



## **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

**INTERIM FINANCIAL STATEMENTS AND DIRECTOR'S REPORT  
FOR THE SIX-MONTH PERIOD ENDED ON JUNE, 30<sup>TH</sup> 2020  
TOGETHER WITH THE INDEPENDENT LIMITED REVIEW  
REPORT ON THE INTERIM FINANCIAL STATEMENTS**

*(TRANSLATION FROM THE INTERIM FINANCIAL STATEMENTS TO BE ISSUED ORIGINALLY IN SPANISH AND PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN SPAIN. IN THE EVENT OF A DISCREPANCY, THE SPANISH-LANGUAGE VERSION PREVAILS)*



**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

**Interim Financial Statements and Directors'  
Report for the period ended on June, 30th 2020  
together with the Independent Auditor's  
Report on the Interim Financial Statements**

**LIMITED REVIEW AUDIT REPORT ON THE INTERIM FINANCIAL STATEMENTS**

**INTERIM FINANCIAL STATEMENTS AND NOTES FOR THE SIX MONTH PERIOD ENDED ON JUNE 30, 2020:**

Balance Sheets as of June 30, 2020 and December 31, 2019

Income and Expenses Statement for the six-month period ended on June 30, 2020 and the six-month period ended on June 30, 2019.

Statements of Changes in Equity for the six-month period ended on June 30, 2020 and the year 2019.

Statements of Cash Flows for the six-month period ended on June 30, 2020 and the six-month period ended on June 30, 2019.

Notes to the Interim Financial Statements as of June 30, 2020.

**DIRECTORS' REPORT FOR THE SIX MONTH PERIOD ENDED ON JUNE 30th 2020**



LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.

LIMITED REVIEW AUDIT REPORT ON THE INTERIM FINANCIAL STATEMENTS

*(Translation of the report originally issued in Spanish.  
In the event of discrepancy, the Spanish Language version prevails)*

## Limited Review Report on the Interim Financial Statements

To the Shareholders of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

### Limited review report on the interim financial statements

#### Introduction

We have reviewed the interim financial statements of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**, which comprise the balance sheet as of June 30, 2020, the income statement, the statement of changes in equity, the cash-flow statement and the notes to the interim financial statements for the six-month period then ended. The directors are responsible for the preparation and fair presentation of the interim financial statements in accordance with the regulatory framework of financial information applicable to the Company in Spain, as identified in Note 2.a of the accompanying notes to the interim financial statements, and of the internal control deemed necessary to enable the preparation of the financial statements free of material misstatements, whether due to fraud or error. Our responsibility is to express a conclusion on this interim financial statements based on our limited review.

#### Scope of review

We have performed our limited review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Company". A limited review on interim financial statements consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A limited review has a substantially lower scope than an audit conducted in accordance with the regulations governing the auditing of accounts and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion on the interim financial statements.

#### Conclusion

Based on our limited review, which cannot be understood as an audit of accounts, nothing has come to our attention that causes us to believe that the accompanying interim financial statements does not present fairly, in all material respects the true and fair view of the equity and financial position of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**, as of June 30, 2020, as well as its results and its cash-flows for the six-month period then ended, in accordance with the applicable financial information regulatory framework and, in particular, with the accounting principles and criteria contained therein.

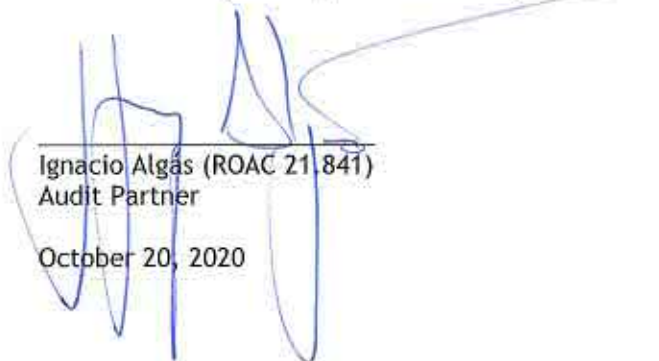




**Other matters**

This report has been prepared at the request of the Board of Directors of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.** in connection with the publication of the six-month period financial report required by the Circular 15/2016, of the Spanish Alternative Stock Market about 'Information to be supplied by companies in expansion and SOCIMI incorporated to negotiation in the Alternative Stock Market'.

**BDO Auditores, S.L.P. (ROAC nº S1273)**



Ignacio Algás (ROAC 21.841)  
Audit Partner

October 20, 2020

**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

**INTERIM FINANCIAL STATEMENTS FOR**  
**THE PERIOD ENDED ON JUNE 30, 2020**

**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**  
**BALANCE SHEETS AS OF JUNE 30, 2020 AND DECEMBER 31, 2019**  
 (Expressed in Euros)

ASSETS	Notes to the Interim Financial Statements	30/06/2020	31/12/2019
<b>NON-CURRENT ASSETS</b>		<b>4.785.384,71</b>	<b>4.792.900,99</b>
<b>Intangible assets</b>	<b>Note 4</b>	<b>3.773.096,20</b>	<b>3.847.115,83</b>
Research		2.207.196,21	2.685.329,16
Patents, licenses, trade marks and similar		598.230,35	546.172,82
Computer applications		39.500,73	43.977,61
Other intangible assets		928.168,91	571.636,24
<b>Tangible fixed assets</b>	<b>Note 5</b>	<b>396.676,77</b>	<b>380.120,98</b>
Land and buildings		155.525,20	158.079,81
Technical installations and other tangible fixed assets		241.151,57	116.743,37
Tangible assets in progress		-	105.297,80
<b>Long-term investments in group and affiliated companies</b>		<b>432.112,99</b>	<b>382.365,43</b>
Equity instruments	Note 8	277.045,39	172.762,39
Loans to companies	Notes 7.2 and 18.1	155.067,60	209.603,04
<b>Long-term financial investments</b>	<b>Note 7</b>	<b>183.498,75</b>	<b>183.298,75</b>
Equity instruments		154.077,40	154.077,40
Other financial assets		29.421,35	29.221,35
<b>CURRENT ASSETS</b>		<b>7.044.920,68</b>	<b>5.973.969,81</b>
<b>Trade and other receivables</b>		<b>3.027.770,11</b>	<b>3.665.723,97</b>
Client receivables for sales and services	Notes 7.2	2.281.745,11	2.862.643,96
Clients, group and affiliated companies	Notes 7.2 and 18.1	600.543,55	598.225,42
Sundry debtors	Notes 7.2	30.262,24	59.214,97
Staff	Notes 7.2	2.196,03	11.741,21
Current tax assets	Note 14	97.722,67	97.707,82
Other receivables from Public Authorities	Note 14	15.300,51	36.190,59
<b>Short-term investments in group and affiliated companies</b>	<b>Note 7.2</b>	<b>149.033,24</b>	<b>167.204,06</b>
Loans to companies		149.033,24	167.204,06
<b>Short-term financial investments</b>	<b>Note 7.2</b>	<b>1.262.022,00</b>	<b>1.262.022,00</b>
Other financial assets		1.262.022,00	1.262.022,00
<b>Short-term accruals</b>		<b>278.028,23</b>	<b>241.977,19</b>
<b>Cash and cash equivalents</b>	<b>Note 7.1</b>	<b>2.328.067,10</b>	<b>637.042,59</b>
Cash		2.328.067,10	637.042,59
<b>TOTAL ASSETS</b>		<b>11.830.305,39</b>	<b>10.766.870,80</b>

**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.****BALANCE SHEETS AS OF JUNE 30, 2020 AND DECEMBER 31, 2019**

(Expressed in Euros)

<b>EQUITY AND LIABILITIES</b>	<b>Notes to the Interim Financial Statements</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
<b>EQUITY</b>		<b>5.744.898,63</b>	<b>4.619.346,35</b>
<b>Equity</b>		<b>5.744.898,63</b>	<b>4.619.346,35</b>
<b>Capital</b>	<b>Note 12.1</b>	<b>320.998,86</b>	<b>320.998,86</b>
Share Capital		320.998,86	320.998,86
<b>Issue Premium</b>	<b>Note 12.3</b>	<b>5.244.344,28</b>	<b>5.244.344,28</b>
<b>Reserves</b>	<b>Note 12.2</b>	<b>2.213.933,94</b>	<b>1.492.937,50</b>
Legal and statutory		64.199,77	47.503,72
Other Reserves		2.149.734,17	1.445.433,78
<b>(Shares and own holdings in equity)</b>	<b>Note 12.4</b>	<b>(334.512,65)</b>	<b>(753.301,13)</b>
<b>Retained earnings</b>		<b>(1.897.046,66)</b>	<b>(2.262.986,07)</b>
<b>Financial year's earnings</b>		<b>197.180,86</b>	<b>577.352,91</b>
<b>NON-CURRENT LIABILITIES</b>		<b>2.534.939,68</b>	<b>1.678.022,88</b>
<b>Long-term debts</b>	<b>Note 9.1</b>	<b>2.534.939,68</b>	<b>1.678.022,88</b>
Debts with credit institutions		2.394.952,64	1.495.939,82
Financial lease debts		-	8.499,14
Other financial liabilities		139.987,04	173.583,92
<b>CURRENT LIABILITIES</b>		<b>3.550.467,08</b>	<b>4.469.501,57</b>
<b>Short-term provisions</b>		<b>1.500,00</b>	<b>95.950,00</b>
<b>Short-terms debts</b>	<b>Note 9.1</b>	<b>1.234.572,70</b>	<b>1.871.147,42</b>
Debts with credit institutions		1.145.027,31	1.760.736,41
Financial lease debts		18.616,68	20.147,00
Other financial liabilities		70.928,71	90.264,01
<b>Trade and other payables</b>		<b>2.314.394,38</b>	<b>2.502.404,15</b>
Suppliers	Note 9.1	1.375.590,94	1.734.418,98
Suppliers, group and affiliated companies	Note 9.1 and 18.1	206.421,84	68.505,92
Sundry creditors	Note 9.1	182.133,02	305.233,59
Staff (amounts to be paid)	Note 9.1	90.178,16	-
Other debts with Public Authorities	Note 14	212.745,19	172.745,47
Advances from clients	Note 9.1	247.325,23	221.500,19
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11.830.305,39</b>	<b>10.766.870,80</b>



**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.****INCOME AND EXPENSES STATEMENT FOR THE SIX MONTH PERIOD ENDED  
ON JUNE 30, 2020 AND THE SIX MONTH PERIOD ENDED ON JUNE 30, 2019**

(Expressed in Euros)

