount of future minimum payments at the close of the financial year	14,421.17	19,447.86
(-) Financial expenses not accrued	(384.74)	(646.95)
Value of the purchase option	661.61	661.61
Current value at the close of the fin. year	**14,698.04**	**19,462.52**

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

	Minimum payments		Current value	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Up to one year	8,466.86	8,997.53	8,153.55	8,550.78
Between 1 and 5 years	5,954.31	10,450.33	6,544.49	10,911.74
	14,421.17	**19,447.86**	**14,698.04**	**19,462.52**

7.2) 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 June 30, 2019 amounted to 965,485.21 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 52,571.20 euros (116,450.64 euros in the 2018 financial year).

NOTE 8. FINANCIAL ASSETS

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

	Credits and others	
	30/06/2019	31/12/2018
Loans and accounts receivable (Note 8.2)	**3,741,277.05**	**2,707,052.32**

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

	Credits and others	
	30/06/2019	31/12/2018
Assets at fair value with changes in the income statement	**1,319,755.72**	**9,763,021.16**
Cash and other liquid assets (Note 8.1.a)	1,319,755.72	9,763,021.16
Loans and accounts receivable (Note 8.2)	**5,946,117.53**	**5,039,590.49**
Total	**7,265,873.25**	**14,802,611.65**

8.1) <u>Assets at Fair Value through Profit or Loss</u>

8.1.a) <u>Cash and Other Equivalent Liquid Assets</u>

The breakdown of these assets at June 30, 2019 and 31 December 2018 is as follows, in euros:

	30/06/2019	31/12/2018
Current accounts	1,314,925.97	9,761,541.87
Cash	4,829.75	1,479.29
Total	**1,319,755.72**	**9,763,021.16**

8.2) Loans and accounts receivable

The composition of this heading at June 30, 2019 and 31 December 2018 is as follows, in euros:

	Balance at 30/06/2019		Balance at 31/12/2018	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Trade receivables				
Third-party customers	55,307.06	4,977,191.49	-	3,715,660.64
Other debtors	-	774.06	-	774.99
Advances to suppliers	-	3,084.51	-	3,084.51
Total trade receivables	**55,307.06**	**4,981,050.06**	**-**	**3,719,520.14**
Non-trade receivables				
Deposits	-	67,773.72	-	67,773.72
Credits to group companies (Note 19.1)	76,465.30	-	38,571.02	-
Credits to third parties	2,271,705.75	684,848.67	1,611,168.44	780,654.33
Security deposits	1,324,757.91	122,590.64	1,044,742.91	387,643.64
To personnel	-	6,155.78	-	300.00
Other financial assets	13,041.03	83,698.66	12,569.95	83,698.66
Total non-trade receivables	**3,685,969.99**	**965,067.47**	**2,707,052.32**	**1,320,070.35**
Total	**3,741,277.05**	**5,946,117.53**	**2,707,052.32**	**5,039,590.49**

At June 30, 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 June 30, 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 1,872 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	A 30/06/2019
Jun-2020	684,848.67
Jun-2021	64,842.11
Jun-2022	64,842.11
Jun-2023	64,842.11
Jun-2024	64,842.11
More than 5 years	140,491.24
Total	**1,084,708.35**

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

Due date	A 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, which 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 loans received by the Group. The vast majority of these have a maturity of more than 5 years.

NOTE 9. FINANCIAL LIABILITIES

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

	Debts with credit institutions		Derivatives and others		Total	
	30/06/2019	**31/12/2018**	**30/06/2019**	**31/12/2018**	**30/06/2019**	**31/12/2018**
Debits and accounts payable (Note 9.1)	**6,035,263.51**	**6,419,820.85**	**8,486,795.64**	**8,748,073.69**	**14,522,059.15**	**15,167,894.54**

