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Auditor's Report on Healthcare Activos Yield Socimi, S.A. and subsidiary companies

(Together with the consolidated financial statements and consolidated management report of the Healthcare Activos Yield Socimi, S.A. Group for the financial year ended 31 December 2019)

[Certified translation of documents originally issued in Spanish, prepared according to the financial regulations applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version shall prevail.]

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KPMG Auditores, S.L.
Torre Realia
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(Barcelona, Spain)

Auditor's Report on the Consolidated Financial Statements issued by an Independent Auditor

To the shareholders of *Healthcare Activos Yield Socimi, S.A.*

Opinion

We have audited the consolidated financial statements of *Healthcare Activos Yield Socimi, S.A.* (hereinafter, "the Parent company") and its subsidiary companies (hereinafter, "the Group"), which comprise the consolidated balance sheet as at 31 December 2019, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the year ended on such date.

In our opinion, the accompanying consolidated financial statements provide, in all material respects, a true and fair view of the consolidated equity and consolidated financial position of the Group at 31 December 2019, as well as of its consolidated results and its consolidated cash flows for the eleven-month period then ended, in compliance with the regulatory framework for financial reporting that is applicable (identified in note 2 of the notes to the consolidated financial statements) and, in particular, with the accounting principles and criteria included therein.

Basis for Opinion

We have conducted our audit in compliance with the prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the legislation regulating the audit of accounts. In this regard, we have not provided any services other than the audit of annual accounts, nor have any situations or circumstances arisen which, under the mentioned regulations, might have affected the required independence in such a way as to compromise it.

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

KPMG Auditores S.L., is a Spanish limited liability company and a firm that is a member of the KPMG network of independent businesses that are affiliated to the Swiss company *KPMG International Cooperative* ("KPMG International").

Paseo de la Castellana, 259C – 28046 Madrid (Spain)

Recognised at the Official Register of Accounts Auditors, with number S0702, and at the Companies Register of *Instituto de Censores Jurados de Cuentas* with number 10.
Madrid Companies Register, Book 11.961, Sheet 90, Section 8, Page M-188.007, 9th entry.
Tax ID (NIF) No. B-78510153.

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Key Audit Matters

Key audit matters are those that, in our professional judgement, were considered the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on such risks.

Acquisition of investment property and measurement of the associated debts (see notes 5, 8 and 10)

On 31 July 2019 the Group acquired from a third party, through the acquisition of two companies, the business related to twenty buildings meant for nursing homes in several locations across Spain. These assets that have been classified by the Group as investment property on the basis of the use intended for such assets. We believe this transaction to be a relevant aspect of our audit due to the significance of the investment property over the total assets of the Group at the financial year-end, which amounts to 291,766 thousand euros, and represents 97% of the total assets.

Our audit procedures have consisted of, among others, evaluating the design and implementation of the key controls related to the measurement process of the investment property, the evaluation of the methodology and hypotheses used to prepare the appraisals used in such process and, therefore, we have involved our experts in measurements, as well as in the analyses of the measurement of debts associated with the acquisition of the investment property, according to the provisions of the regulation regarding financial instruments. Additionally, we have assessed whether the disclosures in the consolidated financial statements comply with the requirements of the regulatory framework for financial reporting applicable to the Group.

Other Information: Consolidated Management Report

Other information solely comprises the consolidated management report for the financial year 2019, the preparation of which is the responsibility of the Parent company's directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility with respect to the consolidated management report, in compliance with the prevailing legislation regulating the audit of accounts, consists of assessing and reporting on whether the consolidated management report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those accounts, and excluding any information other than that obtained as evidence during the audit. Likewise, our responsibility consists of assessing and reporting on whether the content and presentation of the consolidated management report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

On the basis of the work carried out, as described in the preceding paragraph, the information included in the consolidated management report is consistent with that contained in the consolidated financial statements for 2019, and its content and presentation comply with the applicable regulations.

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Responsibilities of Directors for the Consolidated Financial Statements

The Parent company's directors are responsible for preparing the accompanying consolidated financial statements so that they present a true and fair view of the Group's consolidated equity, consolidated financial position and consolidated results, in compliance with the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors consider necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related with the going concern and using the going concern basis of accounting, unless the directors intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit, in compliance with prevailing legislation regulating the audit of accounts in Spain, we exercise our professional judgement and maintain an attitude of professional scepticism throughout the audit. And we also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures to address those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal control.

- Obtain an understanding of internal control relevant for the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates, as well as the related disclosures made by the Parent company's directors.

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- Conclude on the appropriateness of the Parent company's directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to facts or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the relevant disclosures in the consolidated financial statements or, if such disclosures are inadequate, to change our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future facts or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and facts in a manner that achieves a true and fair view.

- Obtain sufficient and appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identify during the audit.

From the significant risks communicated to the directors of *Healthcare Activos Yield Socimi, S.A.*, we determine those that were of most significance in the audit of the consolidated financial statements for the current period and which are, therefore, the risks considered most significant.

We describe those risks in our Auditor's Report, unless law or regulation precludes public disclosure of the matter.

KPMG Auditores, S.L.
Recognised with the Spanish Official Register of Auditors (ROAC) with number S0702

[Illegible signature]

Alejandro Núñez Pérez
Recognised with the Spanish Official Register of Auditors (*ROAC*) with number 15732

17 April 2020

Catalonia Official Association of Certified Auditors

KPMG

2020 No. 20/20/05320

Association Fee: 96,00 EUR

Auditor's Report subject to the Spanish or international regulations on account auditing

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A.
AND SUBSIDIARY COMPANIES

Consolidated Financial Statements and Consolidated Management Report for the Financial Year ended

31 December 2019

CRISTINA FERNANDEZ NEBREDA
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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES
Consolidated Balance Sheet
31 December 2019
(Expressed in euros)

Assets	*Notes*	*2019*
Intangible assets	6 & 14	**364,644**
Other intangible assets		364,644
Property, plant and equipment	7	**68,423**
Technical installations and other items		68,423
Investment property	8	**291,766,662**
Land		63,016,772
Buildings		228,749,890
Long-term financial investments	10.b	**2,062,712**
Other financial assets		1,955,270
Non-current accruals	10.a	107,442
Total non-current assets		**294,262,441**
Trade and other receivables		**805,443**
Trade receivables		201,144
Other receivables		33,054
Current tax assets	12	43
Public entities, other	12, 10.a	571,202
Current accruals		**65,136**
Cash and cash equivalents		**8,962,393**
Cash		8,962,393
Total current assets		**9,832,972**
Total assets		**304,095,413**

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

31 December 2019

(Expressed in euros)

Net Equity and Liabilities	*Notes*	*2019*
Shareholders' equity	12	**151,897,880**
Capital		114,309,600
Share premium		38,935,970
Reserves and prior period's profit and loss		(209,524)
Other equity holders' contributions		19,661
Profit/(loss) for the period attributable to the Parent company		(1,157,827)
Valuation adjustments	11 & 12.c	**(342,258)**
Other valuation adjustments due to hedging transactions		(342,258)
Capital grants	15	**245,738**
Net equity		**151,801,360**
Non-current payables	10.b	**149,13,254**
Debt with financial institutions		145,883,393
Derivatives		342,258
Other financial liabilities		2,987,603
Non-current liabilities		**149,213,254**
Current payables	10.b	**1,517,531**
Debt with financial institutions		1,424,509
Other financial liabilities		93,022
Trade and other payables		**1,398,310**
Other payables	10.b	1,152,593
Current tax liabilities	10.b & 12	178,071
Public entities, other	10.b & 13	67,646
Current accruals		**164,958**
Current liabilities		**3,080,799**
Net equity and liabilities		**304,095,413**

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES
Consolidated Profit and Loss Account for the Eleven-Month Period ended 31 December 2019
(Expressed in euros)

	Notes	2019
Turnover	8 & 14	**5,080,748**
Services rendered		5,080,748
Other operating income	14.b	**463,390**
Non-trading and other operating income		463,390
Other operating expenses	14.b	**(3,484,292)**
External services		(3,355,965)
Taxes		(128,327)
Amortisation and depreciation	6,7,8	**(1,940,285)**
Impairment and gains/(losses) on disposal of fixed assets	8	**7,131**
Other gains/(losses)		**1,212**
Results from operating activities		**127,904**
Finance expenses	10.b & 11	**(1,299,062)**
Change in fair value of financial instruments		**(759)**
Net finance income/(expense)		**(1,299,821)**
Profit/(loss) before income tax		**(1,171,917)**
Income tax expense	13	**14,090**
Consolidated profit/(loss) for the period		**(1,157,827)**
Profit/(loss) attributable to the Parent company		**(1,157,827)**

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***HEALTHCARE ACTIVOS YIELD SOCIMI, S.A.* AND SUBSIDIARY COMPANIES**
Consolidated Statement of Changes in Equity
31 December 2019
(Expressed in euros)

A) Consolidated Statement of Recognised Income and Expense for the Eleven-Month Period ended 31 December 2019
(Expressed in euros)

	2019
Consolidated profit/(loss) for the period	**(1,157,827)**
Income and expense recognised directly in net equity	-
Total income and expense recognised directly in consolidated net equity	-
Amounts transferred to the consolidated profit and loss account	-
Total amounts transferred to the consolidated profit and loss account	-
Total consolidated recognised income and expense	**(1,157,827)**
Total recognised income and expense attributable to the Parent company	**(1,157,827)**

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***HEALTHCARE ACTIVOS YIELD SOCIMI, S.A.* AND SUBSIDIARY COMPANIES**
Consolidated Statement of Changes in Equity
31 December 2019
(Expressed in euros)

B) Statement of Total Changes in Consolidated Equity for the Eleven-Month Period ended 31 December 2019 (Expressed in euros)

	Capital	Share premium	Reserves and prior period's profit and loss	(Own shares and equity units)	Other equity holders' contributions	Profit/(loss) for the period	Valuation adjustments	Grants, donations and bequests received	TOTAL
ADJUSTED balance, BEGINNING OF YEAR 2019	-	-	-	-	-	-	-	-	-
Total recognised income and expense	-	-	-	-	-	**(1,157,827)**	-	-	**(1,157,827)**
Transactions with equity holders	**114,309,600**	**39,252,245**	**(209,524)**	-	**19,661**	-	-	**245,73**	**153,617,720**
Capital increases	121,089,600	74,689,342	-	-	-	-	-	-	195,778,942
(-) Capital reductions	-	-	-	(11,513,045)	-	-	-	-	(11,513,045)
(-) Distribution of dividends	-	(30,704,052)	-	-	(20,339)	-	-	-	(30,724,391)
Transactions with own shares and equity units	(6,780,000)	(4,733,045)	(213,045)	11,513,045	-	-	-	-	(213,045)
Change in equity resulting from a business combination	-	-	3,521	-	-	-	-	245,73	249,259
Other transactions with equity holders or owners	-	-	-	-	40,000	-	-	-	40,000
Other changes in net equity	-	**(316,275)**	-	-	-	-	**(342,258)**	-	**(658,533)**
BALANCE, END OF YEAR 2019	**114,309,600**	**38,935,970**	**(209,524)**	-	**19,661**	**(1,157,827)**	**(342,258)**	**245,73**	**151,801,360**

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES
Consolidated Statement of Cash Flows
31 December 2019
(Expressed in euros)

	Notes	2019
Cash flows from operating activities		
Profit/(loss) for the period before tax		**(1,171,917)**
Adjustment to the result		**3,231,763**
Amortisation and depreciation	6, 7 & 8	1,940,285
Adjustments for proceeds from disposals of fixed assets	8	(7,131)
Finance expenses	10.b	1,299,062
Change in fair value of financial instruments		759
Other income and expenses		(1,212)
Changes in operating assets and liabilities		**1,745,904**
Trade and other receivables		(234,198)
Other current assets		(616,381)
Trade and other payables	10	1,246,827
Other current liabilities	10	410,675
Other non-current assets and liabilities	10	938,981
Other cash flows from operating activities		**(1,177,412)**
Interest paid	10	(1,177,412)
Cash flows from operating activities		**2,628,338**
Cash flows from investing activities		
Payments for investments		**(294,144,383)**
Intangible assets resulting from a business combination	5,6	(368,914)
Property, plant and equipment from a business combination	5,7	(73,004)
Investment property from a business combination	5,8	(262,490,483)
Investment property	8	(31,211,982)
Proceeds from sale of investments		**11,500**
Investment property	8	11,500
Cash flows from investing activities		**(294,132,883)**
Cash flows from financing activities		
Proceeds from and payments for equity instruments		**153,301,445**
Issue of equity instruments	12	164,568,752
Acquisition of own shares and equity holdings	12	(11,513,045)
Grants, donations and bequests received	15	245,738
Proceeds from and payments for financial liability instruments		**147,165,493**
Issue	10	*147,671,743*
Debt with financial institutions		147.672,502
Other payables		(759)
Redemption and repayment	10	*(506,250)*
Debt with financial institutions		(506,250)
Cash flows from financing activities		**300,466,938**
Net increase/decrease in cash and cash equivalents		**8,962,393**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		8,962,393

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1. General information and activity of the Group

a) Parent company

Healthcare Activos Yield Socimi, S.A. (hereinafter, the "Parent company") was incorporated on 1 February 2019 by the Sole Shareholder *Altamar Real State, S.L.*, under the corporate name *Roldania Investments, S.A.*, before the Notary Public, Mr. Fernando Fernández Medina.