<b>PROFIT AND LOSS ACCOUNTS</b>	<b>Notes to the Interim Financial Statements</b>	<b>2020 (6 months)</b>	<b>2019 (6 months)</b>
<b>Net turnover</b>	<b>Note 20</b>	<b>7.243.878,84</b>	<b>5.732.744,27</b>
Net sales		7.243.878,84	5.732.744,27
<b>Work performed by the company for its assets</b>	<b>Note 4</b>	<b>331.378,12</b>	<b>510.649,77</b>
<b>Supplies</b>	<b>Note 15.a</b>	<b>(3.893.879,76)</b>	<b>(2.771.569,59)</b>
Goods consumed		(3.893.879,76)	(2.771.569,59)
<b>Other operating income</b>		<b>-</b>	<b>5.689,49</b>
Operating grants income		-	5.689,49
<b>Staff expenses</b>		<b>(1.609.448,30)</b>	<b>(1.441.524,42)</b>
Wages, salaries and the like		(1.211.635,29)	(1.079.648,35)
Fringe benefits	Note 15.b	(397.813,01)	(361.876,07)
<b>Other operating expenses</b>		<b>(1.248.043,87)</b>	<b>(1.279.975,63)</b>
External charges for services		(1.165.931,97)	(1.278.343,88)
Taxes		(82.003,64)	(6.709,51)
Losses, Impairment and change in trade provisions		(108,26)	5.077,76
<b>Amortization of fixed assets</b>	<b>Notes 4 and 5</b>	<b>(584.453,72)</b>	<b>(565.354,90)</b>
<b>Impairment and earnings for disposals of fixed assets</b>		<b>(9.945,62)</b>	<b>-</b>
<b>OPERATING EARNINGS</b>		<b>229.485,69</b>	<b>190.658,99</b>
<b>Financial income</b>	<b>Note 15.c</b>	<b>13.690,59</b>	<b>16.510,58</b>
Income from negotiable securities and other financial instruments, group and affiliated companies		13.264,38	16.271,42
Other income from negotiable securities and other third-party financial instruments		426,21	239,16
<b>Financial expenses</b>	<b>Note 15.c</b>	<b>(35.608,61)</b>	<b>(39.471,73)</b>
For debts with third parties		(35.608,61)	(39.471,73)
<b>Exchange differences</b>	<b>Note 15.c</b>	<b>(10.386,81)</b>	<b>(10.727,50)</b>
<b>FINANCIAL EARNINGS</b>		<b>(32.304,83)</b>	<b>(33.688,65)</b>
<b>PRE-TAX EARNINGS</b>		<b>197.180,86</b>	<b>156.970,34</b>
<b>Profit tax</b>	<b>Note 14</b>	<b>-</b>	<b>(2.980,95)</b>
<b>FINANCIAL YEAR'S EARNINGS FROM CONTINUED OPERATIONS</b>		<b>197.180,86</b>	<b>153.989,39</b>
<b>FINANCIAL YEAR'S EARNINGS</b>		<b>197.180,86</b>	<b>153.989,39</b>

**LEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE SIX**  
**MONTH PERIOD ENDED ON JUNE 30, 2020 AND THE YEAR 2019**  
 (Expressed in euros)

	Share Capital	Own holdings in equity	Share Premium	Reserves	Retained Earnings	Financial year's earnings	Total
<b>BALANCE, END OF 2018</b>	320.998,86	(954.287,73)	5.244.344,28	1.442.009,79	(2.054.232,27)	(208.753,80)	3.790.079,13
<b>Total recognized income and expenses</b>	-	-	-	-	-	577.352,91	577.352,91
<b>Transactions with shareholders:</b>	-	200.986,60	-	50.927,71	-	-	251.914,31
Capital increases	-	-	-	-	-	-	-
Transactions with own equity instruments (net)	-	200.986,60	-	50.927,71	-	-	251.914,31
<b>Other changes in equity:</b>	-	-	-	-	(208.753,80)	208.753,80	-
Distribution of earnings from the previous year	-	-	-	-	(208.753,80)	208.753,80	-
<b>BALANCE, END OF 2019</b>	320.998,86	(753.301,13)	5.244.344,28	1.492.937,50	(2.262.986,07)	577.352,91	4.619.346,35
<b>Total recognized income and expenses</b>	-	-	-	-	-	197.180,86	197.180,86
<b>Transactions with shareholders:</b>	-	418.788,48	-	704.300,39	-	(194.717,45)	928.371,42
Distribution of dividends	-	-	-	-	-	(194.717,45)	(194.717,45)
Transactions with own equity instruments (net)	-	418.788,48	-	704.300,39	-	-	1.123.088,87
<b>Other changes in equity:</b>	-	-	-	16.696,05	365.939,41	(382.635,46)	-
Distribution of earnings from the previous year	-	-	-	16.696,05	365.939,41	(382.635,46)	-
<b>BALANCE AS OF JUNE 30, 2020</b>	320.998,86	(334.512,65)	5.244.344,28	2.213.933,94	(1.897.046,66)	197.180,86	5.744.898,63

**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.****STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED ON  
JUNE 30, 2020 AND THE SIX MONTH PERIOD ENDED ON JUNE 30, 2019**

(Expressed in Euros)

	2020 (6 months)	2019 (6 months)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>1.063.785,24</b>	<b>579.831,83</b>
<b>Financial year's pre-tax earnings</b>	<b>197.180,86</b>	<b>156.970,34</b>
<b>Adjustments to earnings</b>	<b>521.975,62</b>	<b>589.238,29</b>
Fixed asset amortisation	584.453,72	565.354,90
Valuation changes for impairment	108,26	(5.077,76)
Change in provisions	(94.450,00)	6.000,00
Earnings for disposals of fixed assets	9.945,62	-
Financial income	(13.690,59)	(16.510,58)
Financial expenses	35.608,61	39.471,73
<b>Changes in current capital</b>	<b>380.252,22</b>	<b>(133.201,04)</b>
Debtors and other accounts receivable	604.313,03	(336.476,39)
Other current assets	(36.051,04)	29.947,56
Trade payables and other accounts payable	(188.009,77)	173.327,79
<b>Other cash flow from operating activities</b>	<b>(35.623,46)</b>	<b>(33.175,76)</b>
Interest payments	(35.608,61)	(39.471,73)
Receipts (payments) for profit tax	(14,85)	6.295,97
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(521.474,23)</b>	<b>(741.737,78)</b>
<b>Payments for investments</b>	<b>(537.135,50)</b>	<b>(917.743,94)</b>
Intangible assets	(448.830,56)	(571.126,94)
Tangible assets	(88.104,94)	(39.615,44)
Other financial assets	(200,00)	(307.001,56)
<b>Proceeds from disposals</b>	<b>15.661,27</b>	<b>176.006,16</b>
Group and affiliated companies	15.661,27	176.006,16
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>1.148.713,50</b>	<b>227.918,50</b>
<b>Receipts and payments for equity instruments</b>	<b>1.123.088,87</b>	<b>258.950,14</b>
Transfer of own equity instruments	1.123.088,87	258.950,14
<b>Receipts and payments for financial-liability instruments</b>	<b>220.342,08</b>	<b>(31.031,64)</b>
<b>Issuance</b>	<b>1.200.000,00</b>	<b>1.238.105,29</b>
Amounts owed to credit institutions	1.200.000,00	1.200.000,00
Others	-	38.105,29
<b>Repayment and amortisation of:</b>	<b>(979.657,92)</b>	<b>(1.269.136,93)</b>
Amounts owed to credit institutions	(926.725,74)	(1.269.136,93)
Others	(52.932,18)	-
<b>Dividend payments and remuneration of other equity instruments</b>	<b>(194.717,45)</b>	<b>-</b>
Dividends	(194.717,45)	-
<b>NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS</b>	<b>1.691.024,51</b>	<b>66.012,55</b>
<b>Cash and cash equivalents at start of the financial year</b>	<b>637.042,59</b>	<b>743.906,15</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>2.328.067,10</b>	<b>809.918,70</b>

**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

**NOTES TO THE INTERIM FINANCIAL  
STATEMENTS FOR THE PERIOD ENDED AS OF JUNE 30, 2020**

**NOTE 1. INCORPORATION, ACTIVITIES AND LEGAL SYSTEM OF THE  
COMPANY**

**a) Incorporation and registered Office of the Company**

LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A. (hereinafter "the Company"), was registered in Lleida on January 30th, 1995. On October 7, 2017, the Company approved the change of registered office, which is currently located at General Lacy, number 42, Ground Floor - Local I in Madrid. In the previous year its registered office was at the Parc Científic i Tecnològic Agroalimentari de Lleida, Edifici H1, Planta 2, de Lleida.

On June 30, 2011, the General Shareholders' Meeting was held in which the transformation from a Limited Company to a Public Limited Company was agreed. On December 12, 2011, the agreement reached at the aforementioned meeting was notarized and deposited in the Mercantile Registry on February 17, 2012.

**b) Activities**

Its activity consists in acting as a teleoperator for short message management services (SMS) over the Internet, as well as any other activity related to the aforementioned corporate purpose.

The Company financial year starts on 1 January and ends on 31 December of each year. The accompanying Interim Financial Statements cover the time period between January, 1 and June, 30 of 2020.

**c) Legal System of the Company**

The Company is governed by its Articles of Association and by the current Corporate Enterprises Act.



#### **d) Quotation in the Alternative Stock Market and in Euronext Growth**

On June 1<sup>st</sup>, 2015, the Company approved at the Shareholders' Meeting the request for incorporation into the Alternative Stock Market (MAB) of all the shares of the Company.

On October 7th, 2015, the Board of Directors of Bolsas y Mercados Españoles, Sistemas de Negociación, S.A., approved the incorporation of 16.049.943 shares of 0,02 euros' nominal value each into the segment of companies in expansion of the Alternative Stock Market, effective as of October 9, 2015. The Company appointed PricewaterhouseCoopers Asesores de Negocios, S.L. and as Liquidity Provider to BEKA Finance, S.V., S.A. company subsequently integrated into the GVC GAESCO VALORES SV, S.A. group. On November 7, 2015, the Parent Company changed its Registered Advisor, appointing GVC GAESCO VALORES SV, S.A. On December 19, 2018, the Company was listed on Euronext Growth Paris under the dual listing system, with Invest Securities being the Listing Sponsor and Liquidity Provider.

### **NOTE 2. PRESENTATION BASIS OF INTERIM FINANCIAL STATEMENTS**

#### **a) True and Fair View**

The accompanying Interim Financial statements of the period ended as of June 30, 2020 were prepared with the accounting records of the Company and drawn up in accordance with the applicable commercial law currently in force and with the standards established in the General Accounting Plan approved by Spanish Royal Decree 1514/2007, of 16 November, applying the modifications introduced by Royal Decree 1159/2010, of 17 september, and Royal Decree 602/2016, of 2 December, to provide a true and fair view of the Company assets and liabilities, financial position and earnings, as well as the accuracy of the cash flows included in the cash-flow statement.

#### **b) Accounting Principles Applied**

The Interim Financial Statements have been drawn up by applying the accounting principles established in the Spanish Commercial Code and in the General Accounting Plan.

#### **c) Presentation Currency**

In accordance with the applicable laws and regulations on accounting, the Interim Financial Statements are expressed in euros.

#### **d) Critical Aspects of Uncertainties Valuation and Estimation**

There are no significant uncertainties or aspects concerning the future which are potentially associated with any serious risk and which may involve significant changes to the value of assets and liabilities in the following financial year.

There have been no changes in accounting estimates that have affected the current year or that could significantly affect future years.

**e) Comparison of the Information**

In accordance with commercial legislation, the Board of Directors of the Company presents, for comparison purposes, each of the Balance Sheets and the Statement of Changes in Equity, in addition to the figures for the six-month period ended on June 30, 2020, those corresponding to the 12-month period ended December 31, 2019, which were part of the Financial Statements for the year 2019 approved by the General Shareholders' Meeting on June 10, 2020. Referring to the Profit and Loss Account and the Cash Flow Statement, the Board of Directors of the Company presents, in addition to the figures for the six-month period ended June 30, 2020, those corresponding to the Interim Financial Statements as of June 30, 2019, which is why the effects on the Profit and Loss Account recognized in certain Notes to the Interim Financial Statements are not directly traceable to the Profit and Loss Account because they reflect the effect of the entire year, while the Statement of Income only reflects the effect of the 6-month period. This fact must be considered in the interpretation of these interim financial statements.

**f) Changes in Accounting Standards**

There have been no changes in the accounting standards.