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

	Debts with credit institutions		Derivatives and others		Total	
	30/06/2019	**31/12/2018**	**30/06/2019**	**31/12/2018**	**30/06/2019**	**31/12/2018**
Debits and accounts payable (Note 9.1)	**1.643.984.21**	**1.307.337.31**	**6.562.447.26**	**2.990.292.51**	**8.206.431.47**	**4.297.629.82**

9.1) Debits and accounts payable

The breakdown of debits and accounts payable at June 30, 2019 and 31 December 2018 is shown below, in euros:

	Balance at 30/06/2019		Balance at 31/12/2018	
	Long-term	**Short-term**	**Long-term**	**Short-term**
For trade operations:				
Suppliers	-	1,435,449.76	-	797,692.86
Sundry creditors	-	496,422.84	-	362,777.77
Total balances for trade operations	**-**	**1,931,872.60**	**-**	**1,160,470.63**
For non-trade operations:				
Debts with credit institutions (Note 9.1.1)	6,035,263.51	1,643,984.21	6,419,820.85	1,307,337.31
Financial debt with third parties (Note 9.1.2)	7,856,506.36	4,250,888.01	8,292,383.71	1,534,500.29
Other leasing liabilities (Note 9.1.3)	476,907.53	221,830.74	291,689.48	148,482.43
Current account with related parties	-	29,776.23	-	33,482.48
Other debts	26,848.61	10,818.09	37,467.36	70,690.00
Loans and other debts	**14,395,526.01**	**6,157,297.28**	**15,041,361.40**	**3,094,492.51**
Security deposits	126,533.14	210.00	126,533.14	210.00
Employees (outstanding salaries)	-	117,051.59	-	42,456.68
Total balances for non-trade operations	**14,522,059.15**	**6,274,558.87**	**15,167,894.54**	**3,137,159.19**
Total Debits and accounts payable	**14,522,059.15**	**8,206,431.47**	**15,167,894.54**	**4,297,629.82**

9.1.1) Debts with Credit Institutions

Debts with credit institutions as at June 30, 2019 summarised below, in euros:

	Short-term	Long-term	Total
Loans	828,260.41	5,877,874.75	6,706,135.16
Leasing	8,153.55	6,544.49	14,698.04
Credit lines	732,451.25	150,844.27	883,295.52
Advances on invoices	75,119.00	-	75,119.00
	1,643,984.21	**6,035,263.51**	**7,679,247.72**

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 June 30, 2019, the Group had been granted credit lines for a total limit of 1,585,000 euros (1,746,000 euros in 2018), the amount drawn down at that date being 883,295.52 euros (592,082.68 euros in 2018).

Advances on Invoices

At June 30, 2019, the Group has advance lines for invoices granted for a total limit of 130,000 euros (the same as in 2018), the amount drawn down at that date being 75,119.00 euros (43,186.19 euros in 2018).

Guarantee lines

At June 30, 2019 and 31 December 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 June 30, 2019 is as follows, in euros:

Maturing in	30/06/2019
Jun-2021	1,173,605.08
Jun-2022	1,383,791.48
Jun-2023	1,184,790.48
Jun-2024	994,074.55
More than 5 years	1,141,613.16
Total	**5,877,874.75**

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 June 30, 2019 is as follows, in euros:

Year	30/06/2019
Jun-2021	6,544.49
	6,544.49

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 June 30, 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.

9.1.2) Financial debt with third parties

The breakdown of financial debt with third parties at June 30, 2019 and 31 December 2018 is as follows, in euros:

	30/06/2019	31/12/2018
Ministry of Industry, Tourism and Business	27,300	26,634
CDTI	18,801	42,850
Ministry of Health	4,267,251	4,924,147
Ministry of Science and Innovation	253,283	247,090
Ministry of Economy and Competitiveness	461,885	630,172
Ministry of Industry, Energy and Tourism	50,705	49,591
Ministry of Economy and Competitiveness	139,581	148,935
CDTI integrated project	499,622	536,412
Long-term shareholder loan	13,374	212,747
Catalan Initiatives loan	192,100	192,100
Gliomatherapy loan	544,385	541,612
Predictgyn loan	377,359	378,332
Ministry of Economy and Competitiveness	180,159	176,047
Ministry of Economy, Industry and Competitiveness	235,863	230,480
Ministry of Economy, Industry and Competitiveness	206,547	101,880
Ministry of Economy and Competitiveness	97,759	96,631
Ministry of Science, Innovation and Universities	67,632	-
Ministry of Economy, Industry and Competitiveness	451,599	443,963
Ministry of Energy, Tourism and Digital Agenda	315,078	309,660
Ministry of Industry, Energy and Tourism	218,964	215,939
Effect of amortised cost of other debts	(30,327)	(35,906)
Loan against transfer of treasury shares (see note 11.4)	518,474	357,568
Debt for purchase of Real Life Data S.L.	3,000,000	-
Total	**12,107,394**	**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 June 30, 2019 include 3 million euros payable by the Group relating to the purchase of the company Real Life Data S.L. in the 2019 period, which will be cancelled by a capital increase offsetting credits in the Parent Company, which will be carried out in the second half of 2019, as indicated in Note 18.

Maturity of long-term financial Debt with third parties

The breakdown of the maturities for other long-term debts at June 30, 2019 is as follows, in euros:

Maturity	30/06/2019
Jun-2021	1,444,426.73
Jun-2022	1,181,049.33
Jun-2023	1,020,268.98
Jun-2024	947,804.54
Jun-2025 and following	3,262,956.78
Total	**7,856,506.36**

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.

9.1.3) Other Leasing Liabilities

As detailed in Note 2.f, 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 June 30, 2019 is as follows, in euros:

Maturity	30/06/2019
Jun-2021	204,180.86
Jun-2022	150,071.13
Jun-2023	87,809.52
Jun-2024	34,846.02
Total	**476,907.53**

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**

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 customers, the balances receivable are atomised. The amounts are shown in the Statement of Financial Position, net of provisions for bad debts, estimated by management on the basis of past experience and 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 8.

10.2) Liquidity Risk

In order to ensure liquidity and to be able to meet all payment commitments arising from their activities, the companies have access to the cash shown in their Statement of Financial Position, and also sufficient credit and financing lines, as described in Note 8 above. In this respect, the companies significantly extended their credit lines in 2018, enabling them to meet their short-term payment commitments comfortably and also those arising from the expected increase 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.

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.

Part of the companies' borrowing is subject to the evolution of interest rates. For this reason, constant attention is paid to rate changes over the course of the financial year, but no hedging instruments are contracted.

NOTE 11. SHAREHOLDERS' EQUITY

11.1) Capital Stock of the Parent Company

At June 30, 2019 and 31 December 2018, the capital of the Parent Company amounted to 215,550.51 euros and was divided into 21,555,051 shares with a face value of 0.01 euros 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 June 30, 2019, the following companies held 10% or more of its share capital:

Company	Holding	Number of Shares
Fondos Grupo Inveready	17.27%	3,722,557
Caja de Seguros Reunidos Compañía de Seguros y Reaseguros, S.A.	14.70%	3,168,592

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 June 30, 2019 and at 31 December 2018, is as follows, in euros:

	30/06/2019	**31/12/2018**
Legal reserve	68,181.06	68,181.06
Voluntary reserves	1,511,426.46	1,481,755.45
Total	**1,579,607.52**	**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 June 30, 2019, the legal reserve was fully funded.

11.4) Treasury shares

At June 30, 2019, the Parent Company held 62,251 treasury shares with a market value of 252,739.06 euros. At 31 December 2018, the Parent Company held 100,974 treasury shares with a market value of 282,727.20 euros.

202,703 of these securities were assigned by a member of the Parent Company's Board of Directors under a loan agreement signed on 19 July 2016 in order to meet the minimum requirements set by the liquidity provider contracted by the Parent Company for floating its shares on the MAB [Alternative Stock Exchange]. The Parent Company acquired 75,000 of these shares in 2017, a total of 127,703 shares were still assigned at 31 December 2017. This transaction resulted in a profit of 50,250 euros in the income statement for 2017.