On 26 July 2019 the registered address of the Parent company, initially located at Calle Nanclares de Oca, 1º B, in 28022 Madrid, was changed to the current one, in Paseo de la Castellana 45, 6th floor, left door, 28046 Madrid [Spain].

On 31 July 2019 new shareholders entered into the Parent company and then, on 1 August 2019 the Parent company acquired 100% of the equity units of *Healthcare Activos Yield, S.L.U.* (see note 5).

By means of an official deed dated 9 September 2019, and with effect from 1 August 2019, *Roldania Investments, S.A.* takes over *Healthcare Activos Yield, S.L.U.* by means of a merger by absorption and changes its name to *Healthcare Activos Yield, S.A.* Subsequently, on 18 September 2019, the Company changes its name to *Healthcare Activos Yield Socimi, S.A.* (see note 5).

On 19 September 2019, the Parent company informed the State Tax Administration Agency of the resolution adopted on 13 September 2019 by the General Meeting of Shareholders choosing to apply the special tax regime of SOCIMIs[1], established in Law 11/2009, of 26 October, regulating Public Limited Investment Companies Listed on the Property Market, with effect on tax periods starting as of 1 February 2019 (incorporation date of the Company).

The corporate purpose of the Group is to perform promotion and implementation of all kinds of activities regarding property, urban or planning developments and land use, either for industrial, commercial or habitation purposes. This shall include the purchase, holding, leasing, management, administration, swap and sale of all types of real estate assets. The Parent company and its subsidiaries are part of the first leading platform in Spain for investment specialised in property assets in support of the health sector, including nursing homes, hospitals and clinics.

The corporate purpose of the Parent company is within those required for SOCIMIs in article 2 of Law 11/2009, of 26 October, regulating Public Limited Investment Companies Listed on the Property Market. Likewise, the Company has equity units in the following companies:

- *Healthcare Activos Financing, S.L.U.*, incorporated on 18 May 2018, and on 13 September 2019 chose to apply the special tax regime established by such Law.

- *Healthcare Activos Inmobiliarios 13, S.L.U.*, incorporated on 19 April 2004, and on 13 September 2019 chose to apply the special tax regime established by such Law.

- *Healthcare Activos Growth, S.L.U.*, incorporated on 29 October 2018, and on 13 September 2019 chose to apply the special tax regime established by such Law.

Such subsidiaries, wholly owned by the Parent company, have as main corporate purpose the acquisition of urban real estate for lease, and are subject to the same regime established for SOCIMIs as regards the statutory and mandatory policy for the distribution of profits.

[1] *Translator's note: "SOCIMIs" are a special Spanish legal form meaning "Public Limited Investment Companies Listed on the Property Market", and are roughly equivalent to "REITs" in English, for "Real Estate Investment Trust".*

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Likewise, article 3 of Law 11/2009 establishes the following requirements for investment:

1. SOCIMIs must have at least 80 percent of their assets value invested in urban real estate intended for lease, in land for the promotion of real property aimed at such purpose, as long as the promotion begins within three years of its acquisition, as well as in holdings in the capital or equity of other entities that are also intended for the acquisition and promotion of urban real estate for lease.

   This percentage shall be calculated on the consolidated balance sheet, in the case of a group's Parent company, pursuant to the criteria established in article 42 of the Spanish Code of Commerce, regardless of its place of residence and of the obligation to prepare consolidated financial statements. Such group will be exclusively made up by SOCIMIs and the other entities referred to in section 1 of article 2 of such Law (companies whose main corporate purpose is the acquisition and promotion of urban real estate for lease). At 31 December 2019 such percentage has been complied with.

2. Likewise, at least 80 percent of the income for the tax period of each financial year, excluding those resulting from the transfer of equity units and real property, both assigned for compliance of their main corporate purpose, after expiry of the maintenance period referred to in the following section, must arise from:

   (a) leasing of real property assigned for compliance of their main corporate purpose with individuals or entities which do not fall into any of the circumstances described in article 42 of the Spanish Code of Commerce, regardless of their place of residence, and/or

   (b) dividends or profit-sharing resulting from those equity units assigned for compliance of their main corporate purpose.

   This percentage shall be calculated on the consolidated profit or loss, in the case of a group's parent company, according to the criteria established in article 42 of the Spanish Code of Commerce, regardless of the place of residence and of the obligation to prepare consolidated financial statements. Such group shall exclusively consist of SOCIMIs and the remaining entities referred to in section 1 of article 2 of such Law. At 31 December 2019 such percentage has been complied with.

3. The real property that is part of the Company's assets must remain leased for at least three years. For calculation purposes, the period in which the buildings have been offered for lease will be added, with a maximum of one year.

   The period shall be calculated:

   (a) In the case of real property that was part of the Company's equity before it became subject to the regime, since the starting date of the first tax period in which the special tax regime established by such Law was applied, provided that at such date the property was leased or offered for lease. Otherwise, the provisions described in the next paragraph shall apply.

   (b) In the case of real property that the Company promoted or acquired subsequently, since the date in which they were leased or offered for lease for the first time.

At 2019 year-end, the real property forming part of the Group's assets is linked to contracts with an average duration of 24 years that must be complied with, so they will remain leased for at least the minimum period required.

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In the case of shares or equity units[2] in the capital of those entities referred to in section 1 of article 2 of such Law, they must be kept in the Company's assets for at least three years since their acquisition or, as the case may be, since the beginning of the first tax period applying the special tax regime described in such Law. In its articles 4 and 5, Law 11/2009 also establishes the following requirements:

1. SOCIMIs' shares must be of a nominal nature and be admitted to trading in a regulated market or in a multilateral trading facility in Spain or in any other Member state of the European Union or the European Economic Area, or else in a regulated market of any country or territory with which there is an effective exchange of tax information, without interruption, throughout the whole tax period. This requirement is yet to be met, but the Company is still within the envisaged time frame to comply with it.

2. SOCIMIs will have a minimum share capital of 5 million euros. The Company has exceeded that amount and, therefore, has fulfilled such requirement.

   Any non-monetary contributions for the incorporation or capital increase that are carried out by way of real property must be assessed at the time of their contribution, in compliance with the provisions of article 38 of the recast text of the Spanish Law on Capital Companies. To that end, the independent expert appointed by the Companies Registrar must be one of the appraisal companies described in the legislation for the mortgage market. Likewise, an assessment shall be requested to one of the designated appraisal companies for any non-monetary contribution that is carried out in buildings for the incorporation or capital increase of those entities mentioned in section c) of article 2.1 of such Law.

   Only one class of shares may exist and this requirement has already complied with by the Company, as described in note 12. Once the Company has opted for the special tax regime established in such Law, its firm's name must include the words «*Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima*» ("Public Limited Investment Company Listed on the Property Market"), or its abbreviation, «SOCIMI, S.A.» (roughly equivalent to "REIT" in English). Such condition is already met by the Company.

3. Further, as described in article 6 of Law 11/2009, of 26 October, regulating Public Limited Investment Company Listed on the Property Market, those SOCIMIs and entities with registered address in the Spanish territory in which the former has holdings and who have opted for the application of the special tax regime established by such Law, must distribute as dividends to their shareholders -once the relevant commercial obligations have been fulfilled-, the profit obtained in the financial year, and their distribution must be agreed upon within a period of six months since the closure of each financial year, as follows:

   - 100% of the profits arising from dividends or profit-sharing distributed by the entities subject to such regime.

   - 50% of the profits derived from the transfer of buildings and shares or equity units, that were carried out once the periods established in the investment requirements had elapsed, and the rest of such profits will be reinvested over a period of the three years after such transfer, and failing this, they must be entirely distributed.

   - At least 80% of the remaining profits obtained.

   The Company has obtained losses during financial year 2019 and, therefore, will not distribute dividends.

[2] *Translator's note: In Spain "acciones" are shares in public limited companies (*"sociedades anónimas" or "S.A."*), while "participaciones sociales" are shares in private limited companies (*"sociedades de responsabilidad limitada" or "S.L."*). Since the law expressly prohibits "participaciones" from being called "shares", here we've used **"equity units"** instead.*

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As described in the first transitional provision of Law 11/2009, of 26 October, regulating Public Limited Investment Companies Listed on the Property Market, a choice can be made to apply the special tax regime under the terms established in article 8 of such Law, even if the conditions required therein are not complied with, as long as those requirements are fulfilled within a period of two years following the date when the choice to apply such regime was made.

In this sense, at 31 December 2019, out of the requisites set out in Law 11/2009, of 26 October, regulating Public Limited Investment Companies Listed on the Property Market, the Company does not meet the condition of being listed in a regulated market or in a multilateral trading facility.

Non-compliance of such condition would mean that the Company would, instead, pay taxes under the general regime of the Corporate Income Tax as of the tax period when such incompliance became apparent, unless it was rectified on the following financial year. Besides, the Company would be required to pay, together with the tax liability of such tax period, the difference between the tax liability payable for such tax under the general regime and the tax liability that was paid under the special tax regime in prior tax periods, notwithstanding any interests on arrears, surcharges and penalties that, where relevant, may be appropriate.

b) Subsidiary companies

According to the provisions of article 42 of the Spanish Code of Commerce, subsidiary companies are those over which the Company exercises control, either directly or indirectly. "Control" is defined as the power to govern the financial and operating policies so as to obtain profits from its activities and, in this sense, it is considered to be the potential voting rights held by the Group or third parties which, at the end of the accounting period, are exercisable or convertible.

At 31 December 2019 the companies that are part of the *Healthcare Activos Yield Socimi, S.A.* Group and its subsidiaries (hereinafter, the "Group") are the following:

Name	Type	Address	Activity	% of equity holding	Holding amount	% of equity holding	% of voting rights	Consolidation method
Healthcare Activos Yield Socimi, S.A.	Parent company	Paseo de la Castellana 45, 6th floor, left door, 28046 Madrid (Spain)	Promotion and implementation of property developments and equity holder	N/A	-	-	-	-
Healthcare Activos Financing, S.L.U.	Subsidiary company	Paseo de la Castellana 45, 6th floor, left door, 28046 Madrid (Spain)	Promotion and implementation of property developments and equity holder	100%	148,294,726	100 %	100 %	Global integration
Healthcare Activos 13, S.L.U.	Subsidiary company	Paseo de la Castellana 45, 6th floor, left door, 28046 Madrid (Spain)	Promotion and implementation of property developments and equity holder	100%	33,107,036	100 %	100 %	Global integration
Healthcare Activos Yield Growth, S.L.U.	Subsidiary company	Paseo de la Castellana 45, 6th floor, left door, 28046 Madrid (Spain)	Promotion and implementation of property developments and equity holder	100%	3,000	100 %	100 %	Global integration

Healthcare Activos Yield Socimi, S.A. is the Parent company of the Group, with a direct equity holding of 100% in all the subsidiary companies.