**g) Correction of Errors**

The Interim Financial Statements for the six-month period ended June 30, 2020 do not include any adjustment related to as consequence of errors detected in previous financial years.

**h) Responsibility for the Information given and the Estimates made**

Company's Directors are responsible for the information provided in these Interim Financial Statements. For the preparation of the Interim Financial Statements estimates have been used in order to value some of the assets, liabilities, incomes, expenses and compromises that are registered, and that, basically, these estimations are referred to the evaluation of losses by impairment of certain assets, the useful life of non-current assets and the probability of occurrence of provisions.

Notwithstanding that these estimates were made according to the best information available at the time of the preparation of these Interim Financial Statements, it is possible that future events may occur that require their amendment for the next financial years; which would be carried out prospectively, taking account of the effects of the estimate change on the corresponding profit and loss accounts.

**i) Statement of Recognized Income and Expenses**

In this year, as in the previous year, the Company has not recognized income or expenses directly in equity, having recorded all of them in the income statement for the corresponding year. Therefore, these Interim Financial Statements do not include the Statement of Recognized Income and Expenses.

### **NOTE 3. RECOGNITION AND VALUATION STANDARDS**

The principal valuation standards used by the Company in the drafting of its Interim Financial Statements on June 30, 2020, in accordance with those established by the General Accounting Plan, were as follows:

#### **a) Intangible Fixed Assets**

Assets included in intangible fixed assets are valued by their cost, whether purchase price or production cost, reduced by the corresponding accumulated amortization and losses from any impairment which, where appropriate, has occurred.

#### **Research and Development Costs**

Capitalized research and development costs are specifically individualized for projects and their costs are clearly established so they can be spread over time. Similarly, the Management of the Company has substantial grounds for expecting the technical success and the financial and commercial profitability of these projects

Research and development costs that appear as assets are amortized on a straight-line basis over their useful life, at an annual rate of 20%, and always within a period of 5 years.

As soon as there are reasonable doubts over the technical success or financial and commercial profitability of a project, the values recorded in the asset that apply to it are directly allocated to the financial year's losses.

#### **Computer Applications**

Licenses for computer applications purchased from third parties are capitalized on the basis of the costs incurred for purchasing.

Computer applications are amortized on a straight-line basis throughout their useful lives, at an annual rate of 33%.

Maintenance expenses for computer applications incurred during the financial year are recognized in the Profit and Loss Account.

#### **Industrial Property**

Corresponds to the capitalized development expenses for which the relevant patent or similar has been obtained, and includes the registration and formalization costs for the industrial property, as well as the costs for purchasing the corresponding rights from third parties.

During all these years, the Company has been able to develop methods and unique technologies in its sector by continuous investment in research and development. The result of this effort has been the publication of patents at European, American and PCT levels, putting in value the effort developed during these last years. These patents allow the Company to license this technology to third parties and protect it against possible copies of other actors in the sector, less scrupulous when creating original models.



**b) Tangible Fixed Assets**

Tangible fixed assets are valued by their acquisition price or production cost, net of the corresponding accumulated amortization and, where appropriate, of the accumulated value of the recognized allowances for impairment.

Repair and maintenance expenses incurred during the financial year are debited in the Profit and Loss Account. Costs for renovating, extending or improving intangible fixed assets, representing an increase in capacity, productivity or lengthening of useful life, are capitalized as a higher value of the corresponding assets, once the book values of the replaced items have been de-recognized.

Tangible fixed assets, net of their residual value, where appropriate, are amortized by a straight-line-basis distribution of the various items that constitute these fixed assets over the years of estimated useful life making up the period in which the Company hopes to use them, according to the following table:

	Annual Percentage	Estimated Years of Useful Life
Buildings	2,50	40
Technical facilities	8 - 10	12,50 - 10
Machinery	20 - 25	5 - 4
Other installations	10	10
Furniture	10 - 15	10 - 6,67
Computer equipment	25 - 50	4 - 2
Other tangible fixed assets	15	6,67

The book value of a tangible fixed-asset item is de-recognized in the accounts through its alienation or disposal by other means; or where no future economic benefits or profits are expected to be obtained for its use, alienation or disposal by other means.

The loss or profit resulting from writing-off a tangible fixed-asset item is determined as the difference between the net values, where appropriate, of the sales costs resulting from its alienation or disposal by other means, where available, and the item's book value, and is allocated to the Profit and Loss Account for the financial year in which this occurs.

At the financial year's closure, the Company, assesses whether there are signs of impairment in a tangible fixed-asset item or any cash-generating unit, in which case the recoverable amounts are estimated and the necessary allowances are made.

An impairment loss is deemed to have occurred in a tangible fixed-asset item where its book value exceeds its recoverable value, this being understood as the higher value between its fair value less the sales costs and its value in use.

Allowances for impairment in the tangible fixed-asset items, as well as their reversals where the circumstances producing them cease, are recognized as an expense or income respectively in the Profit and Loss Account.



**c) Leases and Other Transactions of a Similar Nature**

Operating-lease expenses incurred during the financial year are debited in the Profit and Loss Account.

**d) Financial Instruments**

The Company determines the classification of its financial assets on their initial recognition and, where permitted and appropriate, this classification is re-assessed on each closing of the balance sheet.

Financial instruments, for the purposes of their valuation, are classified in any of the following categories:

**Loans and Receivable Items and Debts and Payable Items**

**Loans and Receivable Items**

The following are classified under this category:

- a) Trade credits: financial assets arising from the sale of assets and the provision of services for commercial transactions, and
- b) Non trade credits: financial assets which, being neither equity instruments nor derivatives, have no commercial origins, whose payments are for a fixed or determinable amount, and which are not traded in an active market. They do not include those financial assets for which the Company cannot recover substantially all the initial investments, owing to circumstances unrelated to credit impairment. The latter are classified as available for sale.

**Debts and Payable Items**

The following are classified under this category:

- a) Trade debts: financial debts arising from the purchase of assets and services through commercial transactions, and
- b) Non trade debts: financial liabilities which, not being derivate instruments, have no commercial origins.

Initially, financial assets and liabilities included in this category are valued by their fair value, which is the price of the transaction and which is equivalent to the fair value of the consideration paid plus the transaction costs which are directly attributable to it.

Notwithstanding what is stated in the above paragraph, loans and debts through commercial transactions with a maturity not greater than one year and which do not have a contractual rate of interest, as well as, where appropriate, advances and loans made to staff, receivable dividends and called payments on equity instruments, the amounts for which are expected to be received in the short term, and payments called by third parties on holdings, the amounts for which are expected to be paid in the short term, are valued by their nominal value where the effect of not updating the cash flows is of no significance.

In subsequent valuations, both assets and liabilities are valued by their amortized cost. Accrued interest is recognized in the Profit and Loss Account by applying the effective interest rate method. Notwithstanding the above, loans and debts with a maturity no greater than one year which are initially valued by their nominal value, remain valued by this amount unless, in the case of loans, they have been impaired.

At the year end, the necessary allowances are made where there is objective evidence of value of a credit having been impaired, i.e. where there is evidence of a reduction or delay in estimated future cash flows corresponding to that asset.

An impairment loss in the value of loans and receivable sums corresponds to the difference between their book value and the current value of the estimated future cash flows to be generated, deducted at the effective interest calculated on their initial recognition.

Allowance for impairment of debts as of June 30, 2020, has been estimated on the basis of the analysis made on each of the individualized outstanding receivables on that date.

### **Investments in group, multi-group and affiliated companies equity instrument's**

They are initially valued at cost, which corresponds to the fair value of the consideration paid plus the transaction costs which are directly attributable to them.

They are subsequently valued by their cost, less, where appropriate, the accumulated value of the allowances for impairment

At the close of the financial year, and where there is objective evidence that the book value of an investment will not be recoverable, the necessary allowances are made.

The value of the allowance is determined as the difference between the book value and the recoverable value, unless there is better evidence of the recoverable value of the investments, account is taken, in estimating the impairment in this class of assets, of the proportion of equity of the entity in which there are holdings, corrected for the implicit capital gains present at the date of valuation, which correspond to items identifiable on the balance sheet of the entity in which there are holdings.

Allowances for impairment and, where appropriate, its reversal, are recognized as an expense or income respectively in the Profit and Loss Account. The reversal of the impairment shall be limited to the book value of the investment that would have been recognized on the reversal date had the impairment not been recognized.

### **Financial Assets Available for Sale**

This category includes debt securities and equity instruments from other companies not classified in any of the preceding categories.

Subsequently, they are valued by their fair value, without deducting the transaction costs that might be incurred in their alienation. Changes in fair value are directly recognized in the equity, until the financial asset leads to de-recognition or is impaired, where the value so recognized is allocated to the Profit and Loss Account.



Notwithstanding the above, allowances for impairment and losses and gains which arise from exchange differences in monetary financial assets in foreign currency are recognized in the Profit and Loss Account rate.

The value of both the interest, calculated under the effective interest method, and the accrued dividends are also recognized in the Profit and Loss Account.

Investments in equity instruments whose fair value cannot be reliably determined are valued by their cost, less, where appropriate, the accumulated value of the allowances for impairment.

#### **De-recognition of Financial Assets**

A financial asset, or part of it, is de-recognized where the contractual rights over the cash flows of the financial asset have expired or been assigned, and the risks and benefits attaching to its ownership have been substantially transferred.

#### **De-recognition of Financial Liabilities**

A financial liability is de-recognized where the corresponding obligation ceases.

#### **Interest Received from Financial Assets**

Interest from financial assets accrued subsequent to their purchase are recognized as income in the Profit and Loss Account.

Interests are recognized by using the effective interest rate method. For these purposes in the initial valuation of the financial assets, both the value of the explicit interest, accrued and non-matured at that time, and the value of the dividends agreed to by the competent body on acquisition, are recognized independently, bearing in mind their maturity.

#### **Guarantees Given**

Guarantees given and received through operating leases and provision of service are valued by the amount paid out and received respectively.

#### **e) Transactions in Foreign Currencies**

Transactions in foreign currencies are recognized by their exchange value in Euros, by using the spot exchange-rate for the dates on which they occur.

On the close of each financial year, monetary items are valued by applying the average spot exchange-rate on that date. Exchange differences, both positive and negative, which result from this process, as well as those generated on selling off equity items, are recognized in the Profit and Loss Account for the financial year in which they arise.

#### **f) Profit Tax**

Profit tax is recognized in the Profit and Loss Account or directly in the Equity depending on where the gains or losses giving rise to it are recognized. Profit tax for each financial year includes both current and deferred taxes, where appropriate.

The current tax amount is the sum to be paid by the Company as a result of the assessment notices for the tax.

Differences between the book value of assets and liabilities, and their tax base, generate the deferred tax asset or liability tax balances which are calculated using the expected tax rates at the time of their reversal, and under the method in which it can be reasonably expected to recover or pay the asset or liability.

Variations arising during the financial year in deferred tax asset or liability are recognized either in the Profit and Loss Account or directly in the Equity, as appropriate.

Deferred tax assets are only recognized insofar as it is probable that the company will have future tax gains that allow these assets to be applied.

In each closing balance sheet the book value of the recognized deferred tax assets is analyzed and the necessary adjustments are made insofar as there are doubts over their future tax recoverability. Likewise, in each closing non-recognized deferred taxes are assessed in the balance sheet and these are subject to recognition to the extent that their recovery with future tax benefits is probable.

#### **g) Income and Expenses**

Income and expenses are allocated according to the accrual basis, i.e. where the real flow of goods and services occurs which these represent, irrespective of when the monetary or financial flow deriving from them occurs.