In 2018, the Parent Company returned the 127,703 shares referred to above and on 18 July 2018, it entered into two new loan agreements involving treasury shares with two of the Parent Company's shareholders (one of which is a director) covering the same number of shares. Both share loans are for one year and will be tacitly extended on an annual basis. They are remunerated at an interest rate equivalent to the one-year EURIBOR + 0.25%.

The debt relating to the securities assigned amounted to 518,474.18 euros at the close of the 2019 period (see note 9.1.2).

At the close of the financial year all the shares were valued at the market value of 4.06 euros per share. The transactions carried out with treasury shares during the 2019 period resulted in a profit of 91,326.83 euros, registered directly against Equity and credited to voluntary reserves, in accordance with the legislation in force.

In addition, the sum of 46,933.44 was recorded against treasury shares in 2019 in relation to the share-based incentive plan, the details of which are described in Note 19.4.

11.5) Reserves in Consolidated Companies

The breakdown of the reserves in Consolidated Companies at June 30, 2019 and 31 December 2019 is shown below, in euros:

Subsidiary	**30/06/2019**	**31/12/2018**
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	(76,672.95)	(10,340.55)
Llebalust Patología, S.L.	60,968.63	-
International Telemedicine Hospital, S.L.	79,005.29	-
	63,300.97	**(10,340.55)**

NOTE 12. CONSOLIDATED PROFIT

The breakdown of the Results obtained by the Parent Company at June 30, 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.	-	(419,312.33)	(419,312.33)
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	100%	39,083.00	39,083.00
Llebalust Patología, S.L.	99% (*)	310,798.39	310,798.39
International Telemedicine Hospital, S.L.	100%	(10,445.63)	(10,445.63)
Real Life Data, S.L. (**)	100%	208,789.44	208,789.44
		128,912.87	**128,912.87**

(*) 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

This heading includes the holdings acquired by **Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.** in the Colombian company eDiagnostica S.A.S. in the course of the 2015 financial year.

50% of the company's shares were subscribed at the face value of 46,410.40 euros, which will be paid up over two years in exchange for the rights to use the platform owned by Ediagnostic during that period.

NOTE 14. GRANTS PENDING 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:

	30/06/2019	**31/12/2018**
Capital grants	1,740,667	1,762,985
Interest-free loan subsidies	4,367,426	4,425,219
Total	**6,108,093**	**6,188,204**

Capital Grants

The breakdown of the capital grants received by the companies, allocated and pending allocation to results at June 30, 2019 and 31 December 2018, are as follows, in euros:

Company awarded the grant	**Date granted**	**Amount granted**	**Balance at 30/06/2019**	**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	39,231	61,549
		1,879,981	**1,740,667**	**1,762,985**