The Group's subsidiaries are listed in Annex I of these consolidated financial statements (annual accounts).

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The financial year of all the Group's companies coincides with the calendar year, beginning on 1 January and ending on 31 December. However, as described in note 5, the acquisition by the Parent company of 100% of the equity units of the company *Healthcare Activos Yield, S.L.U.* (a business combination where the Parent company takes control of the *Healthcare Activos Yield Socimi, S.A.* Group and subsidiary companies) became effective on 1 August 2019.

2. Basis for presentation of the annual accounts

a) True and fair view

The accompanying consolidated financial statements are presented according to the provisions established in the Spanish Code of Commerce and remaining companies legislation, the Spanish General Accounting Plan approved by Royal Decree 1514/2007, of 16 November 2007 and by the Regulations for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September, and the remaining accounting regulations that may be applicable in Spain, so that they offer a true and fair view of the equity, financial position, operating results, changes in net equity and cash flows of the Group for the eleven-month period ended 31 December 2019.

The consolidated financial statements accompanying financial year 2019 have been prepared on the basis of the individual accounting records of each of the companies comprising the Group and have been prepared by the Parent company's management.

The consolidated financial statements of the Parent company and its subsidiaries for financial year 2019 are pending approval by the General Meeting of Shareholders. However, the Parent company's management considers that such statements will be approved without any amendment.

b) Non-mandatory accounting principles applied

Non-mandatory accounting principles have not been applied. Additionally, the Parent company's directors have prepared these consolidated financial statements by taking into account all the mandatory accounting principles and standards with a significant effect thereon. There is no obligatory accounting principle with a significant effect on the consolidated annual accounts that has not been applied.

c) Critical issues regarding measurement and estimation of uncertainties

Preparing the consolidated financial statements required the use of relevant accounting estimates, as well as making judgements, estimates and assumptions in the process of applying the Group's accounting policies. In this sense, the aspects implying a greater degree of judgement, complexity or where assumptions and estimates are significant for the preparation of the financial statements refer to estimations of the following sections:

- Impairment on intangible assets, property, plant & equipment and investment property (notes 6, 7 and 8)
- Impairment on insolvency of trade (note 10)

Likewise, even though the estimates made by the Parent company's directors have been calculated according to the best information available at 31 December 2019, it is possible that events that may occur in the future call for their amendment in future financial years. The effect on the consolidated financial statements of any amendments which, as the case may be, would derive from adjustments to be made in future financial years would be recognised prospectively.

d) Comparative information

As detailed in note 1, the Company was incorporated on 1 February 2019, so its financial year is the period between 1 February 2019 and 31 December 2019. Since this is the first financial year in which the Company forms a group of companies, the directors have not included comparative balances in the consolidated

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balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements.

e) Aggregation of items

The consolidated financial statements do not have any item which has been aggregated with other items in the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity or in the consolidated statement of cash flows.

f) Functional currency and presentation currency

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group.

g) Changes in accounting criteria and correction of errors

There are no changes in accounting criteria nor any correction of errors.

3. Distribution of profit/application of losses of the Parent company

The Parent company's proposed distribution of profit or application of losses for the 2019 period, included in the individual annual accounts that will be submitted for approval to the General Meeting of Shareholders, is as follows:

	Basis of application	Application
Basis of distribution:		
Profit/(loss) for fiscal year 2019	(1,393,156)	
Application to:		
Prior periods' losses		(1,393,156)
Total	**(1,393,156)**	**(1,393,156)**

4. Recognition and measurement standards

The measurement standards used by the Group to prepare its consolidated financial statements for the financial year ended 31 December 2019, according to those established by the Spanish General Accounting Plan, are the following:

a) Consolidation criteria applied

Consolidation has been carried out by applying the method of global integration to the subsidiaries, since the Group exercises or may exercise its control, either directly or indirectly, taking as such the power to govern the financial and operating policies of an undertaking so as to obtain economic profits from its activities. This circumstance is generally -though not only- evidenced by the direct or indirect ownership of 50% or more of the voting rights of its subsidiaries.

The subsidiary companies have been consolidated by applying the global integration method, since their direct equity holdings exceed 50%, with effective control.

The revenues, expenses and cash flows of the subsidiaries are included in the consolidated financial statements since their acquisition date, which is the one when the Group obtains effective control thereof. Subsidiaries are excluded from the consolidation since the date when control has been lost.

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In the consolidation process those transactions and balances maintained with subsidiaries and the unrealised profits or losses have been removed. However, unrealised losses have been taken as an indication of impairment of the transferred assets.

Accounting policies of subsidiaries have been adapted to the accounting policies of the Group, for those transactions and other events that are similar and have taken place in similar circumstances.

The annual accounts or financial statements of subsidiaries used in the consolidation process refer to the same date of presentation and the same period as those of the Group.

b) Homogenisation

Timing homogenisation

The attached consolidated financial statements have been established at the same date and for the same period as the annual accounts of the Company required to consolidate. All the Group's companies close their financial year at the same date as the consolidated financial statements.

When an undertaking is incorporated into the Group or exits therefrom, the individual profit and loss account, statement of changes in equity and statement of cash flows of said undertaking that is to be included in the consolidation, shall only refer to the part of the financial year in which such undertaking has been part of the Group (see note 5).

Measurement homogenisation

The elements of assets and liabilities, income and expenses, and remaining items of the annual accounts of the Group's companies, shall be valued according to uniform methods and in compliance with the measurement principles and standards established in the Spanish Code of Commerce, the recast text of the Law on Capital Companies, the Spanish General Accounting Plan and other legislation that may be specifically applicable.

If any element of the assets or liabilities, income or expenses, or any other item of the annual accounts has been valued pursuant to non-uniform criteria as regards those applied in consolidation, such element shall be valued again and for the sole purpose of consolidation, in compliance with said criteria, and any necessary adjustments shall be carried out, unless the result of the new measurement has little relevance to achieve a true and fair view of the Group.

Internal transactions homogenisation

If the annual accounts of the Group's companies include items with amounts deriving from internal operations that do not match, or if there is any item not yet recognised, the appropriate adjustments are carried out in order to make the relevant eliminations.

Homogenisation to carry out aggregation

Any necessary reclassifications in the annual accounts' structure of a company of the Group are carried out so that it matches the one used in the consolidated financial statements.

c) Transactions between companies included in the consolidation perimeter

Removal of intragroup items

After carrying out the appropriate adjustments according to the homogenisation criteria, intragroup items are fully removed from the consolidated financial statements. Intragroup items are deemed to be those receivables and payables, income and expenses, as well as cash flows between companies of the Group.

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Removal of results from internal transactions

'Internal operations' are understood as those conducted between two companies of the Group from the time both firms became a part thereof. 'Results' mean both those included in the profit and loss account and the income and expenses directly attributable to net equity, according to the provisions of the Spanish General Accounting Plan.

The whole results of internal operations are eliminated and deferred until they are realised with third parties outside the Group. The deferred results are both those from the financial year and those from prior financial years produced since the acquisition date.

However, losses arising from internal transactions may point out to an existing impairment which would require, where appropriate, to be recognised in the consolidated financial statements. Likewise, the profit arising from internal operations may suggest a recovery in the impairment of the asset which is the object of the transaction that had previously been recognised. As the case may be, both concepts are presented in the consolidated financial statements according to their nature.

All the above is applied in those cases when a third party is acting in its own name and on behalf of a company of the Group.

Results allocation in the consolidated profit and loss account or, as the case may be, in the consolidated statement of recognised income and expense will show, when they are results realised with third parties, as a lesser or greater amount in the appropriate items.

If any equity element is subject to a value adjustment, for the purpose of preparing the consolidated financial statements, the depreciation, impairment losses and gains or losses on disposal or removal from the balance sheet, are calculated -in the consolidated financial statements-, based on their adjusted value.

The removal of results from internal operations conducted in the financial year affects the amount in the consolidated results, or the total amount of income and expense directly recognised in net equity, while the elimination of results from internal transactions from prior financial years modifies the amount of net equity, and has an impact on reserves, the valuation adjustments or on the grants, donations and bequests received, which are pending allocation to the profit and loss account.

d) Business combinations

When the Parent company acquires control of a subsidiary this is a business combination to which the acquisition method is applied. In subsequent consolidations, the investment-net equity of subsidiaries shall be removed, generally speaking, based on the values resulting from applying the acquisition method described below at the date of control.

Business combinations are recognised by applying the acquisition method. For this, the acquisition date is determined and the combination cost is calculated. Then, the identifiable assets acquired and the liabilities assumed are recognised at their fair value referred to such date.

The goodwill or the negative difference of the combination is determined by the difference between fair value of the assets acquired and the liabilities assumed that have been recognised and the combination cost, all of which is referred to the acquisition date.

The combination cost is determined by aggregation of:

- Fair values at the acquisition date of the assets transferred, the liabilities incurred or assumed and the equity instruments issued.
- Fair value of any contingent consideration that depends on future events or on compliance of predetermined conditions.

If the business combination is carried out in stages, so that before the acquisition date (date of taking control) there was a previous investment, the goodwill or negative difference is obtained by the difference between:

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- The cost of the business combination, plus the fair value at the acquisition date of any previous equity holding of the acquiring company in the company to be acquired; and
- The value of the identifiable assets acquired less that of the liabilities assumed, determined as described above.

Any profit or loss arising due to the measurement at fair value at the date when control is obtained of the pre-existing equity holding in the acquired entity, shall be recognised in the profit and loss account. If the investment in this subsidiary had previously been measured at its fair value, the valuation adjustments waiting to be allocated to profit/(loss) for the period shall be transferred to the profit and loss account. On the other hand, it is assumed that the cost of the business combination is the best reference to estimate fair value at the acquisition date of any previous equity holding.

If at the closing date of the financial year in which the combination occurs the measurement processes necessary to apply the acquisition method described above cannot be concluded, this recording will be regarded as provisional, and those provisional values may be adjusted in the period needed to obtain the required information which, in any case, shall not be less than a year. The effects of the adjustments carried out in this period are recognised retroactively, amending the comparative information if necessary.

e) Intangible assets

Intangible assets are initially recognised at their acquisition price and, subsequently, their cost is measured, less any accumulated depreciation which may be appropriate (calculated according to its useful life) and any impairment losses which, as the case may be, may apply. Annual contributions by way of depreciation are calculated according to the useful life which, in the case of the Group's intangibles assets, is calculated based on the 75-year period of the concession for private use to which they are related.

The Group recognises any impairment loss on the carrying amount of these assets, with a charge to the heading 'Net impairment losses' in the profit and loss account as balancing item. The criteria to recognise impairment losses on these assets and, as the case may be, to recover impairment losses recognised in prior financial years are similar to those applied for tangible assets (property, plant and equipment). In this financial year there aren't any 'Net impairment losses' resulting from these intangible assets.

f) Property, plant and equipment

Assets included in the property, plant and equipment heading are recognised at their acquisition price, which includes all necessary expenses to put it into operation, or at their production cost, less any accumulated depreciation and, where appropriate, the accumulated amount of value corrections for recognised impairment.

Indirect taxes applied to elements of the property, plant and equipment are only included in the acquisition price or production cost when they are not directly recoverable from the taxation authorities.

g) Investment property

The Group classifies in this heading the buildings, including those under construction or developing, intended -in total or in part- to obtain income, capital gains or both, instead of using them for the production or supply of goods or services, or else for administrative purposes of the Group or their sale in the ordinary course of business.