Income resulting from the sale of goods and provision of services is valued by the fair value of the consideration, received or to be received, that derives from these, which, unless there is evidence to the contrary, is the agreed price for these goods or services, less the amount of any discount, reduction or other similar items, as well as the interest incorporated into the face value of the credits.

Income from services is recognized when the result of the transaction can be estimated reliably, considering the percentage of completion of the service at the year-end date. Consequently, only income from the provision of services is accounted for when all and each of the following conditions:

- a) The amount of the income can be reliably valued.
- b) It is probable that the Company receives financial benefits or profits arising from the transaction.
- c) The extent of the transaction carried out, on the date of closure of the financial year, can be reliably valued, and
- d) The costs already incurred in the service's provision, as well as those that are yet to be incurred up to its completion, can be reliably valued.

#### **h) Provisions and Contingencies**

Debentures existing at the close of the financial year, resulting from past events which may occasion loss in equity for the Company, and whose value and time of cancellation are indeterminate, are recognized on the balance sheet as provisions and are valued by the current value of the best possible estimate for the amount necessary to cancel the obligation or transfer it to a third party.



### **i) Grants, Donations and Legacies**

Non-refundable capital grants, as well as donations and legacies, are valued by the fair value of the amount granted or of the goods received. They are initially allocated directly as income in the equity and recognized in the Profit and Loss Account in proportion to the amortization undergone over the period by the assets financed through these grants, unless these are non-depreciable assets, in which case they will be allocated to the earnings of the financial year in which their alienation or de-recognition takes place.

Grants intended for cancelling debts are allocated as income for the financial year in which the cancellation occurs, unless they are received for a specific financing, in which case the allocation is made according to the item that is financed.

Refundable grants are recognized as long-term debt convertible into subsidies until they become non-refundable.

Operation grants are credited to the earnings of the financial year when they accrue.

### **j) Related-Party Transactions**

In general, items forming the subject matter of a related-party transaction are initially recognized by their fair value. The subsequent valuation is made in accordance with the provisions laid down in the corresponding regulations.

### **k) Cash-Flow Statements**

Cash-flow statements use the following expressions according to the meanings given below:

Cash and Equivalents: Cash is both cash in hand and demand deposits. Cash equivalents are financial instruments forming part of the Company's normal cash management, are convertible into cash, have initial maturities no greater than three months and are subject to little significant risk of change in their value.

Cash Stream-flows: inflows and outflows of cash or other equivalent resources, with the latter being understood as investments having terms under three months, high liquidity and low risk of changes in value.

Operating Activities: these are the activities that make up the principal source of the Company's ordinary income, as well as other activities that cannot be classified under investment or financing.

Investment Activities: acquisition, alienation or disposal by other means of long-term assets and other investments not included in cash or cash equivalents.

Financing Activities: activities that lead to changes in the size and composition of the equity and financial liabilities.

**NOTE 4. INTANGIBLE FIXED ASSETS**

The detail and movement of Intangible Fixed Assets for the six-month period ended as of June 30, 2020 is as follows, in euros:

	31/12/2019	Additions	De-Recognition	Transfers	30/06/2020
<b>Cost:</b>					
Research	11.036.034,28	-	(13.872,32)	-	11.022.161,96
Industrial Property	783.542,63	-	-	86.327,89	869.870,52
Computer applications	259.397,28	5.970,00	-	-	265.367,28
Advances for intangible fixed assets	571.636,24	442.860,56	-	(86.327,89)	928.168,91
	<b>12.650.610,43</b>	<b>448.830,56</b>	<b>(13.872,32)</b>	<b>-</b>	<b>13.085.568,67</b>
<b>Accumulated amortization:</b>					
Research	(8.350.705,12)	(468.187,33)	3.926,70	-	(8.814.965,75)
Industrial Property	(237.369,81)	(34.270,36)	-	-	(271.640,17)
Computer applications	(215.419,67)	(10.446,88)	-	-	(225.866,55)
	<b>(8.803.494,60)</b>	<b>(512.904,57)</b>	<b>3.926,70</b>	<b>-</b>	<b>(9.312.472,47)</b>
<b>Intangible Fixed Assets, Net</b>	<b>3.847.115,83</b>	<b>(64.074,01)</b>	<b>(9.945,62)</b>	<b>-</b>	<b>3.773.096,20</b>

The details and changes in intangible fixed assets throughout the financial year 2019 were as follows, in euros:

	31/12/2018	Additions	De-Recognition	Transfers	31/12/2019
<b>Cost:</b>					
Research	10.127.878,55	934.512,30	(26.356,57)	-	11.036.034,28
Industrial Property	698.046,72	-	-	85.495,91	783.542,63
Computer applications	226.637,13	570,00	-	32.190,15	259.397,28
Advances for intangible fixed assets	573.525,05	115.797,25	-	(117.686,06)	571.636,24
	<b>11.626.087,45</b>	<b>1.050.879,55</b>	<b>(26.356,57)</b>	<b>-</b>	<b>12.650.610,43</b>
<b>Accumulated amortization:</b>					
Research	(7.424.990,57)	(930.985,86)	5.271,31	-	(8.350.705,12)
Industrial Property	(164.285,00)	(73.084,81)	-	-	(237.369,81)
Computer applications	(195.099,49)	(20.320,18)	-	-	(215.419,67)
	<b>(7.784.375,06)</b>	<b>(1.024.390,85)</b>	<b>5.271,31</b>	<b>-</b>	<b>(8.803.494,60)</b>
<b>Intangible Fixed Assets, Net</b>	<b>3.841.712,39</b>	<b>26.488,70</b>	<b>(21.085,26)</b>	<b>-</b>	<b>3.847.115,83</b>

**Fully-amortized and in-use items**

The breakdown, by epigraphs, of the most significant assets which were fully-amortised and in use as of June 30, 2020 and at December 31, 2019, is the following, stating their cost values in Euros:

	30/06/2020	31/12/2019
Research	6.326.149,98	6.326.149,98
Patents	87.223,51	71.105,76
Computer applications	180.706,34	172.062,84
	<b>6.594.079,83</b>	<b>6.569.318,58</b>

**NOTE 5. TANGIBLE ASSETS**

The detail and changes of tangible fixed assets for the six-month period ended June 30, 2020, is the following, in euros:

	31/12/2019	Additions	Transfers	30/06/2020
<b>Cost:</b>				
Land and buildings	197.185,74	-	-	197.185,74
Technical installations and machinery	252.969,45	-	-	252.969,45
Other installations, tools and furniture	106.118,89	-	-	106.118,89
Data processing equipment	434.519,43	88.104,94	105.297,80	627.922,17
Other tangible fixed assets	4.935,79	-	-	4.935,79
Advances for tangible fixed assets	105.297,80	-	(105.297,80)	-
	<b>1.101.027,10</b>	<b>88.104,94</b>	-	<b>1.189.132,04</b>
<b>Accumulated amortization:</b>				
Land and buildings	(39.105,93)	(2.554,61)	-	(41.660,54)
Technical installations and machinery	(221.215,34)	(10.220,54)	-	(231.435,88)
Other installations, tools and furniture	(64.787,54)	(4.884,01)	-	(69.671,55)
Data processing equipment	(392.118,66)	(53.736,81)	-	(445.855,47)
Other tangible fixed assets	(3.678,65)	(153,18)	-	(3.831,83)
	<b>(720.906,12)</b>	<b>(71.549,15)</b>	-	<b>(792.455,27)</b>
<b>Tangible Fixed Assets, Net</b>	<b>380.120,98</b>	<b>16.555,79</b>	-	<b>396.676,77</b>

The details and changes in tangible fixed assets throughout the financial year 2019 were as follows, in euros:

	31/12/2018	Additions	Transfers	31/12/2019
<b>Cost:</b>				
Land and buildings	197.185,74	-	-	197.185,74
Technical installations and machinery	252.969,45	-	-	252.969,45
Other installations, tools and furniture	99.263,23	6.855,66	-	106.118,89
Data processing equipment	398.519,65	35.999,78	-	434.519,43
Other tangible fixed assets	4.935,79	-	-	4.935,79
Advances for tangible fixed assets	-	105.297,80	-	105.297,80
	<b>952.873,86</b>	<b>148.153,24</b>	-	<b>1.101.027,10</b>
<b>Accumulated amortization:</b>				
Land and buildings	(33.968,63)	(5.137,30)	-	(39.105,93)
Technical installations and machinery	(200.661,94)	(20.553,40)	-	(221.215,34)
Other installations, tools and furniture	(54.907,55)	(9.879,99)	-	(64.787,54)
Data processing equipment	(321.995,55)	(70.123,11)	-	(392.118,66)
Other tangible fixed assets	(3.370,60)	(308,05)	-	(3.678,65)
	<b>(614.904,27)</b>	<b>(106.001,85)</b>	-	<b>(720.906,12)</b>
<b>Tangible Fixed Assets, Net</b>	<b>337.969,59</b>	<b>42.151,39</b>	-	<b>380.120,98</b>



**Fully-Amortized and in-Use Items**

The breakdown, by epigraphs, of the most significant assets which were fully-amortised and in use as of June 30, 2020 and at December 31, 2019, is shown below stating their cost values in Euros:

	30/06/2020	31/12/2019
Technical installations and machinery	43.468,70	43.468,70
Furniture	1.220,60	-
Data processing equipment	358.300,19	285.947,06
Other fixed assets	3.087,87	-
	<b>406.077,36</b>	<b>329.415,76</b>

**NOTE 6. LEASES AND OTHER OPERATIONS OF SIMILAR NATURE****6.1) Financial Leases (the Company as Lessee)**

The Company has the following assets financed through financial lease agreements as of June 30, 2020, in euros:

	Fair Value	Value of the purchase option	Due Date	Signature date	Pending amount
Computer equipment	80.798,12	1.707,27	04/04/2021	04/05/2017	18.616,68

The following is the total amount of future payments in financial leases as of June 30, 2020, in euros:

	Financial year 2020
Total amount of minimum future payments at the close of the year	17.072,70
(-) Non-accrued financial expenses	(163,29)
Value of the purchase option	1.707,27
<b>Current value at the close of the year</b>	<b>18.616,68</b>

**6.2) Operating Leases (the Company as Lessee)**

The operating lease charge against the results as an expense in the period ended as of June 30, 2020, is 63.805,59 euros (104.081,48 euros in the period of six months ended as of June 30, 2019).