At June 30, 2019, accrued capital grants pending receipt amounted to 371,870.19 euros (434,960.87 euros in 2018). Hardly any of the subsidies listed were recorded in the Consolidated Statement of Comprehensive Income during the financial year, since most of them are linked to development projects that have not yet been completed and, therefore, are 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 June 30, 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 30/06/2019	Subsidies at 31/12/2018
Ministry of Health and Social Policy	2009	4,000,000	2,449,336	1,229,597	1,277,346
Ministry of Health and Social Policy	2009	2,500,000	1,458,731	820,498	848,792
Ministry of Health and Social Policy	2009	2,500,000	1,467,069	828,933	859,815
Ministry of Industry, Tourism and Trade	2008	143,805	100,931	42,873	42,873
CDTI	2009	351,643	300,752	76,005	76,005
Integrated CDTI Project	2010	1,112,648	896,008	216,640	216,640
Ministry of Science and Innovation	2010	513,750	344,180	169,571	169,571
Ministry of the Economy and Competitiveness	2012	846,972	691,257	162,723	162,723
Ministry of Industry, Energy and Tourism	2014	161,843	131,433	30,409	30,409
Ministry of the Economy and Competitiveness	2014	177,408	132,235	45,173	45,173
Ministry of the Economy and Competitiveness	2015	475,950	347,058	128,892	128,892
Ministry of the Economy and Competitiveness	2015	689,523	497,648	191,875	191,875
Ministry of the Economy and Competitiveness	2015	229,202	160,686	68,517	68,517
Ministry of the Economy and Competitiveness	2015	125,095	89,210	35,885	35,885
Ministry of the Economy, Industry and Competitiveness	2016	309,112	214,911	92,172	92,172
Ministry of the Economy, Industry and Competitiveness	2016	273,345	192,102	81,143	42,349
Ministry of Science, Innovation and Universities	2018	92,403	65,982	26,421	-
Ministry of the Economy, Industry and Competitiveness	2016	539,720	428,118	88,121	95,757
Ministry of Energy, Tourism and Digital Agenda	2016	331,584	289,070	16,506	21,925
Ministry of Industry, Energy and Tourism	2017	234,311	210,053	15,347	18,372
		15,608,314	**10,466,770**	**4,367,301**	**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 226,546.52 euros (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, 106,925.46 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 145,324.08 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:

	30/06/2019		31/12/2018	
	Receivable	**Payable**	**Receivable**	**Payable**
Non-current:				
Deferred tax assets	5,683,720.60	-	5,683,720.60	-
Deferred tax liabilities	-	48,444.54	-	48,444.54
	5,683,720.60	**48,444.54**	**5,683,720.60**	**48,444.54**
Current:				
Value Added Tax	177,097.50	85,247.59	3,637.14	120,691.03
Tax rebates	11,249.54	-	2,516.18	-
Grants receivable (Note 14)	371,870.19	-	434,960.87	-
Withholding tax for Personal Income Tax	-	245,196.98	-	199,202.51
Corporate Income Tax	-	558,457.24	-	32,452.17
Social Security Authorities	-	96,195.24	-	76,834.00
	560,217.23	**985,097.05**	**441,114.19**	**429,179.71**

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 within the consolidation perimeter do not consolidate for tax purposes. Consequently, the consolidated income tax expense was obtained by adding the corporate income tax payable by each of the consolidated companies. Their individual corporate income tax was calculated on the basis of their individual profits/losses, adjusted for tax purposes, taking into account the tax credits and deductions applicable.

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.	-	280,210.48
Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L.	-	46,437.20
Llebalust Patología, S.L.	(103,599.47)	-
Real Life Data, S.L.	(69,596.48)	-
	(173,195.95)	**326,647.68**

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

	Llebalust	Real Life Data
Current tax	(103,599.47)	(69,596.48)

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)**

There were no changes in deferred tax in the 2019 period.

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	418,374
		2,987,818

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	9,287
		2,783,883
		5,771,701

<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	30/06/2019
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) Procurement

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

	2019 (6 months)	2018 (6 months)
Net Consumption of Goods:	**613,290.97**	**352,978.79**
Spanish	613,290.97	352,978.79
Work carried out by other companies	**1,426,473.31**	**711,251.67**
Total Procurement	**2,039,764.28**	**1,064,230.46**

16.b) Welfare costs

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

	2019 (6 months)	2018 (6 months)
Social Security contributions paid by the company	415,639.02	252,603.08
Other welfare expenses	10,151.20	2,582.46
Welfare costs	**425,790.22**	**255,185.54**

16.c) Financial Results

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

	2019 (6 months)	2018 (6 months)
Financial expenses, related parties	-	13,198.16
Financial expenses with credit institutions	72,917.34	25,313.50
Financial expenses, other debts	292,086.40	369,508.80
Other financial expenses	7,037.59	6,179.27
Total financial expenses	**372,041.33**	**414,199.73**
Other income	176.36	128.75
Total financial income	**176.36**	**128.75**

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. EVENTS SUBSEQUENT TO THE CLOSE OF THE FINANCIAL YEAR

On 5 July 2019, the Parent Company registered a new bond issuance programme on the Spanish Stock Exchanges and Markets' Alternative Fixed Income Market (MARF) for a maximum amount of 25 million, with a credit rating by Axesor of *"BB-with steady trend"*.