The Group recognises and measures investment property by following the criteria established for the property, plant and equipment.

The Group reclassifies a 'property, plant and equipment' as 'investment property' when it ceases to use the building for the production or supply of goods or services, or else for administrative purposes, and it is intended to obtain income or capital gains or both.

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Depreciation is calculated by applying the straight-line method over the acquisition cost of the assets less their residual value. It is understood that the plots of land upon which the buildings and other constructions rest have an indefinite useful life and that, therefore, they are not subject to depreciation.

Annual contributions by way of depreciation of real estate assets are carried out with a balancing entry in the profit and loss account and they are basically equivalent to the percentages of depreciation determined according to the estimated years of useful life, as average, of the different elements, according to the following breakdown:

Buildings	50 years

h) Impairment of non-current assets

The Group measures and determines value adjustments on impairment and reversals of impairment losses from intangible assets, property, plant and equipment, and investment property according to the procedure described hereinafter and which could reveal the potential impairment of assets subject to amortisation or depreciation, in order to verify whether the carrying amount of the mentioned assets exceeds their recoverable amount, which is understood as the higher of the asset's fair value less costs to sell and its value in use.

Impairment losses are recognised in the consolidated profit and loss account.

The recoverable amounts are calculated for each individual asset, unless they do not generate cash flows which are largely independent of those from other assets or groups of assets.

The measurement process of non-current assets impairment is performed through an "Impairment test". The procedure is as follows:

- The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment they are usually calculated individually for each asset. As regards investment property's elements, the Group has appraisals conducted by independent third parties which, through measurement procedures, have calculated the fair value of the Group's buildings.

- The management prepares a business plan every year for each cash-generating unit.

Should the company need to recognise an impairment loss for a cash-generating unit to which all or part of goodwill has been allocated, it shall first reduce the carrying amount of the goodwill associated with that unit. If impairment exceeds the amount of goodwill, the company shall then reduce the remaining assets of the cash-generating unit on a pro rata basis according to their carrying amounts, up to the greater of: its fair value less costs to sale, its value in use and zero.

When an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or of the cash-generating unit is increased to the revised estimate of its recoverable amount, but in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. Such reversal of an impairment loss is recognised as income.

There is an impairment loss of a non-current asset's element when its carrying amount exceeds its recoverable amount, understanding the latter as the higher amount of its fair value less costs to sale and its value in use.

Measuring the impairment of non-current assets' elements are carried out individually, for each element.

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i) Leases

Joint lease agreements of land and building are classified as operating or financial with the same criteria as leases of other type of assets.

Within the ordinary activity of its subsidiaries, the Group's ordinary activity consists of leasing the buildings included in its investment property.

Since land has an indefinite life, in a joint financial lease the land and building components are considered separately. The land lease is classified as an operating lease, unless the tenant is expected to acquire the property at the end of the lease period.

Minimum lease payments are distributed between the land and the building on a pro rata basis at fair values regarding the tenancy rights of both components, unless such distribution is not trustworthy, in which case the whole lease shall be classified as financial, except when it is obviously an operating lease.

j) Financial instruments: Assets

Initial recognition

Financial assets are recognised in the balance sheet when the acquisition is carried out and they are initially recognised at their fair value, generally including the transaction costs.

The financial assets held by the Group are classified as:

Held-for-trading financial assets

Assets acquired with the intention of selling them in the near term. They are initially recognised at fair value and, subsequently, at their amortised cost.

Loans and receivables

These are receivables (with either commercial substance or not) arising for the Group in exchange for the direct supply of cash, goods or services and which have fixed or determinable payments and are not traded in an active market. They are subsequently measured at their amortised cost, recognising in the income statement the interest accrued according to their effective interest rate.

To clients covered by insurance the Group applies impairment criteria to the extent that clients' debts exceed 180 days since the expiry date for the amount of the non-insured part, and to clients without insurance, when debts exceed 180 days since the expiry date.

Cash and cash equivalents

This heading of the attached balance sheet includes the cash in hand and at bank, demand deposits and other highly liquid short-term investments that can be quickly realised in cash and are not subject to risk of changes in their value.

Held-to-maturity investments

Held-to-maturity investments include debt securities with fixed maturity and fixed or determinable payments traded in an active market, and which the Group has the effective intention and ability to hold to maturity, other than those classified in other categories. The measurement criteria applicable to the financial instruments classified in this category are those applicable to loans and receivables.

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Derecognition of financial assets

The Group derecognises a financial asset, or a part thereof, when it expires or when the contractual rights over the cash flows of the financial asset have been transferred, provided that the risks and rewards of ownership of the financial asset have been substantially transferred.

The derecognition of a financial asset in its entirety implies recognising the results on the difference between its carrying amount and the addition of the consideration received, net of transaction expenses, including the assets obtained or liabilities assumed and any deferred loss or gain in the consolidated recognised income and expense in the consolidated net equity statement.

Impairment of financial assets

A financial asset or group of financial assets is impaired and has generated an impairment loss if there is objective evidence of impairment as a result of an event or events which have occurred after the initial recognition of the asset, and where the event or events causing the loss have an impact on the estimated future cash flows of the asset or group of financial assets which can be reliably estimated.

The Group applies the criterion of recognising the relevant impairment losses from loans and receivables as well as debt instruments, when a reduction or delay in future estimated cash flows has occurred due to debtor's insolvency.

Likewise, in the case of equity instruments, value becomes impaired when the asset's carrying value cannot be recovered due to a prolonged or significant decline in its fair value.

k) Financial instruments: Liabilities

Financial liabilities, including trade and other payables, which are not classified as held-for-trading or as financial liabilities at fair value with changes in the profit and loss account, are initially recognised at fair value less, as the case may be, any transaction costs that are directly attributable to the issue thereof. Subsequently to the initial recognition, liabilities classified in this category are measured at amortised cost by using the effective interest rate method.

For measurement purposes, financial liabilities are classified in the following categories:

- Debits and payables: These include debits for trade operations, which have generated from the purchase of goods and services for trade operations, and also those without a commercial origin which cannot be regarded as derivatives. These financial liabilities were initially recognised at fair value, and subsequently, at their amortised cost.

- Held-for-trading financial liabilities: These include liabilities that are issued mainly for the purpose of repurchasing them in the near term; liabilities which are part of a portfolio of financial instruments that are identified and managed together, when there is evidence of recent initiatives to obtain profits in the short term; and, finally, derivative financial instruments which are not financial guarantee contracts or designated as hedging instruments. These liabilities have been measured at fair value, both initially and subsequently, with allocation to the profit and loss account.

- Interest-bearing loans and overdrafts are recognised at the amount received, net of direct issue costs. Financial costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the profit and loss account on an accrual basis, by using the effective interest rate method and they are added to the carrying amount of the instrument, to the extent that they are not settled in the period in which they arise.

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Derecognition and amendment of financial liabilities

A financial liability, or part of it, is derecognised when the Group discharges the related obligation or if it is legally released from the main responsibility contained in the liability, either by a process of law or by the creditor.

The difference between the carrying amount of the financial liability, or a part of it, which has been derecognised and the consideration paid, including any transaction costs that may be attributable and which shall also include any asset transferred other than the cash or the assumed liability, is recognised in the profit and loss account of the financial year where it has taken place.

l) Hedge accounting

Derivative financial instruments which meet hedge accounting criteria are initially recognised at fair value, plus, as the case may be, any transaction costs which are directly attributable to contracting them, or less, as the case may be, any transaction costs that are directly attributable to their issue. However, transaction costs are subsequently recognised in the income statement, to the extent that they are not part of the effective variation of the hedge.

At the inception of the hedge, the Group designates and formally documents the hedge relationship, as well as the objective and strategy assumed in relation thereto. Hedge accounting is only applicable when, at the inception of the hedge, it is expected that it will be highly effective and, in subsequent financial years, to achieve offsetting changes in fair value or in the cash flows attributable to the hedged risk, during the period for which the hedge is designated (prospective analysis), and the actual results of the hedge can be reliably determined to be within a range of 80-125% (retrospective analysis).

Likewise, for cash flow hedges of the forecast transactions, the Group assesses whether such transactions are highly probable and if their risk exposure to changes in cash flows could ultimately affect the profit or loss for the period.

m) Own equity instruments

The Company's capital increases are recognised in the consolidated shareholders' equity, as long as the entry in the Companies Register has been carried out before preparing the consolidated financial statements. Otherwise, they are included under the heading "Current payables" in the consolidated balance sheet. Capital reductions are recognised as a reduction in consolidated shareholders' equity when this resolution has been adopted at the General Meeting of Shareholders.

n) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank deposits at sight in credit institutions. This concept also includes other short-term, highly liquid investments, as long as they are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. In this sense, investments which mature in less than three months from the acquisition date are also included. In the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities, under the heading "Debt with financial institutions".

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o) Corporate Income Tax

Corporate income tax expense or revenue includes both current and deferred taxes.

The Group does not file consolidated income tax returns, since each of its subsidiary companies pays taxes individually.

The differences existing between accounting profit or loss and taxable income or loss have been considered, taking the latter as the taxable base of the Corporate Income Tax. These differences are due to a diverse definition of income and expense in the economic and tax fields, and to the different time criteria regarding income and expense in those spheres.

Those differences are classified as:

- Permanent differences, are those registered between the taxable base of said tax and the accounting profit or loss before tax for the financial year, which shall not revert to subsequent tax periods, excluding offset losses.

- Temporary differences are those registered between the different accounting and tax measurement applied to the assets, liabilities and certain own equity instruments of the Company, to the extent that they will affect the future tax charge.

Deferred tax assets

In accordance with the principle of prudence, deferred tax assets shall only be recognised to the extent that it is probable that future taxable income of the Group will be available to enable their application. Provided that the above condition is met, a deferred tax asset shall be recognised in the following scenarios:

a) Deductible temporary differences;

b) The right to offset tax losses in subsequent periods;

c) Unused deductions and other tax incentives pending application from a tax point of view.

According to the accounting regulations in force, tax losses of the Group's companies have been activated considering that they will be able to recover all tax losses entered into the accounts, based on the future financial projections supporting such activation.

Deferred tax liabilities

A deferred tax liability is recognised for all taxable temporary differences, unless the latter have arisen from:

a) The initial recognition of goodwill. However, deferred tax liabilities related with goodwill shall always be recognised as long as they did not arise from its initial recognition.

b) The initial recognition of an asset or liability in a transaction that is not a business combination and has also not affected the accounting profit or the taxable income.

Current tax assets and liabilities

Current tax is the amount payable by the Company as a result of income tax settlements for a financial year.

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Tax deductions and other tax incentives in the amount of tax payable, excluding tax withholdings and payments on account, as well as tax losses from prior financial years which may and have been effectively offset in the present year, shall reduce the amount of the current income tax. However, those deductions and other tax incentives in the tax payable with have an economic nature similar to grants are recognised according to the provisions of the standard regarding grants, donations and bequests received.

The Group includes current tax liabilities for an amount of 178,071 euros from the debt of the corporate income tax of the subsidiaries' current financial year.

Measurement of current and deferred tax assets and liabilities

Current tax assets and liabilities are measured at the amount expected to be paid or recovered from the taxation authorities, according to the regulations in force.

Deferred tax assets and liabilities shall be measured using the tax rates expected to prevail at the time of their reversal, based on the tax legislation in force, and in accordance with the manner in which the assets are reasonable expected to be recovered or the liabilities settled.

p) Income and expense

Income and expense is recognised on an accrual basis, regardless of when the resulting monetary or financial flow arises.

However, the Group only records realised profits by the end of the year, as long as foreseeable risks and potential losses are recorded as soon as they become known.