The following is the breakdown of the total amount of the minimum future payments corresponding to the non-cancellable operating leases:

	2020	2019
Up to 1 year	62.253,30	106.121,64
Between 1 and 5 years	94.149,03	162.434,74
More of 5 years	554.424,52	325.942,92
	<b>710.826,85</b>	<b>594.499,30</b>



**NOTE 7. FINANCIAL ASSETS**

The breakdown of the long-term financial assets, except investments in the equity of the group, multi-group and affiliated companies, which are shown in Note 8, is the following, euros:

	Equity instruments		Credits and Other Financial Assets	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Loans and receivable items (Note 7.2)	-	-	184.488,95	238.824,39
Financial assets available for sale (Note 7.3)	154.077,40	154.077,40	-	-
<b>Total</b>	<b>154.077,40</b>	<b>154.077,40</b>	<b>184.488,95</b>	<b>238.824,39</b>

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

	Credits and Others Financial Assets 30/06/2020	31/12/2019
<b>Assets at fair value through the profit and loss:</b>	<b>2.328.067,10</b>	<b>637.042,59</b>
Cash or other liquid assets (Note 7.1)	2.328.067,10	637.042,59
<b>Loans and receivable items (Note 7.2)</b>	<b>4.325.802,17</b>	<b>4.961.051,62</b>
<b>Total</b>	<b>6.653.869,27</b>	<b>5.598.094,21</b>

**7.1) Assets at Fair Value through the Profit and Loss****Cash and other Equivalent Liquid Assets**

The detail of the assets as of June 30, 2020 and at December 31, 2019 is as follows, in euros:

	Balance at 30/06/2020	Balance at 31/12/2019
Current Accounts	2.319.831,98	628.021,80
Cash	8.235,12	9.020,79
<b>Total</b>	<b>2.328.067,10</b>	<b>637.042,59</b>

## 7.2) Loans and Receivable Items

The composition of loans and receivable items as of June 30, 2020 and at December 31, 2019 is as follows, in euros:

	Balance at 30/06/2020		Balance at 31/12/2019	
	Long-Term	Short-Term	Long-Term	Short-Term
<b>Loans and receivables items for commercial transactions</b>				
Third party customers	-	2.281.745,11	-	2.862.643,96
Group companies, customers (Note 18.1)	-	600.543,55	-	598.225,42
Third party debtors	-	30.262,24	-	59.214,97
<b>Total loans and receivables items for commercial transactions</b>	<b>-</b>	<b>2.912.550,90</b>	<b>-</b>	<b>3.520.084,35</b>
<b>Loans and receivables for non-commercial transactions</b>				
Companies of the group (Note 18.1)	155.067,60	149.033,24	209.603,04	167.204,06
Staff	-	2.196,03	-	11.741,21
Short-term deposits (*)	-	1.262.022,00	-	1.262.022,00
Securities and deposits	29.421,35	-	29.221,35	-
<b>Total loans and receivables for non-commercial transactions</b>	<b>184.488,95</b>	<b>1.413.251,27</b>	<b>238.824,39</b>	<b>1.440.967,27</b>
<b>Total</b>	<b>184.488,95</b>	<b>4.325.802,17</b>	<b>238.824,39</b>	<b>4.961.051,62</b>

(\*) Short-term deposits have a maturity to short-term and accrue a market interest rate.

Trade and other receivables include impairments due to insolvency risks, as detailed below:

	Balance at 31/12/2019	Impairment allowance	Transfers	Balance at 30/06/2020
<b>Transfers and other variations</b>				
Clients	575.116,52	-	-	575.116,52
Group companies, clients	441.548,88	-	33.547,42	475.096,30
Short-term credits	27.604,74	-	31.435,20	59.039,94
	<b>1.044.270,14</b>	<b>-</b>	<b>64.982,62</b>	<b>1.109.252,76</b>

The balances of credits for non-trade operations to group companies include an impairment of 409.288,45 euros of the Lleidanetworks Group company Serveis Telemàtics, LTD and an impairment of 109.536,91 euros of the Lleidanet USA Group company Inc.

## 7.3) Financial Assets available for Sale

It corresponds mainly to two investments made for the Company in:

- E.Kuantia: financial institution specialized in the issuance of means of payment and electronic money. The investment amounts to 143.880 euros and corresponds to 2% of the share capital.
- IBAN Wallet: global platform, linking investors and loan applicants, with high rates for both. The investment amounts to 10.197,40 euros and corresponds to 0,38% of the share capital.

**NOTE 8. EQUITY INSTRUMENTS IN GROUP AND AFFILIATED COMPANIES**

The holdings held in Group and affiliated companies as of June 30, 2020 are the following ones, in euros:

Company	% Direct Equity	Cost	Impairments	Net value at 30/06/2020	Theoretical book value 30/06/2020
<b>Group companies:</b>					
Lleidanetworks Serveis Telemàtics, LTD	100%	4,00	-	4,00	(455.234,46)
Lleidanet USA Inc	100%	397.591,09	(397.591,09)	-	(565.420,92)
Lleidanet Honduras, SA	70%	659,05	-	659,05	659,05
Lleidanet Dominicana, SRL	99,98%	10.127,97	-	10.127,97	(17.385,75)
Lleida SAS	100%	147.789,60	-	147.789,60	157.332,96
Lleida Chile SPA	100%	3.256,83	-	3.256,83	2.706,16
Lleidanet do Brasil Ltda	99,99%	10.800,00	-	10.800,00	(22.997,76)
Lleidanet Guatemala	80%	3.234,00	-	3.234,00	3.234,00
Portabilidades Españolas, S.L.U.	100%	13.000,00	-	13.000,00	11.243,59
Lleidanet Costa Rica	100%	16,06	-	16,06	(141,69)
Lleidanet Perú	100%	104.551,09	-	104.551,09	(1.109,95)
Desembolsos pendientes Lleidanet USA		(2.349,36)	-	(2.349,36)	-
Desembolsos pendientes Lleidanet Honduras, SA		(659,05)	-	(659,05)	-
Desembolsos pendientes Lleidanet Dominica, SRL		(10.127,97)	-	(10.127,97)	-
Desembolsos pendientes Lleida Chile SPA		(3.256,83)	-	(3.256,83)	-
<b>Affiliated companies:</b>					
Lleida Networks India Private Limited	25%	6.575,00	(6.575,00)	-	81.425,29
<b>Total</b>		<b>681.211,48</b>	<b>(404.166,09)</b>	<b>277.045,39</b>	<b>(805.689,48)</b>

**Valuation Corrections**

In previous years, the Company fully impaired the interests held in Lleidanet USA, Inc and Lleida Networks India Private Limited.

Detail of activities and registered office of the Subsidiaries is indicated below:

**Lleidanetworks Serveis Telemàtics, LTD**

Incorporated on December 28, 2005 in Dublin, with its registered office in Birchin Court 20, Birchin Lane, London (United Kingdom). Its main activity is to function as an operator.

**Lleidanet USA Inc**

Incorporated on May 12, 2009 and its registered office is at 2719 Hollywood Boulevard Street 21 FL33020, Hollywood. Its main activity is to function as an operator. On June 30, 2013 a capital increase was made in Lleidanet USA Inc. for 397.515,00 euros which Lleidanetworks Serveis Telematics, S.A. subscribed in entirety.

**Lleidanet Honduras, S.A.**

Its registered office in Tegucigalpa (Honduras), it was incorporated on January 11, 2012, subscribing Lleidanetworks Serveis Telemàtics, S.A. 175 shares out of a total amount of 250 that were issued. Its main activity consists on being SMS operator, based on an interconnection network with the fixed and mobile operations of the Republic of Honduras.



### Lleidanet Dominicana, S.R.L.

Headquartered in Santo Domingo (Dominican Republic), was incorporated on June 26, 2012, subscribing Lleidanetworks Serveis Telemàtics, S.A. 4,999 shares of a total of 5,000 that were issued. Its main activity is based on the dissemination of telematics systems.

### Lleida SAS

With its registered office in Bogotá (Colombia), it was incorporated on November 16, 2012, subscribing Lleidanetworks Serveis Telemàtics, S.A. 100 shares out of a total of 100 that were issued. Its main activity is based on the dissemination of telematics systems. On June 15, 2019 a capital increase was carried out in Lleida, SAS for an amount of 95.802 euros which Lleidanetworks Serveis Telemàtics, S.A. subscribed in entirety.

### Lleida Chile SPA

With its registered office in Santiago (Chile), it was incorporated on March 12, 2013, subscribing Lleidanetworks Serveis Telemàtics, SA 200 shares out of a total of 200 that were issued. Its main activity is based on the provision, organization and commercialization of telecommunications services.

### Lleida Networks India Private Limited

With its registered office in New Delhi (India), it was incorporated on January 7, 2013, subscribing Lleidanetworks Serveis Telemàtics, S.A. 12,500 shares out of a total of 50,000 that were issued. Its main activity is the creation of a telecommunications operator in India, as well as offering VAS services, including SMS, MMS, and UMS and other types of messaging

### Lleidanet do Brasil Ltda

With its registered office in Sao Paulo (Brazil), it was incorporated on October 2, 2013, subscribing Lleidanetworks Serveis Telemàtics, S.A. 329 shares out of a total of 330 that were issued. Its main activity is based on the provision of telecommunication services, program development, sending of text messages and electronic mail and the provision of services of study and analysis of computer processes in general.

### Lleidanet Guatemala, Sociedad Anónima

With its registered office in Guatemala (Guatemala), it was incorporated on November 7, 2013, subscribing Lleidanetworks Serveis Telemàtics, S.A. 4,800 shares out of a total of 6,000 issued. Its main activity is the provision, organization and commercialization of telecommunication services and activities such as mobile messaging services (SMS and MMS), carriers, etc., the creation, generation and exploitation of information and communication technologies and the provision of consulting and advisory services on these matters.

Portabilidades Españolas, S.A.

Incorporated on December 4, 2015, subscribing Lleidanetworks Serveis Telemàtics S.A. 100% of the share capital of 3.000 shares for a total value of 3.000€. Its corporate purpose is the commercialization of services based on numerical portability data to telecommunications operators for the routing of telephone traffic and short text messages. In the previous year a capital increase was carried out for a total value of 10,000 euros, fully subscribed by Lleidanet Serveis Telemàtics, S.A.

Lleidanet Costa Rica Empresa Individual de Responsabilidad Limitada

On March 31, 2016, the Parent acquires from D. Francisco José Sapena Soler 100% of this Company for the amount of 16,06 euros. Its main activity is the provision, organization and commercialization of telecommunication services and activities such as mobile messaging services (SMS and MMS), carriers, etc., the creation, generation and exploitation of information and communication technologies and the provision of consulting and advisory services on these matters.

Lleidanet Perú

On August 25, 2016, the Company made a contribution of 268,09 euros for the incorporation of said company. Its main activity is the provision, organization and commercialization of telecommunication services and activities such as mobile messaging services (SMS and MMS), carriers, etc., the creation, generation and exploitation of information and communication technologies and the provision of consulting and advisory services on said matters. On February 21, 2020, a capital increase was carried out through the capitalization of credits held with the parent company in the amount of 104.283 euros.

The summary of the equity of the investee companies as of June 30, 2020, is shown below, in euros:

Company	Share capital	Reserves	Retained earnings	Profit of the year	Total equity
<b>Group companies:</b>					
Lleidanetworks serveis Telemàtics, LTD	4,00	-	(555.140,18)	99.901,72	(455.234,46)
Lleidanet USA Inc	397.591,09	-	(976.150,34)	13.138,33	(565.420,92)
Lleidanet Honduras, SA (**)	941,50	-	-	-	941,50
Lleidanet Dominicana, SRL	10.128,98	-	(26.163,68)	(1.354,53)	(17.389,23)
Lleida SAS	64.969,26	63.093,66	-	29.270,04	157.332,96
Lleida Chile SPA (**)	3.256,83	-	(262,43)	(288,24)	2.706,16
Lleidanet do Brasil Ltda.	10.801,08	-	(36.633,39)	2.832,25	(23.000,06)
Lleidanet Guatemala, S.A. (**)	4.042,50	-	-	-	4.042,50
Portabilidades Españolas, S.A.	13.000,00	-	(4.432,91)	2.676,50	11.243,59
Lleidanet Costa Rica, S.L. (**)	16,06	-	(117,65)	(40,10)	(141,69)
Lleidanet Perú, S.L.	104.551,09	-	(91.437,01)	(14.224,03)	(1.109,95)
<b>Affiliated companies:</b>					
Lleida Networks India Private Limited(*)	26.300,00	83.415,22	-	(28.289,93)	81.425,29

(\*) The balances are as of March 31, 2018.