The aim of the issue is to finance the acquisition of Spanish and international companies, and to make significant investments in Capex in order to open new high-precision radiotherapy centres.

Accordingly the first bond issue was released on 8 July 2019 for a total nominal amount of 10 million euros, accruing a variable interest rate based on the 3-month Euribor with a margin of 5.50%, maturing on 10 July 2024.

In addition, on 23 September 2019, the Parent Company, through its subsidiary E Diagnostica, S.A.S. (a Colombian company in which Ediagnostic-Clínica Virtual de Especialidades Médicas, S.L. has a holding), has closed the purchase of all the shares of Teleradiología de Colombia Diagnóstico Digital Especializado, S.A.S. for the price of 17,566,457,931 Colombian pesos (4,675,336.08 euros), of which 3,510,450 euros are to be paid up in cash and 1,164,886.08 euros in the form of shares in Atrys Health, S.A. (it was agreed to issue 406,955 shares for a total of 1,164,886.078 euros), which will be issued within 6 months of the date of purchase.

Teleradiology of Colombia Diagnóstico Digital Especializado, S.A.S. is a leading Colombian company specialising in the provision of teleradiology services, with a solid client portfolio consisting of the principal private health groups, business groups and compensation funds in Colombia.

In addition, on 17 October 2019, the Parent Company's Extraordinary General Meeting of Shareholders intends to approve, on the proposal of the Board of Directors, the following measures, among others:

- A capital increase by offsetting credits generated by purchasing the company Real Life Data, S.L. for the sum of 10,118.42 euros, by issuing 1,011,842 shares with a face value of 0.01 euros each, at 2.9648897753 euros per share between capital and share premium.

- A capital increase by offsetting credits held by a shareholder of the Parent Company granted to ensure compliance with the requirements of the liquidity provider, of 1,277.04 euros, by issuing 127,704 shares with a face value of 0.01 euros each, at 3.54 euros per share between capital and share premium.

- A capital increase obtained by monetary contributions with shareholders' pre-emption subscription rights, for the nominal sum of 14,285.72 euros, by issuing 1,428,572 shares with a face value of 0.01 euros each and a minimum issue premium per share of 3.49 euros, thus raising the minimum sum of 5,000,002 euros.

- Merger by absorption of the wholly-owned subsidiary Real Life Data, S.L.U. by the Parent Company.

In addition, on 17 October 2019, the Parent Company plans to complete the acquisition of 100% of the shares of Institut Médic d'Onco-Radioterapia, S.L. (IMOR), a centre specialising in the treatment of cancer and a leader in the provision of oncological radiotherapy and brachytherapy services.

Other than as indicated in the preceding paragraph, no significant events have occurred since June 30, 2019 that would affect the interim consolidated financial statements at that date.

NOTE 19. RELATED-PARTY TRANSACTIONS

19.1) Balances between related parties

The breakdown of the main balances held with related parties at June 30, 2019 and 31 December 2018 is as follows, in euros:

Outstanding balances with related parties	30/06/2019	31/12/2018
CURRENT LIABILITIES	**76,465.30**	**38,571.02**
Trade receivables, companies of the group	**76,465.30**	**38,571.02**
eDiagnostica S.A.S (Note 8.2)	76,465.30	38,571.02
NON-CURRENT LIABILITIES	**518,474.18**	**357,568.40**
Long-term loans	**518,474.18**	**357,568.40**
Shareholders' loans (Note 9)	518,474.18	357,568.40
CURRENT LIABILITIES	**43,150.44**	**246,229.89**
Short-term loans	**13,374.21**	**212,747.41**
Shareholders' loans (Note 9)	13,374.21	212,747.41
Current accounts	**29,776.23**	**33,482.48**
Current account with related parties (Note 9)	29,776.23	33,482.48

19.2) Related-party transactions

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

	2019 (6 months)	2018 (6 months)
Financial expenses	-	13,198.16

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 50,000 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 132,500 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 June 30, 2019, no commitments for supplementary pensions, bank or other guarantees had been made to members of the Parent Company's Governing Body.