Revenues from the sale of goods or rendering of services are measured at the fair value of the consideration received or to be received arising thereof. Prompt payment, volume and other types of discounts, as well as the interest added to the nominal amount of credits, are recorded as a reduction thereof.

q) Provisions and contingencies

Provisions

Provisions are recognised as liabilities that cover obligations existing at the balance sheet date, arising as a result of past events from which adverse effects may probably materialise for the Group's equity, and the amount and date of cancellation of which cannot be determined.

The balance sheet does not include any amount referring to such concept.

Contingent liabilities

These are possible obligations arising from past events whose materialisation is conditional upon the occurrence or non-occurrence of one or more future events beyond the Group's control.

According to the requirements of the accounting regulations, contingent liabilities are not recognised in the annual accounts, but they are only disclosed.

At the balance sheet date there are no significant contingencies arising from past events from which adverse effects may derive for the Group's equity, and for which no provision has been made.

r) Grants, donations and bequests

Non-refundable grants, donations and bequests have been initially accounted for, as income directly attributable to net equity and they are recognised in the profit and loss account as income on a systematic and reasonable basis, in a correlated way with the expenses resulting from the grant, donation or bequest.

Monetary grants, donations and bequests are measured at fair value of the amount awarded, and those that are non-monetary or in kind are measured at fair value of the goods received, with both values being referred to at the time of their recognition.

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As regards allocation in the profit and loss account, the following types of grants, donations and bequests have been identified:

- When they have been awarded to ensure a minimum profitability or to offset operating deficits, they have been allocated as income for the financial year in which they were supplied, unless they refer to future financial years.
- When they have been awarded to finance specific expenses, they have been recorded as expenses in the same financial year in which the expenses accrued.
- When they have been awarded to acquire assets or to cancel liabilities, they have been recognised as income for the financial year to the extent that the disposal has been conducted or in proportion to the provision made for depreciation.
- When money amounts have been received without allocation for a specific purpose, they have been allocated as income for the financial year in which they have been recognised.

s) Criteria used for transactions between related parties

Related companies shall mean any shareholder of the Parent company and any company directly or indirectly owned by the it, as well as any company which, in turn, is related to any shareholder of the Parent company.

According to the general standards, the transactions between related parties are recognised on an arm's length basis, regardless of their degree of linkage. Also, transfer prices are appropriately supported and, therefore, the Parent company's directors do not consider that there is any significant risk in this aspect.

t) Assets and liabilities of an environmental nature

Environmental assets are considered to be those goods used on a lasting basis in the Group's activity, whose main purpose is to minimize its impact on the environment and to protect and improve the environment, including the reduction or elimination of future pollution.

In view of the activities carried on by the Group, it has no environmental liabilities, expenses, assets or provisions and contingencies which could be considered significant with regards to assets, the financial situation and the results thereof. For this reason, no specific breakdowns are included in these consolidated notes to the consolidated financial statements regarding information on environmental issues.

u) Current and non-current items

Current assets are considered to be those related to the normal operating cycle which, generally speaking, is considered to be one year; also, those other assets whose maturity, disposal or realisation is expected to take place in the short term since the closing date of the financial year. There are held-for-trading financial assets which are kept within the non-current assets, in spite of a short-term profitability. Any assets which do not comply with these requirements are qualified as non-current.

In the same way, current liabilities are those related to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives whose settlement period exceeds one year and, in general, all obligations whose maturity or extinction will be reached in the short term. Otherwise, liabilities are classified as non-current.

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5. Business combinations

Business combinations carried out in financial year 2019 by the Parent company and its subsidiaries, and which have been part of the current *Healthcare Activos Yield Socimi, S.A.* group, are described below and have taken place on the basis of the following milestones:

1. As mentioned in note 1, on 1 August 2019, the Parent company of the Group (at the time called *Roldania Investments, S.A.*) acquired 100% of equity units in the capital of the company *Healthcare Activos Yield, S.L.U.* (subsequently called *Healthcare Activos Yield Socimi, S.A.*) to the company *Healthcare Activos Investment, S.A.*, for an amount of 85,109,751 euros. At the time of acquiring the equity units, the company *Healthcare Activos Yield, S.L.U.* owned 100% of equity units in the share capital of the companies *Healthcare Activos Financing, S.L.U.*, and *Healthcare Activos Yield Growth, S.L.U.* Therefore, the Parent company acquired control over the current group through this acquisition.

2. At that same date:

   - The subsidiary company *Healthcare Activos Financing, S.L.U.* acquired 100% of equity units in the capital of the company *Healthcare Activos Inmobiliarios 11, S.L.* to *Healthcare Activos Inmobiliarios 2, S.A.*, for an amount of 16,499,208 euros.

   - The subsidiary company *Healthcare Activos Financing, S.L.U.* acquired 100% of shares of the company *Healthcare Activos Inmobiliarios 2, S.A.* to the company *OCM Luxembourg Healthcare Activos II S.À.R.L.* for an amount of 27,457,099 euros.

   - In order for *Healthcare Activos Financing, S.L.U.* to carry out the acquisitions of the two mentioned companies, the Parent company (at the time called *Roldania Investments, S.A.*), had previously, on 1 August 2019, made a cash contribution to the shareholders' equity of *Healthcare Activos Yield, S.L.U.* and the latter did likewise to *Healthcare Activos Financing, S.L.U.*, for an amount of 46,584,949 euros.

3. At the same date, the company *Healthcare Activos Yield, S.L.U.* acquired 100% of equity units of the company *Healthcare Activos inmobiliarios 13, S.L.* to *Healthcare Activos Inmobiliarios 6, S.L.* (wholly owned by *Healthcare Activos Financing, S.L.U.*) for an amount of 33,107,036 euros.

4. By means of an official deed dated 9 September 2019 and with effect from 1 August 2019, the plan for a merger by absorption was approved, whereby the Parent company of the Group (*Roldania Investments, S.A.*), as acquiring company, took over its subsidiary company *Healthcare Activos Yield, S.L.U.* (the company being acquired).

   Therefore, in a single act, a dissolution without liquidation was carried out and the whole transfer of all its assets, as well as all the rights and obligations of the company being acquired to the acquiring company.

   Once the company *Healthcare Activos Yield, S.L.U.* was acquired, the Parent company of the Group changed its name to *Healthcare Activos Yield, S.A.* (subsequently called *Healthcare Activos Yield Socimi, S.A.*), and the Group was finally called *Healthcare Activos Yield Socimi, S.A.* and subsidiaries.

   The merger plan that was formalised on 1 August 2019 included, among others, the following conditions:

   - The merger operation was carried out in compliance with the Law on Structural Amendments (LME).
   - The merger was carried out based on the balance sheets closed at 1 August 2019.
   - The company being acquired was fully owned by the acquiring company.
   - It was decided that 1 August 2019 would be the merger's date for accounting purposes, according to the provisions set out in section 2.1 of standard 21 on recognition and measurement.

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- The merger was included in the regime of tax neutrality resulting from applying the mergers' tax regime, as set out in article 89 of Law 27/2014, of 27 November, on corporate income tax.
- The merger plan was prepared and subscribed by the General Meeting of Shareholders of the acquiring company on 9 September 2019 and by the Sole Shareholder of the company being acquired. The merger agreement was approved on 1 August by the General Meeting of Shareholders of the acquiring company and was validly entered into the Barcelona Companies Register on 14 October 2019.

  The merger is a transaction between companies of the same group. It has therefore been entered in the accounts according to standard 21 of the Spanish General Accounting Plan, approved by Royal Decree 1514/2007, of 16 November, and the amendments incorporated thereto by Royal Decree 1159/2010, of 17 September.

  The amounts of the company being acquired, recognised at the merger date, 1 August 2019, of the assets and liabilities at their previous carrying amounts, are as follows:

ASSETS		NET EQUITY AND LIABILITIES	
NON-CURRENT ASSETS	**164,804,762**	**SHAREHOLDERS' EQUITY**	**131,698,201**
Non-current investments in the Group's companies	**164,804,762**	**Capital**	**3,000**
Equity instruments	164,804,762	**Other equity holders' contributions**	**131,697,726**
		Prior periods' profit and loss	**(1,641)**
		Profit/(loss) for the period	**(883)**
CURRENT ASSETS	**819**	**NON-CURRENT LIABILITIES**	**33,107,036**
Trade and other receivables	**843**	**Debts with Group's companies, non-current**	**33,107,036**
Cash and cash equivalents	**(24)**		
		CURRENT LIABILITIES	**344**
		Trade and other payables	**344**
TOTAL ASSETS	**164,805,581**	**TOTAL EQUITY AND LIABILITIES**	**164,805,581**

5. By means of an official deed dated 9 September 2019 and with effect from 1 August 2019, the Parent company of the Group agreed to a merger by absorption carried out by *Healthcare Activos Financing, S.L.U.* (acquiring company), that took over all its subsidiaries (companies being acquired)[3], which are detailed hereinunder:
   - *Healthcare Activos Inmobiliarios, S.L.U.*
   - *Healthcare Activos Inmobiliarios 3, S.L.U*
   - *Healthcare Activos Inmobiliarios 4, S.L.U.* (which owned 100% of *Healthcare Activos Inmobiliarios 17, S.L.U.*)
   - *Healthcare Activos Inmobiliarios 6, S.L.U.*
   - *Healthcare Activos Inmobiliarios 7, S.L.U.*
   - *Healthcare Activos 2, S.A.*
   - *Healthcare Activos Inmobiliarios 11, S.L.*

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[3] *Translator's note: The original version says* "acquiring companies" *but, as it was an error, it has been rectified in the translation.*

Therefore, in a single act, a dissolution without liquidation was carried out and the whole transfer of all its assets, as well as all the rights and obligations of the companies being acquired to the acquiring company.

The merger plan that was formalised on 1 August 2019 included, among others, the following conditions:

- The merger operation was carried out in compliance with the Law on Structural Amendments (LME).
- The merger was carried out based on the balance sheets closed at 31 July 2019.
- The companies being acquired were fully owned by the acquiring company.
- It was decided that 1 August 2019 would be the merger's date for accounting purposes, according to the provisions set out in section 2.1 of standard 21 on recognition and measurement.
- The merger was included in the regime of tax neutrality resulting from applying the merger's tax regime, according to the provisions set out in article 89 of Law 27/2014, of 27 November, on corporate income tax.
- The merger plan was prepared and subscribed by the Sole Manager of the companies being acquired and by the Sole Manager of the acquiring company. It was approved by the Sole Shareholder of the acquiring company on 1 August 2019 and was validly entered in the Barcelona Companies Register on 28 November 2019.

  The merger is a transaction between companies of the same group. It has therefore been entered in the accounts according to standard 21 of the Spanish General Accounting Plan, approved by Royal Decree 1514/2007, of 16 November, and the amendments incorporated thereto by Royal Decree 1159/2010, of 17 September.

6. The breakdown of the business combination cost, the previous carrying amount of the net assets acquired in the business combination and of the excess of the combination cost over the net assets acquired, is as follows:

Cost of the business combination	**131,694,700**
Previous amounts recognised out of the identifiable assets acquired and liabilities assumed:	
Intangible assets (note 6)	368,914
Property, plant and equipment (note 7)	73,004
Investment property (note 8)	171,169,459
Other long-term assets	2,330,947
Trade and other short-term receivables	1,162,110
Cash and cash equivalents in acquired subsidiaries	3,777,341
Financial debt	(132,550,000)
Other long-term liabilities	(3,125,401)
Trade and other short-term payables	(2,832,698)
Total net identifiable assets	**40,373,676**
Excess cost of the combination over the net assets acquired	**91,321,024**

Due to the recognition at fair value of the total net assets resulting from the business combination, a difference has been evidenced between the previous net identifiable assets and the cost of the business combination, for an amount of 91,321,024 euros which has been allocated to land and buildings for an amount of 20,758,354 euros and 70,562,670 euros, respectively, based on investment property appraisals carried out by an independent expert.