(\*\*) No activity during the six-month period that ended on June 30, 2020.



The holdings held in Group and affiliated companies as of December 31, 2019 are the following ones, in euros:

Company	% Direct Equity	Cost	Impairments	Net value at 31/12/2019	Theoretical book value 31/12/2019
<b>Group Companies:</b>					
Lleidanetworks Serveis Telemàtics, LTD	100%	4,00	-	4,00	(535.960,63)
Lleidanet USA Inc	100%	397.591,09	(397.591,09)	-	(578.559,25)
Lleidanet Honduras, SA	70%	659,05	-	659,05	941,50
Lleidanet Dominicana, SRL	99,98%	10.127,97	-	10.127,97	(16.034,70)
Lleida SAS	100%	147.789,60	-	147.789,60	128.062,92
Lleida Chile SPA	100%	3.256,83	-	3.256,83	2.994,40
Lleidanet do Brasil Ltda	99,99%	10.800,00	-	10.800,00	(25.832,31)
Lleidanet Guatemala	80%	3.234,00	-	3.234,00	4.042,50
Portabilidades Españolas, S.L.U.	100%	13.000,00	-	13.000,00	8.156,83
Lleidanet Costa Rica	100%	16,06	-	16,06	(101,59)
Lleidanet Perú	100%	268,09	-	268,09	(91.168,92)
Desembolsos pendientes Lleidanet USA		(2.349,36)	-	(2.349,36)	
Desembolsos pendientes Lleidanet Honduras, SA		(659,05)	-	(659,05)	-
Desembolsos pendientes Lleidanet Dominica, SRL		(10.127,97)	-	(10.127,97)	-
Desembolsos pendientes Lleida Chile SPA		(3.256,83)	-	(3.256,83)	-
<b>Affiliated companies:</b>					
Lleida Networks India Private Limited	25%	6.575,00	(6.575,00)	-	81.425,29
<b>Total</b>		<b>576.928,48</b>	<b>(404.166,09)</b>	<b>172.762,39</b>	<b>(1.022.033,96)</b>

The summary of the equity of the investee companies as of December 31, 2019, is shown below, in euros:

Company	Share Capital	Reserves	Retained earnings	Profit of the year	Total Equity
<b>Group Companies</b>					
Lleidanetworks serveis Telemàtics, LTD	4,00	-	(626.337,11)	90.372,48	(535.960,63)
Lleidanet USA Inc	397.591,09	-	(1.045.408,80)	69.258,46	(578.559,25)
Lleidanet Honduras, SA (**)	941,50	-	-	-	941,50
Lleidanet Dominicana, SRL	10.128,98	-	(20.798,05)	(5.365,63)	(16.034,70)
Lleida SAS	64.969,26	-	(10.618,31)	73.711,97	128.062,92
Lleida Chile SPA (**)	3.256,83	-	-	(262,43)	2.994,40
Lleidanet do Brasil Ltda.	10.801,08	-	(33.362,18)	(3.271,21)	(25.832,31)
Lleidanet Guatemala, S.A. (**)	4.042,50	-	-	-	4.042,50
Portabilidades Españolas, S.L.U.(**)	13.000,00	-	(3.202,12)	(1.641,05)	8.156,83
Lleidanet Costa Rica (**)	16,06	-	(104,23)	(13,42)	(101,59)
Lleidanet Perú	268,09	-	(104.643,27)	13.206,26	(91.168,92)
<b>Affiliated companies:</b>					
Lleida Networks India Private Limited (*)	26.300,00	83.415,22	-	(28.289,93)	81.425,29

(\*) The balances are as of March 31, 2018.

(\*\*) No activity during financial year 2019.



**NOTE 9. FINANCIAL LIABILITIES**

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

	Debts with credit institutions		Others liabilities		Total	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
<b>Debits and payable items (Note 9.1)</b>	<b>2.394.952,64</b>	<b>1.504.438,96</b>	<b>139.987,04</b>	<b>173.583,92</b>	<b>2.534.939,68</b>	<b>1.678.022,88</b>

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

	Debts with credit institutions		Others liabilities		Total	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
<b>Debits and payable items (Note 9.1)</b>	<b>1.163.643,99</b>	<b>1.780.883,41</b>	<b>2.172.577,90</b>	<b>2.419.922,69</b>	<b>3.336.221,89</b>	<b>4.200.806,10</b>

**9.1) Debits and Payable Items**

The breakdown as of June 30, 2020 and at December 31, 2019 is as follows, in euros:

	Balance as of 30/06/2020		Balance as of 31/12/2019	
	Long-Term	Short-Term	Long-Term	Short-Term
<b>For commercial transactions:</b>				
Suppliers	-	1.375.590,94	-	1.734.418,98
Suppliers associated parties (Note 18.1)	-	206.421,84	-	68.505,92
Creditors	-	182.133,02	-	305.233,59
Advances from clients	-	247.325,23	-	221.500,19
<b>Total balances for commercial transactions</b>	<b>-</b>	<b>2.011.471,03</b>	<b>-</b>	<b>2.329.658,68</b>
<b>For non-commercial operations:</b>				
Debts with credit institutions	2.394.952,64	1.145.027,31	1.495.939,82	1.760.736,41
Other financial liabilities	-	18.616,68	8.499,14	20.147,00
Other debts	139.987,04	70.928,71	173.583,92	90.264,01
<b>Debits and payable items</b>	<b>2.534.939,68</b>	<b>1.234.572,70</b>	<b>1.678.022,88</b>	<b>1.871.147,42</b>
Staff	-	90.178,16	-	-
<b>Total balances for non-commercial operations</b>	<b>2.534.939,68</b>	<b>1.324.750,86</b>	<b>1.678.022,88</b>	<b>1.871.147,42</b>
<b>Total debts and payable items</b>	<b>2.534.939,68</b>	<b>3.336.221,89</b>	<b>1.678.022,88</b>	<b>4.200.806,10</b>

**9.1.1) Debts with credit institutions**

The breakdown of debts with credit institutions as of June 30, 2020 is as follows, in euros:

	A Short-Term	A Long-Term	Total
Credit policies	523.857,70	-	523.857,70
Loans	621.169,61	2.394.952,64	3.016.122,25
Leasings	18.616,68	-	18.616,68
	<b>1.163.643,99</b>	<b>2.394.952,64</b>	<b>3.558.596,63</b>

The breakdown of debts with credit institutions at December 31, 2019 is as follows, in euros:

	A Short-Term	A Long-Term	Total
Credit policies	1.080.990,60	-	1.080.990,60
Loans	679.745,81	1.495.939,82	2.175.685,63
Leasings	20.147,00	8.499,14	28.646,14
	<b>1.780.883,41</b>	<b>1.504.438,96</b>	<b>3.285.322,37</b>

**Loans**

The detail of the bank loans as of June 30, 2020, expressed in Euros, is the following:

Company	Last maturity	Initial amount	Pending closing
Loan 24 (*)	15/10/2025	78.375,60	53.555,60
Loan 31	14/12/2020	465.000,00	48.802,27
Loan 32	31/12/2020	287.619,11	30.193,34
Loan 36	02/11/2022	300.000,00	150.520,48
Loan 37	01/03/2022	150.000,00	65.625,00
Loan 38	18/06/2023	195.000,00	119.399,21
Loan 39	02/07/2023	200.000,00	126.561,34
Loan 40	28/12/2023	400.000,00	282.570,77
Loan 41	29/03/2024	250.000,00	189.764,42
Loan 42	12/04/2024	400.000,00	309.770,32
Loan 43	03/05/2024	300.000,00	237.381,50
Loan 44	04/06/2024	250.000,00	201.978,00
Loan 45	30/04/2025	400.000,00	400.000,00
Loan 46	22/04/2025	400.000,00	400.000,00
Loan 47	08/04/2025	400.000,00	400.000,00
		<b>4.475.994,71</b>	<b>3.016.122,25</b>

(\*) This is a loan granted by the CDTI.

The detail of the bank loans as of December 31, 2019, expressed in Euros, is the following:

Company	Last maturity	Initial amount	Pending closing
Loan 24 (*)	15/10/2025	78.375,60	63.483,60
Loan 29	25/02/2020	250.000,00	8.811,27
Loan 30	30/06/2020	150.000,00	19.575,20
Loan 31	14/12/2020	465.000,00	97.119,33
Loan 32	31/12/2020	287.619,11	60.089,86
Loan 36	02/11/2022	300.000,00	180.346,78
Loan 37	01/03/2022	150.000,00	84.375,00
Loan 38	18/06/2023	195.000,00	138.592,16
Loan 39	02/07/2023	200.000,00	146.093,55
Loan 40	28/12/2023	400.000,00	321.954,70
Loan 41	29/03/2024	250.000,00	214.034,84
Loan 42	12/04/2024	400.000,00	348.665,70
Loan 43	03/05/2024	300.000,00	266.434,68
Loan 44	04/06/2024	250.000,00	226.108,96
		<b>3.675.994,71</b>	<b>2.175.685,63</b>

(\*) This is a loan granted by the CDTI.

### Credit Lines

As of June 30, 2020, the Company has credit policies granted with a total limit amounting up to 1.815.000,00 euros (1.715.000 euros at the end of the previous year). The amount drawn at the aforementioned date is 356.895,21 euros (1.080.990,60 euros at the end of the previous year).

### Lines of Effects and Import Advances

As of June 30, 2020, the Company has discount policies granted with a total limit amounting to 650.000 euros (650.000 euros at the end of the previous year), of which 166.962,49 euros have been disposed of as of that date (no amount discounted at the end of the previous year).

#### 9.1.2) Other debts

The balance of other debts includes mainly two loans held by the Company with the Institut Català de Finances (ICF). The detail of those loans as of 30 June, 2020, are as follows, in euros:

Company	Last maturity	Initial amount	Pending closing
Loan 2	25/07/2023	300.000,00	207.180,80
		<b>300.000,00</b>	<b>207.180,80</b>

The detail of these loans as of 31 December, 2019, is as follows, in euros:

Company	Last maturity	Initial amount	Pending closing
Loan 1	29/04/2020	336.737,98	17.821,88
Loan 2	25/07/2013	300.000,00	240.777,68
		<b>636.737,98</b>	<b>258.599,56</b>



## 9.2) Other Information related to Financial Liabilities

### a) Classification by Maturity Date

The breakdown of the maturity dates of the liability financial instruments as of June 30, 2020 is the following, in Euros:

	Maturity years						
	2020	2021	2022	2023	2024	More than 5 years	Total
<b>Financial debts:</b>	<b>1.163.643,99</b>	<b>796.307,25</b>	<b>744.305,38</b>	<b>575.100,25</b>	<b>266.229,75</b>	<b>13.010,01</b>	<b>3.558.596,63</b>
Debts with credit institutions	1.145.027,31	796.307,25	744.305,38	575.100,25	266.229,75	13.010,01	3.539.979,95
Financial lease	18.616,68	-	-	-	-	-	18.616,68
<b>Other debts:</b>	<b>70.928,71</b>	<b>139.987,04</b>	-	-	-	-	<b>210.915,75</b>
<b>Commercial creditors and other payable items:</b>	<b>2.101.649,19</b>	-	-	-	-	-	<b>2.101.649,19</b>
Suppliers	1.375.590,94	-	-	-	-	-	1.375.590,94
Suppliers associated parties	206.421,84	-	-	-	-	-	206.421,84
Sundry creditors	182.133,02	-	-	-	-	-	182.133,02
Staff	90.178,16	-	-	-	-	-	90.178,16
Advances from costumers	247.325,23	-	-	-	-	-	247.325,23
<b>Total</b>	<b>3.336.221,89</b>	<b>936.294,29</b>	<b>744.305,38</b>	<b>575.100,25</b>	<b>266.229,75</b>	<b>13.010,01</b>	<b>5.871.161,57</b>