In addition, as indicated in Note 11.4, the Parent Company has a debt with a member of the Board of Directors in relation to the assignment of treasury shares valued at 259,237.09 euros at June 30, 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 established the fair value of the Incentive Plan at 401,867.58 euros, which will be distributed on a straight-line basis over the period during which the Plan matures or vests, i.e. over the three years from 28 February 2019 to 28 February 2022. As established by current accounting regulations, while it accrues, the Plan will be recognised by recording an employee expense, with its balancing entry in equity.

At the close of the 2019 period, the Parent Company had recorded employee expenses of 32,533.44 euros for this purpose and the investee companies have recorded expenses of 14,400.00 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. OTHER INFORMATION

The distribution of the companies' employees at June 30, 2019 and 31 December 2018, by categories and sexes, is as follows:

	30/06/2019			31/12/2018		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executives	7	2	9	7	5	12
Team leaders	6	15	21	4	14	18
Technicians	25	32	57	23	24	47
Administrative staff	5	22	27	2	20	22
Total	**43**	**71**	**114**	**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	8	8
Team leaders	17	13
Technicians	44	29
Administrative staff	21	7
Total	**90**	**57**

There are no members of the workforce with a disability exceeding 33%.

The fees accrued for the limited review of the interim consolidated financial statements at June 30, 2019 amounted to 21,000 euros (19,000 euros for the limited review at 30 June 2018).

In addition, fees accrued for other services in the 2019 period amounted to 46,808 euros.

NOTE 21. 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:

	30/06/2019	30/06/2018
Profit attributed to the Parent Company	128,912.87	238,593.54
Weighted average of ordinary shares in circulation	21,380,229.49	18,598,394.48
Basic earnings per share	**0.006**	**0.013**

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:

	30/06/2019	30/06/2018
Profit attributed to the Parent Company	128,912.87	238,593.54
Weighted average of ordinary shares in circulation plus potential shares	22,003,540.26	18,598,394.48
Diluted earnings per share	**0.006**	**0.013**

NOTE 22. SEGMENTED INFORMATION

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

	2019 (6 months)		2018 (6 months)	
Activity	**Euro**	**%**	**Euro**	**%**
Telediagnosis	1,457,183	24.0%	1,156,607	36.3%
Diagnosis	3,522,578	58.0%	1,114,487	35.0%
Radiotherapy	281,984	4.6%	403,515	12.7%
Research and Development	449,235	7.4%	508,486	16.0%
Smart/Big Data	366,684	6.0%	-	-
Total	**6,077,664**	**100%**	**3,183,095**	**100%**

PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In compliance with current commercial legislation, the Board of Directors of **ATRYS HEALTH, S.A.** has prepared the following interim consolidated financial statements for the six-month period ended June 30, 2019, comprising pages 1 to 53.

Madrid, 17 October 2019
The Board of Directors

Santiago De Torres Sanahuja	Isabel Lozano Fernández
Inveready Asset Management SGEIR, S.A. represented by Josep María Echarri	Inveready Seed Capital, SCR, S.A. represented by Roger Piqué
Cecu Inversiones, S.L. represented by Santiago Azcoitia	Jaime Cano Fernández
Jaime del Barrio Seoane	Fernando de Lorenzo López

Inversiones Industriales Serpis, S.L.
represented by
Carolina Pascual Bernabeu

Servicios Inmobiliarios Avilés, S.L.
represented by
Eduardo Manuel Suárez Suárez

Alejandro Rey González