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The acquired business has provided to the Group the net value of the turnover and other operating income for a total amount of 5,544,138 euros and a net loss of 1,157,827 euros for the period from 1 August to 31 December 2019. If the acquisition had taken place on 1 February 2019, the net value of the turnover and other total operating income of the Group would have increased by 6,502,622 euros, and the net loss for the period would have been higher by 409,818 euros.

There is no contingent liability arising from this business combination which must be recognised. At the financial year-end there aren't either any contingent consideration agreements to be settled.

The Group has recognised, under "Other operating expenses", of the consolidated profit and loss account, an amount of 1,060,000 euros in transaction costs (see note 14.b).

6. Intangible assets

The breakdown of intangible assets for financial year 2019 is as follows:

Breakdown	Administrative concessions	Total
Cost		
Initial balance 2019	-	-
Additions from business combination (note 5)	368,914	368,914
Other additions	-	-
Disposals	-	-
Transfers	-	-
Final balance 2019	**368,914**	**368,914**
Depreciation		
Initial balance 2019	-	-
Depreciation charge	(4,270)	(4,270)
Depreciation retirements	-	-
Depreciation transfers	-	-
Final balance 2019	**(4,270)**	**(4,270)**
Final Net Value	**364,644**	**364,644**

Additions from business combination are the result of the consolidation process with the subsidiary company *Healthcare Activos Inmobiliarios 13 S.L.*, since it was acquired and incorporated into the Group (note 5). At 31 December 2019 the amount recognised under the heading "Intangible assets" corresponds to an administrative concession for the exclusive use of a land plot provided by the Town Hall of Salou on 5 April 2005, for a period of 75 years, with a net carrying amount at 31 December 2019 of 364,644 euros.

At 2019 financial year-end the Group has not recognised any intangible assets items which are fully depreciated and still in use.

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7. Property, plant and equipment

The breakdown of the property, plant and equipment for financial year 2019 is as follows:

Breakdown	Technical installations and other property, plant and equipment	Total
Cost		
Initial balance 2019	-	-
Additions from business combination (note 5)	73,004	73,004
Other additions	-	-
Disposals	-	-
Transfers	-	-
Final balance 2019	**73,004**	**73,004**
Depreciation		
Initial balance 2019	-	-
Depreciation charge	(4,581)	(4,581)
Depreciation retirements	-	-
Depreciation transfers	-	-
Final balance 2019	**(4,581)**	**(4,581)**
Final Net Value	**68,423**	**68,423**

Additions from business combination are the result of the consolidation process with the subsidiary companies *Healthcare Activos Inmobiliarios 13, S.L.* and *Healthcare Activos Financing, S.L.*, since they were acquired and incorporated into the Group (note 5).

At 2019 financial year-end the Group has recognised fully-depreciated property, plant and equipment items for an amount of 712,120 euros.

The policy of the Group consists of taking out insurance policies to cover potential risks affecting items under property, plant and equipment. At 2019 financial year-end it is considered that there is sufficient coverage for the risks proper to the Group's activity.

8. Investment property

In financial year 2019 the composition and movement of the accounts included in investment property were as follows:

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES
31 December 2019

Breakdown	Land	Buildings	Total
Cost			
Initial balance 2019	-	-	-
Additions from business combination (note 5)	57,698,581	204,791,900	262,490,481
Other additions	5,320,223	25,891,761	31,211,984
Disposals	(2,032)	(2,383)	(4,415)
Transfers	-	-	-
Final balance 2019	**63,016,772**	**230,681,278**	**293,698,050**
Depreciation			
Initial balance 2019	-	-	-
Depreciation charge	-	(1,931,434)	(1,931,434)
Depreciation retirements	-	46	46
Depreciation transfers	-	-	-
Final balance 2019	-	**(1,931,388)**	**(1,931,388)**
Impairment			
Initial balance 2019	-	-	-
Impairment charge	-	-	-
Impairment retirements	-	-	-
Impairment transfers	-	-	-
Final balance 2019	-	-	-
Final Net Value	**63,016,772**	**228,749,890**	**291,766,662**

Additions from business combination are the result of the consolidation process with the subsidiary companies *Healthcare Activos Inmobiliarios 13, S.L.* and *Healthcare Activos Financing, S.L.,* since they were acquired and incorporated into the Group (note 5).

On 20 December 2019 the Company acquired a hospital and five clinics located in the city of Cartagena (Spain). The total price of the acquisition amounted to 30,245,000 euros. Such buildings are leased to the previous operators of those centres.

Additionally, the financial year's additions correspond to the investment carried out to refurbish the nursing home of Altos Hornos (Baracaldo, Spain).

In December 2019 the Group derecognised and sold a parking place whose net carrying value amounted to 4,369 euros. The proceeds obtained were recognised under heading "Impairment and gains/(losses) on disposal of fixed assets".

At 31 December 2019 the Group has rent guarantee deposits received from the tenants for an amount of 2,987,603 euros pursuant to the lease contracts entered into therewith. Revenues resulting from said contracts are fully recognised in the amount of the turnover. Such contracts typically have an average term of 24 years, with 21 years being the average period until their maturity.

At 2019 financial year-end, the breakdown of the buildings classified as investment property, distributed by geographical location, is as follows:

Geographical area	Cost value
North	62,735,730
South	71,627,099
Centre	84,023,047
East	75,312,173
Total	**293,698,050**

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9. Leases and other similar transactions

a) Financial leases

The Group does not have any financial leases.

b) Operating leases

As tenant

The Group does not have any operating lease contracts.

As landlord

The Group's main activity is leasing the buildings it owns, which are listed under the heading "Investment property" and the revenues related to such leases are recognised in the turnover.

At 2019 financial year-end the Company has contracts with tenants for the following minimum lease payments, according to the current agreements in force, without taking into account the impact of common expenses, future increases of the CPI, nor any future updates of rental income agreed by contract:

Operating Leases Minimum payments	Nominal value Dec. 2019
Less than one year	13,955,247
Between 1 and 5 years	55,815,289
Rest	217,767,357
Total	**287,537,894**

10. Financial instruments

a) Financial assets by category and class

The breakdown of financial assets by category and class is as follows:

Categories	Long-term financial instruments
	Deposits and guarantee deposits
	Dec. 2019
Other financial assets	1,955,270
Prepayments	107,442
Total	**2,062,712**

At 31 December 2019 the heading "Other financial assets" in the long term includes guarantee deposits (*fianzas*) paid to public entities as guarantee for leases regarding investment property for an amount of 1,595,319 euros (see note 8). It also includes 359,951 euros corresponding to bank deposits in financial institutions.

At 31 December 2019 the heading "Prepayments" corresponds to long-term prepayments caused by lack of income [grace period] in some lease contracts mentioned in note 8.

At 31 December 2019 the heading "Trade and other receivables" in the short term includes 571,202 euros as outstanding receivables from public entities by way of VAT pending to be offset (see note 13). This heading also includes amounts receivable from clients for services rendered by the Group with its usual activity (234,198 euros), and advance payments to creditors.

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Classification of financial assets by maturity

Below we find the breakdown of those financial assets for financial year 2019 with a fixed or determinable maturity, and regarding which information must be offered on the amounts with a due date in each of the next five years after the year-end, and on the remaining ones until the latest expiry date.

Breakdown	2020	2021	2022	2023	2024	Rest	Total
Deposits & guarantee deps.	-	359,951	-	-	-	1,595,319	1,955,270
Other receivables	805,443	7,877	7,877	7,877	7,877	75,934	912,885
Total	**805,443**	**367,828**	**7,877**	**7,877**	**7,877**	**1,671,253**	**2,868,155**

b) Financial liabilities

At 31 December 2019 the breakdown of financial liabilities, both current and non-current, is as follows:

Classes and categories	Financial instruments in the long term
	Debits and payables
	Dec. 2019
Debt with financial institutions	145,883,393
Guarantee deposits	2,987,603
Derivatives (note 11)	342,258
Total	**149,213,254**

"Debt with financial institutions" corresponds to a loan formalised by the Group on 1 August 2019 with the financial institution *Natixis, S.A.* for an amount of 175,000,000 euros, out of which in 2019 the Group has used 150,122,500 euros. At 31 December 2019 the outstanding amount of the mentioned loan, in the short term, amounted to 1,424,509 euros. At the same date, a bank refinancing was set up for all the previous mortgage loans existing in the Group's companies, cancelling the outstanding debt with all the relevant financial institutions.

The granted loan consists of two instalments. At 31 December 2019 the first instalment, for an amount of 135,000,000 euros, was entirely used up. And, at the same date, out of a total amount of 40,000,000 euros granted for the second instalment, 15,122,500 euros had been used up. In December 2019 the Group had made a payment for an amount of 506,250 euros.

The funding bears an interest rate tied to Euribor plus a market margin. The interest accrued in financial year 2019 amounts to 1,114,464 euros. The loan contract sets out different agreements and covenants among which special attention should be given to compliance of certain financial ratios which the Board of Directors considers are fulfilled by the Company, without incidents, at 2019 year-end.

"Debt with financial institutions" in the long and short term, is reduced by the formalisation expenses for the existing loans, which at 31 December 2019 amount to 2,440,815 euros.

At 31 December 2019 the heading "Guarantee deposits" corresponds to those rent deposits received from the lease agreements regarding investment property (see note 8).

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Classes and categories	Financial instruments in the short term
	Debits and payables
	Dec. 2019
Debt with financial institutions	1,424,509
Guarantee deposits	3,000
Other financial liabilities	90,022
Total	**1,517,531**

"Other financial liabilities" corresponds to the current balances with two of the Company's shareholders generated due to the capital increase dated 23 December 2019 described in note 11. Such balances have been paid on 14 January 2020.

At 2019 financial year-end, the heading "Trade and other payables" includes 1,027,125 euros pending payment to creditors arising from the usual activity of the Group; 125,468 euros pending payment with related companies by way of management fees (note 17); and 245,717 euros by way of balances pending payment with public entities regarding Personal and Corporate Income Tax, and Social Security (see note 13).

Classification of financial liabilities by maturity

Below we find the breakdown of those financial liabilities for 2019 with a fixed or determinable maturity, and regarding which information must be offered on the amounts with a due date in each of the next five years after the year-end, and on the remaining ones until the latest expiry date.

Breakdown	2020	2021	2022	2023	2024	Rest	Total
Debt with financial institutions	1,446,036	1,688,878	2,064,184	2,439,491	2,814,797	139,295,331	149,748,717
Debt formalisation costs	(21,438)	(27,563)	(33,688)	(39,813)	(45,938)	(2,272,375)	(2,440,815)
Guarantee deposits	3,000	-	-	-	-	2,987,603	2,990,603
Derivatives (note 11)	-	-	-	-	-	342,258	342,258
Trade and other payables	1,152,593	-	-	-	-	-	1,152,593
Total	**2,580,191**	**1,661,315**	**2,030,496**	**2,399,678**	**2,768,859**	**140,352,817**	**151,793,356**

c) Information on the nature and level of risk from financial instruments

The Group's financial risk management is centralised in the Finance Department, which has the necessary mechanisms in place to control exposure to variations in the interest and exchange rates, as well as to credit and liquidity risks. The main risks having an impact on the Group are described below:

Credit risk

The Group has policies to ensure that sales are carried out to clients with the appropriate credit record. Valuation adjustments for customers' insolvency imply reviewing individual balances based on client credit ratings, current market trends and a historical analysis of insolvencies at aggregated level. At 31 December 2019 the Group shows an impairment of outstanding balances due for a total amount of 7,316 euros. Those balances have been incorporated to the Group through the business combinations described in note 5. Therefore, no contribution has been made regarding impairment of trade creditors in financial year 2019.

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Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and has available funding to meet the outflows required in its usual operations.

Market risk (including interest rate, exchange rate and other price risks)

The Group's interest rate risk arises from long-term borrowings. External resources issued at variable rates expose the Group to cash flow interest rate risk.