The breakdown of the maturity dates of the liability financial instruments at the close of 2019 is the following, in Euros:

	Maturity years						
	2020	2021	2022	2023	2024	More than 5 years	Total
<b>Financial debts:</b>	<b>1.780.883,41</b>	<b>515.862,28</b>	<b>483.160,01</b>	<b>384.460,08</b>	<b>103.024,37</b>	<b>17.932,22</b>	<b>3.285.322,37</b>
Debts with credit institutions	1.760.736,41	507.363,14	483.160,01	384.460,08	103.024,37	17.932,22	3.256.676,23
Financial lease	20.147,00	8.499,14	-	-	-	-	28.646,14
<b>Other debts</b>	<b>90.264,01</b>	<b>66.666,59</b>	<b>66.666,59</b>	<b>40.250,74</b>	-	-	<b>263.847,93</b>
<b>Commercial creditors and other payable items:</b>	<b>2.329.658,68</b>	-	-	-	-	-	<b>2.329.658,68</b>
Suppliers	1.734.418,98	-	-	-	-	-	1.734.418,98
Suppliers (related parties)	68.505,92	-	-	-	-	-	68.505,92
Sundry creditors	305.233,59	-	-	-	-	-	305.233,59
Advances from costumers	221.500,19	-	-	-	-	-	221.500,19
<b>Total</b>	<b>4.200.806,10</b>	<b>582.528,87</b>	<b>549.826,60</b>	<b>424.710,82</b>	<b>103.024,37</b>	<b>17.932,22</b>	<b>5.878.828,98</b>

### b) Breach of Contractual Obligations

No incidence has been produced in breach of the obligations relating to the loans received from third parties

## 9.3) Guarantees

The Company has contracted guarantees with a financial institution for a total amount of 406.505,06 euros, a customary instrument when signing an interconnection agreement.

**NOTE 10. INFORMATION ON THE DEFERMENT OF PAYMENTS MADE TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DUTY TO INFORM" OF LAW 15/2010, OF JULY 5**

As indicated in the third additional provision 'Duty to inform' of Law 15/2010, of July 5 (modified by Law 31/2014), to amend Law 3/2004 of December 29, by which are established measures to combat late payment in commercial transactions and with regard to the resolution January 29, 2016, of the Institute of Accounting and Audit Statements, about the information to include in the Notes to the Annual Accounts with regard to the average payment period to suppliers in commercial transactions, is as follows:

Payments made and pending payment on the Closing Date Balance		
	Financial year 2020 Days	Financial year 2019 Days
Average payment period to suppliers	31,67	36,02
Ratio paid operations	35,48	35,44
Ratio of outstanding payment transactions	20,00	38,37

	Financial year 2020 (six months) Amount	Financial year 2019 Amount
Total payments	5.398.624,36	8.624.804,92
Total outstanding payments	1.764.145,80	2.108.191,76

**NOTE 11. INFORMATION ON THE NATURE AND LEVEL OF THE RISK FROM FINANCIAL INSTRUMENT**

Company activities are exposed to a diverse set of financial risks, specifically credit risk, liquidity risk and market risks (exchange rate, interest rate and other price risks).

**11.1) Credit Risk**

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

The Company's credit risk is attributable mainly to its commercial debts. The amounts are reflected in the net balance of provisions for bad debts, estimated by the Company's management based on the experience of previous years and its assessment of the current economic environment.

**11.2) Liquidity Risk**

The general situation of financial markets, especially the banking market, has been particularly unfavourable for credit claimants. The Company pays constant attention to the evolution of the different factors that can help to solve liquidity crises, and especially to the sources of financing and their characteristics.



### **11.3) Market Risk**

The general market situation during the last years has been unfavourable due to the difficult economic situation of the environment

### **11.4) Exchange Rate Risk**

The Company is not exposed to a significant exchange rate risk and therefore does not trade in hedging instruments.

### **11.5) Interest Rate Risk**

Changes in interest rates modify the fair value of assets and liabilities bearing a fixed interest rate as well as the future flows of assets and liabilities referenced to a variable interest rate.

The objective of interest rate risk management is to achieve a balance in the debt structure that will minimize the cost of debt over the multiannual horizon with a reduced volatility in the Profit and Loss Account.

### **11.6) Risks Derived from the Current Situation due to the Possible Effects of COVID-19**

Since December 2019, COVID-19, a new strain of Coronavirus, has spread to many countries, including Spain since January 2020. This event significantly affects economic activity worldwide and, as a result, the Group's operations and financial results.

The effects of this crisis have had two main axes within Lleida.net:

- Enhancing sales of SaaS line derived from lockups, which have forced to adapt the companies policies, and has accelerated all the digitalization of both notification and hiring processes where Lleida.net has been a key agent of change
- Change in the type of traffic of the SMS wholesale line, where hospitality traffic has been reduced but where volume has been maintained, thanks to SMS linked to digital processes and a need for this communication channel derived from teleworking and social distancing.

The growth in demand for the SaaS line is not foreseen as a one-off growth, but rather as an accelerator of new contracts, which will have recurrent consumption.

With the aim of minimizing the risk of contagion within the staff of Lleidanet, where the number of employees has continued to increase and no ERTE has been accepted, teleworking was introduced as a predominant precautionary measure. To date, most of the staff continues to telework, and the staff attending the facilities must comply with the security protocol implemented.



**NOTE 12. EQUITY****12.1) Share Capital**

As of December 31, 2019 and June 30, 2020, the share capital amounts to 320.998,86 euros and is represented by 16.049.943 registered shares of 0,02 euros nominal each, fully subscribed and paid up. These holdings enjoy equal political and economic rights.

As of June 30, 2020, as well as December 31, 2019, there are no companies with a direct or indirect stake equal to or greater than 10% of the share capital.

**Capital Increase**

By virtue of the admission to trading on the Alternative Stock Market, the Company carried out the following transactions in its share capital:

- On June 1, 2015, a General Shareholders' Meeting resolved to split the shares of the Parent Company by reducing the par value of the shares by 60,10 euros at a nominal value of 0,02 euros per share. In this operation, 3.005 shares were generated for each old share, with the capital stock being formed by 11.812.655 shares with a nominal value of each share at nominal 0,02 euros each.
- On June 1, 2015, it was agreed by the General Shareholders' Meeting to modify the system of representation of the shares, transforming the nominative securities representing the shares in which the Company's capital is divided into account entries.
- On June 1, 2015, it was resolved by means of a General Meeting of Shareholders to modify the transmission regime of the shares of the Company, passing this transfer of shares to be free and not subject to consent or authorization by the Company nor by shareholders
- On June 1, 2015, it was agreed by the General Meeting of Shareholders to request the incorporation in the segment of Companies in Expansion of the Alternative Stock Market of all the shares representing the Company.
- On September 30, 2015, it was agreed to increase the Company's Capital Stock by 84.745,78 euros through the issuance of 4.237.288 shares with a nominal value of 0,02 euros and an issue premium of 1,16 euros per share. This extension is fully subscribed and disbursed.

**12.2) Reserves**

The breakdown for Reserves is as follows, in euros:

	30/06/2020	31/12/2019
Legal Reserve	64.199,77	47.503,72
Voluntary Reserves	2.149.734,17	1.445.433,78
<b>Total</b>	<b>2.213.933,94</b>	<b>1.492.937,50</b>

**a) Legal Reserve**

The Legal Reserve is restricted with regard to its use, which is determined by a variety of legal provisions. In accordance with the Law Capital Companies, trading companies which obtain profits under this legal form are obliged to provide the reserve with 10% of these, until the constituted reserve fund reaches one fifth of the subscribed share capital. The purposes of the legal reserve are the compensation of losses or the increase of capital by the exceeding part of the 10% of the capital already increased, as well as its distribution to the shareholders in case of liquidation. At June 30, 2020, the Legal Reserve was fully endowed.

**12.3) Issue Premium**

This reserve amounted to 5.244.344,28 euros, of which 329.090,20 euros arose as a result of the capital increase carried out in 2007 and 4.915.254,08 euros arose as a result of the capital increase carried out in the 2015 exercise for the departure of the Parent Company to the Alternative Stock Market. It has the same restrictions and can be used for the same purposes as voluntary reserves, including their conversion into share capital.

**12.4) Own Shares**

The Board of Shareholders of the Company agreed on June 1, 2015 to authorize the Board of Directors for the derivative acquisition of treasury shares under the terms established by current legislation. These acquisitions of own shares have been made through the liquidity providers GVC Gaesco Valores SV, S.A, making available a total value of 1.200.000 euros and Invest Securities S.A in the Euronext Grothw, making available a total value of 83.438,45 euros to be able to carry out transactions of own shares, in accordance with the provisions of the Alternative Market and Euronext Growth respectively. Own shares are valued at acquisition cost.

As of June 30, 2020, the Company holds own shares for an amount up to 334.512,65 euros (753.301,13 euros as of December 31, 2019).

**NOTE 13. FOREIGN CURRENCY**

The most significant foreign currency balances as of June 30, 2020, totalled in euros and broken down into their foreign currency equivalent, are as follows:

	EUROS	USD	ZAR
<b>CURRENT ASSETS</b>			
Trade debtors and other accounts	47.604,34	52.635,95	-
<b>CURRENT LIABILITIES</b>			
Trade creditors and other payable accounts	51.055,28	55.669,69	21.160,71

The most significant foreign currency balances as of December 31, 2019, totalled in euros and broken down into their foreign currency equivalent, are as follows:

	EUROS	USD	GBP	ZAR	ARS	AED	MXN
<b>CURRENT ASSETS</b>							
Trade debtors and other accounts	366.575,54	414.674,94	-	-	-	-	-
<b>CURRENT LIABILITIES</b>							
Trade creditors and other payable accounts	101.229,14	99.260,70	1.864,30	26.524,25	223.662,00	1.624,37	78.931,96



The most significant transactions carried out during the six-month period ended June 30, 2020, totalled in euros and broken down into the equivalent in foreign currency, are as follows:

	EUR	USD	GBP	CLP	COP	ZAR	PNL	AED	PEN
Purchases and services received	597.468,88	620.878,80	13.972,35	4.317.020	7.298.627	111.199,47	9.307,25	35.445,00	5.272,82
Sales and services given	520.459,05	583.648,37	24,14	-	-	-	-	-	-

The most significant transactions carried out during the financial year 2019 ended December 31, 2019, totalled in euros and broken down into the equivalent in foreign currency, are as follows:

	EUR	USD	GBP	CLP	COP	MXN	ZAR	PNL	PEN	AED
Purchases and services received	1.206.913,30	1.264.514,90	50.470,31	7.740.516,00	31.980.863,50	623.837,89	164.345,82	18.400,42	3.764,49	13.662,29
Sales and services given	318.336,91	371.600,31	165,63	-	-	-	-	-	-	-

**NOTE 14. TAX SITUATION**

The following is the breakdown of the balances with the Tax Authorities as of June 30, 2020 and December 31, 2019, in euros:

	30/06/2020		31/12/2019	
	Receivable	Payable	Receivable	Payable
<b>Corriente:</b>				
Value Added Tax	3.257,82	105.363,84	3.257,82	55.256,44
Grants to be paid (*)	11.200,60	-	32.932,77	-
Income Tax retentions	-	38.717,52	-	50.577,55
Social Security bodies	97.722,67	-	97.707,82	-
Income tax	842,09	68.663,83	-	66.911,48
	<b>113.023,18</b>	<b>212.745,19</b>	<b>133.898,41</b>	<b>172.745,47</b>

**Tax Situation**

In accordance with current legislation, tax payments cannot be considered final until they have been inspected by the tax authorities, or until the statute barring period of four years has passed.