11. Derivatives

a) Derivative instruments for hedge accounting

The Group has entered into derivative financial instruments in order to be covered, by taking on swaps, against fluctuations of cash flows to be disbursed through a payment tied to variable interest rate (Euribor) in the financing contract described in note 10.b.

At 31 December 2019 the Group holds hedging instruments with the following characteristics:

Coverage	Maturity	Contracted amount	Inefficient results	Impact on equity	Fair value Liabilities (note 10)
Swap	31 July 2026	135,000,000	-	342,258	342,258

To determine the fair value of interest rate derivatives, the Company uses a third-party IRS valuation model, using Euribor market curves and long-term swaps as inputs. The Company has complied with the regulatory requirements to be able to consider derivatives as hedge accounting. In order for these financial instruments to qualify for hedge accounting, they must be initially designated as such, and the hedging relationship must be documented. The Company verifies, both at inception and periodically over the term of the hedge (at least, at each year-end), that the hedging relationship is effective, i.e., that it is prospectively foreseeable that changes in the fair value or cash flows of the hedged item will be almost fully offset by those of the hedging instrument and that, retrospectively, the hedge results have fluctuated within a variation range of 80% to 125% regarding the result of the hedged item.

The hedging relationships of the derivative contracted by the Group are highly effective, both prospectively and retrospectively, and offer an effectiveness of 100% in an accumulated way, since the designation date. The interest accrued in financial year 2019 amounts to 172,646 euros.

12. Net equity and shareholders' equity

a) Share capital, share premium and contributions of the Parent company's shareholders

The Parent company of the Group is incorporated on 1 February 2019 with an initial capital of 15,000 euros, by the Sole Shareholder, *Altamar Real State, S.L.*

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The following milestones take place on 31 July 2019:

- Disbursement of outstanding capital calls for an amount of 45,000 euros by the Sole Shareholder, *Altamar Real State, S.L.,* so that the capital is fully paid up and amounts to 60,000 euros.
- *Altamar Real State, S.L.* makes a contribution to the shareholders' equity of the Parent company for an amount of 40,000 euros.
- Entry of new shareholders in the Company's capital through the acquisition carried out by the Company of 100% of the equity units of *Healthcare Activos Yield, S.L.U.* (which is subsequently acquired, as described in note 5). Such entry takes place by means of a capital increase for an amount of 75,960,000 euros with a share premium of 50,640,000 euros, having issued 75,960,000 shares with a nominal value of 1 euro each and a share premium of 0.66 euros per share.

On 18 September 2019 a capital increase is carried out in the Parent company for an amount of 3,000,000 euros, with a share premium of 2,005,590 euros, having issued 3,000,000 shares with 1 euro of nominal value each and a share premium of 0.67 euros per share. Such increase was paid up on 20 August 2019.

On 23 November 2019 a capital increase is carried out in the Parent company for an amount of 19,584,600 euros, with a share premium of 13,585,982 euros. On the same date a reimbursement of share premium to shareholders is made due to equalisation, for an amount of 316,275 euros.

On 28 November 2019 the Parent company acquired from one of its shareholders (*Nortia Capital Investment Holding, S.L.*) 6,780,000 own shares of 1 euro of nominal value each, representing 8.58% of the Company's capital, for an amount of 11,513,044 euros, out of which 6,780,000 euros corresponded to capital and 4,733,045 euros to the share premium. On the same date, there is a reimbursement of contributions to one of the Parent company's shareholders for an amount of 263 euros.

On 23 December 2019 the Extraordinary and Universal General Meeting of Shareholders of the Parent company decided:

- A capital increase for an amount of 22,485,000 euros and a share premium of 8,239,127 euros,
- A capital reduction through the amortisation of own shares, reducing the capital and the share premium for the amounts of 6,780,000 euros and 4,520,000 euros, respectively, generating a redeemed capital reserve at the financial year-end for an amount of 213,045 euros.
- A distribution of an extraordinary dividend to the Company's shareholders through the reimbursement of share premium, for an amount of 30,724,127 euros.
- A reimbursement of contributions to one of the Parent company's shareholders, for an amount of 20,076 euros.

Therefore, and after the movements described that took place throughout financial year 2019, at the year-end the Parent company's share capital amounts to 114,309,600 euros, represented by 114,309,600 registered equity units of 1 euro of nominal value each of them, which are fully subscribed and paid up.

Additionally, at 31 December 2019 the share premium amounts to 38,935,970 euros arising from the described transactions.

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At 31 December 2019, the Parent company's shareholders consist of 100 shareholders. Those with an ownership percentage higher than 5% are listed hereinunder:

	Ownership % in the total share capital
Nortia Capital Investment Holding, S.L.	23.62%
Inmomutua Madrileña, S.L.U.	6.30%
Inversiones Odisea	5.25%
Other investors	64.83%

As described in note 18.e, the General Meeting of Shareholders of the Group's Parent company, held on 25 March 2020, has approved an increase of share capital for up to a total amount, between nominal and premium, of up to 38,000,000 euros and an acquisition of a maximum of 9,000,000 shares of the Group's Parent company, owned by *Nortia Capital Investment Holding, S.L.*, and then such shareholder is left with a holding percentage in the total share capital of 13.55% approximately (excluding shares in treasury stock). Additionally, on the same date, the General Meeting of Shareholders has approved the distribution of a dividend charged to the share premium of up to 1,778,534 euros.

a) Reserves of the Parent company

The composition of the Company's reserves at 31 December 2019 is as follows:

	Dec. 2019
Merger reserves	3,521
Redeemed capital reserve	(213,045)
Total	**(209,524)**

The heading "Merger reserves" includes reserves for the merger operation of *Healthcare Activos Yield, S.A.* by *Roldania Investment, S.A.*, as described in note 5.

b) Consolidated profit or loss attributable to the Parent company

The contribution of each company included in the consolidation perimeter to the consolidated profit or loss for the period is as follows:

Company	**Profit or loss 2019**
Healthcare Activos Yield Socimi, S.A.	(1,580,971)
Healthcare Activos Financing, S.L.U.	(55,895)
Healthcare Activos 13, S.L.U.	482,559
Healthcare Activos Yield Growth, S.L.U.	(3,520)
Total	**(1,157,827)**

c) Valuation adjustments

Valuation adjustments correspond to the assessment of hedging derivatives related to the funding obtained by the Group in financial year 2019 (see note 11).

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13. Tax situation

a) Balances with public entities

At 31 December 2019 the composition of current balances with public entities is as follows:

Breakdown	Dec. 2019	
	Debtor	Creditor
Taxation authorities, receivables: VAT recoverable	571,202	-
Taxation authorities, payables: withholding tax	-	67,467
Social Security bodies	-	179
Taxation authorities, income tax payable	-	178,071
Taxation authorities, income tax receivable	43	-
Total	**571,245**	**245,717**

b) Income tax

It has been taken into account that there are differences between the accounting profit and the taxable income, taking the latter as the taxable base of the Corporate Income Tax. These differences are caused by the different definition of income and expense in the economic and tax spheres, and to the diverse timing criteria regarding income and expense in both spheres.

Differences are classified as:

- Permanent differences, produced between the taxable income of such tax and the reported income for the year before taxes, that are not reverted to subsequent reporting periods, excluding compensated losses.
- Temporary differences, between the taxable income of the Corporate Income Tax and the reported income for the year before taxes, which arise from the diverse timing criteria used to determine both dimensions.

The value of an asset, liability or own equity instrument for tax purposes, called tax base, is the amount attributed to that item in accordance with applicable tax legislation. It is possible that certain items may have a tax base but no carrying amount and, therefore, are not recognised in the balance sheet.

As mentioned in note 1, on 13 September 2019, both the Parent company and all the Group's subsidiaries communicated to the Spanish State Tax Administration Agency that they would apply the special tax regime for SOCIMIs. The application of such regime has an effect on the tax period since 1 January 2019 in those companies. The impact recognised under the heading "Income tax expense" in the profit and loss account is the result of recording the derecognition of assets and liabilities from deferred tax and of the current tax provision held by the subsidiary *Healthcare Activos Inmobiliarios 13, S.L.*

At 2019 financial year-end, the Group has an amount pending payment to public entities, by way of Corporate Income Tax, for 178,071 euros, corresponding to the Group's companies tax on the profits generated since 1 January 2019 up to 31 July 2019, from the companies being acquired in the business combination described in note 5.

At 2019 financial year-end, the Group does not have any recognised amount for any type of deferred assets and liabilities (including tax loss carryforwards) or deductions related with the Corporate Income Tax.

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c) Financial years open to inspection by the taxation authorities

Pursuant to the legal provisions in force, tax settlements may not be considered final until they have been inspected by the taxation authorities or the period of limitation has elapsed.

In general, main taxes of the last four years applicable to the Group's companies are open to inspection by the taxation authorities (the Parent company and *Healthcare Activos Growth, S.L.U.* since its date of incorporation). The varying interpretations that can be made of the applicable tax regulations could give rise to contingent liabilities which cannot be objectively quantified. However, the management considers quite unlikely that this would occur and, in any case, it would be defendable, and that they would not reach significant amounts as regards the annual accounts and, therefore, it has been deemed unnecessary to establish any additional provision for this concept.

14. Income and expenses

a) Turnover:

The distribution of the Group's turnover is as follows:

Breakdown	2019
Services rendered (Leases)	5,080,748
Total	**5,080,748**

The net amount of the Company's turnover has been entirely obtained on Spanish territory.

b) Other operating expenses

The breakdown of the main concepts included under this heading is as follows:

Breakdown	2019
Independent professional services	2,863,078
Insurance premiums	7,452
Banking services	14,612
Other services	470,823
Other taxes	128,327
Total	**3,484,292**

"Independent professional services" corresponds mainly to the costs of external consultants regarding the business combination transactions described in notes 1 and 5, as well as the management fees paid to the companies managing the Group.

Additionally, throughout financial year 2019 the Group has supported a total of 463,390 euros included under the heading "Other services" by way of expenses reinvoiced to tenants of the Company's leased buildings, whose re-invoicing is recognised under "Other operating income".

15. Capital grants

At 2019 financial year-end, the Group holds an administrative concession with the Town Hall of Salou (Catalonia, Spain). The concession allows to use the land plot located in the area adjacent to the Salou nursing home, for the term of the concession (75 years). Upon expiry of the concession period, the land shall then revert to the Town Hall, together with everything built thereon. Such concession comes from the business combination described in note 5.

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According to the recognition and measurement standards described in note 3, in each financial year a revenue will be recognised for the proportional part of such concession as higher income, while the value of the grant will be reduced.

At 2019 financial year-end the amount of grants, donations and bequests recognised in the Group's balance sheet is 245,738 euros. At the same date, the outstanding term of the concession described above is 61 years.

Analysis of the movement for the financial year closed at 31 December 2019, is as follows:

Breakdown	2019
Initial balance	-
Additions from business combination	245,738
Increase	-
Reduction	-
Final balance	**245,738**

The Company complies with the conditions regarding grants, donations and bequests received in the financial year.

16. Information on the average payment period to suppliers in the financial year. Third additional provision. Reporting duty of Law 15/2010, of 5 July

	2019
Average payment period to suppliers	30
Ratio of operations paid	30
Ratio of operations pending payment	30

	2019
Total payments carried out	5,393,882
Total payments outstanding	1,152,593

17. Operations with related parties

a) Compensation of the Board of Directors and senior management

In financial year 2019, the directors and senior management of the Company have not earned compensation. And in 2019 no termination-of-service allowances have accrued, nor payments based on equity instruments.

No loan or advance has been granted to members of the Board of Directors.

No obligations have been undertaken with respect to pensions or life insurance regarding any member of the Board of Directors.

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18. Other Information

a) Audit fees

In financial year 2019 the fees for accounts auditing services (*KPMG Auditores, S.L.*) of the consolidated financial statements and the individual ones for the companies included in the Group amounted to a total of 72,230 euros. The amounts include all fees regarding the services supplied throughout the financial year, regardless of their time of invoicing.

On the other hand, other entities affiliated to *KPMG International* have invoiced the Group for professional services fees amounting to 15,000 euros in the financial year ended 31 December 2019.

b) Information on the environment

In view of the Group's type of operations, it does not have any responsibilities, expenses, assets, or provisions and contingencies of an environmental nature, or related with greenhouse gas emissions which may be significant in relation to the equity, financial position and results thereof. For this reason, these notes to the financial statements do not include any specific breakdown regarding information on environmental issues.

c) Other agreements of the Group

There aren't any agreements of the Group which are not included in the balance sheet and over which no information is provided in another note of these notes to the financial statements, whose potential financial impact or information nature may be significant and helpful to determine the Group's financial position.

d) Information on situations of conflict of interests by members of the Board of Directors

At 2019 financial year-end the Parent company's directors, as well as those people connected to them, as described in article 229 of the Spanish Law on Capital Companies, the Company's directors and the people related thereto, holding positions or exercising functions in companies with the same, similar or complementary type of activity, have incurred in situations of conflict of interests which had to be reported, according to the provisions of article 229 of the recast text of the Law on Capital Companies. In this sense, at 2019 financial year-end, the members of the Board of Directors, Jorge GUARNER MUÑOZ and Alberto FERNÁNDEZ SABATER hold the position of joint and several managing directors (*Consejeros Delegados Solidarios*) in the company *Healthcare Activos Investment, S.A.*; while in the subsidiaries thereof, they hold the position of joint and several directors (*Administradores Solidarios*).

In 2019 the Parent company's directors have not performed with the Parent or with other companies of the Group, any transaction other than in the normal course of business or other than on an arm's length basis.

e) Other relevant information subsequent to year-end

Following the close of the financial year, the following relevant events occurred and, in spite of not affecting the Group's financial position and regarding which no other information has been included in any other note of these notes to the financial statements, the directors believe they should be taken into consideration:

- On 9 March 2019 took place the syndication and establishment of the mortgage of several buildings of the Group regarding the loan held by the subsidiary *Healthcare Activos Financing, S.L.U.* described in note 10.b, with the financial institution *Natixis, S.A.* To this end, the characteristics of such funding are maintained, with the entity *Natixis, S.A.* being the agent bank of the other financial institutions involved in the syndication. The entities taking part in such syndication are: *Banco Bilbao Vizcaya Argentaria, S.A., Bankinter S.A., CaixaBank, S.A., Abanca Corporación Bancaria, S.A., Amundi Dette Senior FPE III, The Sicav Amundi Real Assets Funding SCA SICAV-RAIF* and *Banco Pichincha Spain, S.A.*

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- On 11 March 2020, the World Health Organisation declared that the outbreak of coronavirus COVID-19 was a pandemic, due to its quick expansion worldwide, having affected more than 150 countries. Most Governments are taking restrictive measures to contain its spread, including: isolation, confinement, quarantine and restriction to the free movement of persons, closure of public and private premises, except for those of basic and health-related necessities, border closures and drastic reduction of air, sea, train and land transportation. In Spain, the Government adopted Royal Decree 463/2020, of 14 March, declaring the alarm state to handle the situation of health crisis provoked by COVID-19, which in principle would be for a term of 15 calendar days.

  This situation is affecting global economy in a very significant way, due to the interruption or slowdown of supply chains and the significant increase of economic uncertainty, evidenced by the increased volatility of assets' price, exchange rates and reduction of long-term interest rates.

  In order to mitigate the economic impact of this crisis in Spain, on Wednesday 18 March, Spain published Royal Decree-Law 8/2020, of 17 March, regarding urgent and extraordinary measures to face the economic and social impact of COVID-19.

  Consequences arising from COVID-19 are considered to be a subsequent event which does not require an adjustment of the consolidated financial statements for financial year 2019, notwithstanding the fact that they will have to be recognised in the consolidated financial statements of the 2020 financial year.

  At the date of preparing the consolidated financial statements, the Group has not been and is not expected to be significantly affected by the impact of COVID-19.

- On 25 March 2020 the General Meeting of Shareholders of the Parent company has approved an increase of share capital for a total amount, between nominal and premium, of up to 38,000,000 euros and an acquisition of up to a maximum of 9,000,000 shares of the Parent company of the Group, owned by *Nortia Capital Investment Holding, S.L.*, leaving a holding percentage for such shareholder in the total share capital of 13.55% approximately (excluding shares in treasury stock). Additionally, at the same date, the General Meeting of Shareholders has approved to distribute a dividend charged to the share premium of up to 1,778,534 euros.

19. Regulatory requirements resulting from the SOCIMI status, Law 11/2009

In compliance with the reporting duties established in article 11 of Law 11/2009, of 26 October, regulating Public Limited Investment Companies Listed on the Property Market, the following aspects are highlighted:

Requirement to be fulfilled	Information on financial year 2019
a) Reserves from financial years prior to the application of the tax regime established in this Law.	There are no reserves from financial years prior to the application of the tax regime established by this Law.
b) Reserves from financial years where the tax regime established in this Law was applied, making a distinction between the part coming from income subject to a zero or 19 percent charge rate, and those which, as the case may be, have paid taxes at the general charge rate.	There are no reserves from financial years where the tax regime established in this Law has been applied.

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c) Dividends distributed with a charge to profits of each financial year in which the tax regime established in this Law has been applicable, making a distinction between the part coming from income subject to a zero or 19 percent taxation rate, and the income which, as the case may be, have paid taxes at the general charge rate.	The results of the Company for financial year 2019 are losses, and therefore no dividends have or will be distributed. It is therefore unnecessary to provide the information required for the distribution of dividends, established by article 11 of such Law.
d) In case of distribution of dividends with a charge to reserves, designation of the financial year from which the reserve applied originated and, whether they have been taxed at zero percent, 19 percent or at the general taxation rate.	-
e) Date of the agreement to distribute the dividends referred to in the sections c) and d) above.	-
f) Date of acquisition of the buildings intended for lease and of the equity units in the capital of those entities referred to in section 1 of article 2 of this Law.	The buildings of the Company were acquired on 1 August and 20 December 2019.
g) Identification of the assets qualifying for the 80 percent referred to in section 1 of article 3 of this Law.	At 2019 financial year-end, the assets qualifying for the 80% referred to in section 1 of article 3 of this Law, are those related to urban buildings intended for lease. At 2019 financial year-end, the net carrying amount at which such assets are recognised amount to 291,766,662 euros.
h) Reserves from financial years where the special tax regime described in this Law was applicable, that were established in the tax period, but not for their distribution or to offset losses, identifying the financial year which such reserves come from.	There are no reserves from financial years prior to the application of the tax regime established in this Law.

20. Segmented information

The Group has not informed about segmented information because net income corresponds entirely to investment property leasing.

Barcelona, 25 March 2020

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Annex 1 – Subsidiary companies 2019

Company	Activity	Registered address	Closing date	Parent Company's effective holding %	Capital and premium	Reserves	Other equity holders' contributions	Profit/(loss) from prior financial years	Interim dividend	Profit or loss	Total shareholders' equity
Healthcare Activos Financing, S.L.U.	Promotion and execution of property developments	Paseo de la Castellana 45, 6th floor left door, 28046 Madrid	31.12.2019	100%	3,000	-	148,294,725	(2,031)	-	(125,031)	148,170,663
Healthcare Activos Inmobiliarios 13, S.L.U.	Promotion and execution of property developments	Paseo de la Castellana 45, 6th floor left door, 28046 Madrid	31.12.2019	100%	3,430,846	45,299	9,185,811	(1,098,643)	-	373,051	11,936,364
Healthcare Activos Yield Growth, S.L.U.	Promotion and execution of property developments	Paseo de la Castellana 45, 6th floor left door, 28046 Madrid	31.12.2019	100%	3,000	-	-	(286)	-	(4,553)	(1,839)

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES
31 December 2019

Consolidated management report

Economic evolution of the businesses

In financial year 2019, the Parent company of the Group acquired 100% of the equity units of *Healthcare Activos Yield, S.L.U.*, and *Healthcare Activos Inmobiliarios 13, S.L.* thus creating an investment vehicle valued in more than 290 million euros, and becoming a leader in the management of real estate assets within the healthcare sector, a market at an early stage of development in Europe and with a great potential for growth.

Since 1 August 2019, when the initial portfolio of assets was acquired, the Group has reached a turnover of 5,080,748 thousand euros.

Additionally, during the financial year closed at 31 December 2019, the Group has increased its initial portfolio with the acquisition of six additional strategic assets: a hospital and five clinics in the city of Cartagena.

At 2019 financial year-end, the Group has a total of 26 assets with a capacity of over 3,200 beds, in carefully selected locations with strong fundamentals of demand and supply. All the assets are leased to reputed operators, under contracts with an average term of 24 years.

Investments

In financial year 2019 the Group has invested 293,698,050 euros in nursing homes, hospitals and clinics, as well as social-health centres described in the notes to the financial statements for the year ended 31 December 2019. The Group intends to increase its investments in the short term in order to expand its asset portfolio in the healthcare sector throughout the next financial year 2020.

Activities regarding research and development

The Group works closely with the diverse operators of the healthcare sector, thus contributing to the development of projects, measures and sectoral regulatory framework in order to obtain the best treatment and care for people. In this way, it is generating sustainable and long-term value for all stakeholders, even though the Group has not carried out any investment or expense in the fiscal year 2019 that may be specifically considered as R+D.

Acquisitions of own shares

On 28 November 2019 the Parent company acquired from one of its shareholders, own shares for an amount of 11,513,045 euros.

Subsequently, on 23 December 2019 a capital reduction is carried out through the redemption of such own shares, with the capital and share premium being reduced for amounts of 6,780,000 euros and 4,520,000 euros, respectively.

Therefore, the Group does not have any own shares at 2019 financial year-end.

Financial risk factors

The Group's activities do not have significant concentrations of financial risks.

Derivative financial instruments

In financial year 2019 the Group has taken on derivative financial instruments (hedging derivatives) in order to hedge the interest rate risk.

Average payment period

The average payment period of the Group during financial year 2019 has been 30 days.

Subsequent events

Relevant events subsequent to the year-end described in note 18.e are not expected to affect significantly to the financial position of the Group in financial year 2020.

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HEALTHCARE ACTIVOS YIELD SOCIMI, S.A. AND SUBSIDIARY COMPANIES (Sociedad Unipersonal)

In compliance with the provisions established in article 253.2 of the recast text of the Spanish Law on Capital Companies and in article 37 of the Spanish Code of Commerce, the directors of *Healthcare Activos Yield Socimi, S.A.*, at their meeting held on 25 March 2020, have drawn up the consolidated financial statements and the consolidated management report for the financial year between 1 February 2019 and 31 December 2019. The consolidated financial statements consist of the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity, consolidated statement of cash flows, notes to the consolidated financial statements and the management report.

Signatories:

[Illegible signature]	*[Illegible signature]*
Mr. Jorge GUARNER MUÑOZ	Mr. Alberto FERNÁNDEZ SABATER
[Illegible signature]	*[Illegible signature]*
Mr. Fernando OLASO ECHEVARRÍA	Mr. Miguel ZURITA GOÑI
[Illegible signature]	*[Illegible signature]*
Ms. Ana FORNER BELTRÁN	Mr. Ignacio MANZANO GARCÍA

[Certified translation of documents originally issued in Spanish, prepared according to the financial regulations applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version shall prevail.]

AFFIDAVIT: Ms. Cristina FERNÁNDEZ NEBREDA, Sworn Translator - Interpreter of English & French, officially appointed by the Spanish Ministry of Foreign Affairs and Cooperation, with No. 882, certifies that the above is a faithful and complete translation into English of a document drafted in Spanish, whose copy is attached hereto. Madrid, 8 July 2020.-

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