As of June 30, 2020, the Company has open to tax inspection all the taxes to which it is subject from the financial year 2016 to the 2019 financial year. Consequently, as a result of possible inspections, additional liabilities could arise to those registered by the Company. However, the Directors of the Company and its tax advisors consider that such liabilities, if they occur, would not be significant on the annual accounts taken as a whole.

**Profit Tax**

The conciliation of the net amount of income and expenses for the six-month period ended June 30, 2020 of the Company with the taxable income tax base is as follows:

Profit and Loss Account			
Financial year's earnings (After taxes) (six months)			197.180,86
	<i>Increases</i>	<i>Decreases</i>	<i>Net effect</i>
Profit tax	-	-	-
Permanent differences	17.962,28	-	17.962,28
Offset of negative tax bases	-	(215.143,14)	(215.143,14)
Taxable income (tax result)			-

The conciliation of the net amount of income and expenses for the six-month period ended June 30, 2019 of the Company with the taxable income tax base is as follows:

Profit and Loss Account			
<b>Financial year's earnings (After taxes) (six months)</b>			<b>153.989,39</b>
	<i>Increases</i>	<i>Decreases</i>	<i>Net effect</i>
<b>Profit tax</b>	<b>2.980,95</b>	-	<b>2.980,95</b>
<b>Permanent differences</b>	<b>18.795,97</b>	-	<b>18.795,97</b>
<b>Offset of negative tax bases</b>	-	<b>(175.766,31)</b>	<b>(175.766,31)</b>
<b>Taxable income (tax result)</b>			<b>-</b>

The following are the calculations made with regard to the Company Tax to be paid, expressed in euros:

	2020 (6 months)	2019 (6 months)
<b>Charge at 25 % of Taxable Income</b>	-	-
Deductions	-	-
<b>Net tax payable</b>	-	-
Less: withholdings and payments	(14,85)	(62,25)
<b>Tax payable</b>	<b>(14,85)</b>	<b>(62,25)</b>

The main components of the Corporate Income Tax expense are the following:

	2020	2019
Current tax	-	-
Deferred tax	-	2.980,95
	-	<b>2.980,95</b>

The movement of deferred taxes generated and cancelled during the last year is detailed below in euros:

	Balance at 31/12/2018	Applied	Balance at 31/12/19
<b>Deferred tax assets:</b>			
Tax credits	2.980,95	(2.980,95)	-



**Tax Loss Carry forwards**

Part of the tax base credits have been recognised, since they meet the requirements established by current legislation for their recognition and since there are no doubts as to the Company's ability to generate future taxable profits that will enable it to be recovered. The detail of the tax loss carry forwards to be offset in future years is as follows:

Year of Origin	Amount
2016	226.349,18

**Deductions Pending Application**

As of June 30, 2020, the Company has the following deductions to apply:

Year of Origin	Amount
2005	13.460,45
2006	71.214,06
2007	75.820,66
2008	201.266,41
2009	172.071,08
2010	181.164,26
2011	214.961,29
2012	251.779,01
2013	90.887,05
2014	127.371,20
2015	369.824,03
2016	188.991,46
2017	182.112,92
2018	171.929,09
2019	165.515,26
	<b>2.478.368,23</b>

**NOTE 15. INCOME AND EXPENSES****a) Supplies**

This heading in the Profit and Loss Account is composed as follows, in Euros:

	2020 (6 months)	2019 (6 months)
<b>Consumption of merchandise</b>		
Domestics	1.336.197,19	1.308.854,40
Intra-Community Acquisitions	1.229.199,36	699.027,57
Imports	1.328.483,21	763.687,62
	<b>3.893.879,76</b>	<b>2.771.569,59</b>

**b) Staff expenses**

The staff expenses as in the Profit and Loss Account are composed as follows, in euros:

	2020 (6 months)	2019 (6 months)
Company Social Security contributions	330.240,76	284.943,46
Other welfare costs	67.572,25	76.932,61
	<b>397.813,01</b>	<b>361.876,07</b>

**c) Financial Results**

This heading in the Profit and Loss Account is composed as follows, in Euros:

	2020 (6 months)	2019 (6 months)
<b>Financial incomes</b>		
Income from loans granted to group companies	13.264,38	16.271,42
Other financial incomes	426,21	239,16
	<b>13.690,59</b>	<b>16.510,58</b>
<b>Financial expenses</b>		
For debts with credit institutions	(35.608,61)	(39.471,73)
	<b>(35.608,61)</b>	<b>(39.471,73)</b>
Exchange differences	(10.386,81)	(10.727,50)
<b>Financial Result Positive / (Negative)</b>	<b>(32.304,83)</b>	<b>(33.688,65)</b>

**NOTE 16. INFORMATION ON THE ENVIRONMENT**

The Company has no assets, nor has it incurred expenses, aimed at minimizing the environmental impact and protecting and improving the environment. There are likewise no provisions for risks and expenses and no contingencies relating to protection and improvement of the environment.

**NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE**

After June 30, 2020, the General Shareholders' Meeting approved the application for the admission of all the Company's shares as "listing" on the OTCQX International market in New York. In addition to this fact, there have been no relevant events affecting the Company's interim financial statements as of that date.

**NOTE 18. TRANSACTIONS WITH RELATED PARTIES****18.1) Balances between related parties**

Below is the breakdown of the balances held with related parties at June 30, 2020, in Euros:

Balances held with related parties at financial year 2020	LLEIDA NET UK	LLEIDA NET USA	LLEIDA SAS	LLEIDA REP. DOMINIC.	PORTABILLIDADES ESPAÑOLAS	LLEIDANET BRASIL	LLEIDANET PERÚ	LLEIDANET COSTA RICA	LLEIDANET CHILE	Total
<b>NON-CURRENT ASSETS</b>	-	36.445,11	1.480,67	41.644,37	3.000,00	34.524,85	31.447,85	1.381,38	5.143,37	155.067,60
Long-term financial investments in group companies	-	36.445,11	1.480,67	41.644,37	3.000,00	34.524,85	31.447,85	1.381,38	5.143,37	155.067,60
Credits	409.288,45	145.982,02	1.480,67	41.644,37	3.000,00	34.524,85	31.447,85	1.381,38	5.143,37	673.892,96
Value corrections for doubtful credits	(409.288,45)	(109.536,91)	-	-	-	-	-	-	-	(518.825,36)
<b>CURRENT ASSETS</b>	45.566,22	306.850,43	280.995,89	7.509,77	50.853,52	8.394,16	49.406,80	-	-	749.576,79
Trade and other receivables	-	227.367,66	271.132,34	5.635,08	50.853,52	5.714,21	39.840,74	-	-	600.543,55
Customers	106.671,61	595.792,35	271.132,34	5.635,08	50.853,52	5.714,21	39.840,74	-	-	1.075.639,85
Impairment allowances	(106.671,61)	(368.424,69)	-	-	-	-	-	-	-	(475.096,30)
Short-term financial investments in group companies	45.566,22	79.482,77	9.863,55	1.874,69	-	2.679,95	9.566,06	-	-	149.033,24
Credits	104.606,16	79.482,77	9.863,55	1.874,69	-	2.679,95	9.566,06	-	-	208.073,18
Impairments allowance	(59.039,94)	-	-	-	-	-	-	-	-	(59.039,94)
<b>CURRENT LIABILITIES</b>	2.029,12	200.353,15	2.005,74	2.033,83	-	-	-	-	-	206.421,84
Trade and other payables:	2.029,12	200.353,15	2.005,74	2.033,83	-	-	-	-	-	206.421,84
Suppliers	2.029,12	200.353,15	2.005,74	2.033,83	-	-	-	-	-	206.421,84



Below is the breakdown of the balances held with related parties at December 31, 2019, in Euros:

Outstanding balances with related parties in 2019	LLEIDA NET UK	LLEIDA NET USA	LLEIDA SAS	LLEIDA REP. DOMINIC.	PORTABÍ-LIDADES ESPAÑOLAS	LLEIDANET BRASIL	LLEIDANET PERÚ	LLEIDANET COSTA RICA	LLEIDANET CHILE	Total
<b>NON CURRENT ASSETS</b>	-	-	44,48	37.594,10	3.000,00	34.524,85	132.373,30	1.381,38	684,93	209.603,04
Long-term loans to group companies	-	-	44,48	37.594,10	3.000,00	34.524,85	132.373,30	1.381,38	684,93	209.603,04
Long-term loans to group companies impairment	474.271,07 (474.271,07)	109.536,91 (109.536,91)	44,48	37.594,10	3.000,00	34.524,85	132.373,30	1.381,38	684,93	793.411,02 (583.807,98)
<b>CURRENT ASSETS</b>	68.488,79	208.989,18	450.339,79	6.008,38	-	2.067,30	29.536,04	-	-	765.429,48
Trade receivables	-	131.820,55	440.489,64	4.830,19	-	-	21.085,04	-	-	598.225,42
Clients impairment	73.124,19 (73.124,19)	500.245,24 (368.424,69)	440.489,64	4.830,19	-	-	21.085,04	-	-	1.039.774,30 (441.548,88)
Short-term loans to group companies	68.488,79	77.168,63	9.850,15	1.178,19	-	2.067,30	8.451,00	-	-	167.204,06
Short-term loans to group companies impairment	96.093,53 (27.604,74)	77.168,63	9.850,15	1.178,19	-	2.067,30	8.451,00	-	-	194.808,80 (27.604,74)
<b>CURRENT LIABILITIES</b>	2.029,12	62.437,23	2.005,74	2.033,83	-	-	-	-	-	68.505,92
Trade payables	2.029,12	62.437,23	2.005,74	2.033,83	-	-	-	-	-	68.505,92
Suppliers	2.029,12	62.437,23	2.005,74	2.033,83	-	-	-	-	-	68.505,92

## 18.2) Transactions with related parties

The most significant transactions carried out with associated parties during the six-month period that ended on June 30, 2020, is as follows:

Operation with related parties in the year	LLEIDA NET USA	LLEIDA NET UK	LLEIDA NET COLOMBIA	LLEIDANET PERÚ	LLEIDANET BRASIL	LLEIDANET REP. DOMINICAN.	PORTA-BILIDADES ESPAÑOLAS
Sales	95.547,11	33.547,42	98.277,58	18.755,70	5.714,21	804,89	50.853,52
Purchases	137.915,92	-	-	-	-	-	-
Interest incomes	2.314,14	8.512,63	13,40	1.115,07	612,64	696,50	-

The most significant transactions carried out with associated parties at financial year 2019, is as follows:

Operation with related parties in the year	LLEIDA NET USA	LLEIDA NET UK	LLEIDA NET COLOMBIA	LLEIDANET PERÚ	LLEIDANET BRASIL	LLEIDANET REP. DOMINICANA
Sales	176.105,74	36.148,44	184.938,12	17.497,55	-	1.309,63
Purchases	68.871,74	-	-	-	-	-
Interest incomes	4.060,49	19.175,55	1.651,03	4.474,40	1.194,53	1.178,19

## 18.3) Balances and Transactions with the Directors of the Company and Senior Executives

The remuneration accrued during the six-month period ended June 30, 2020 by the Board of Directors of the Company amounted to 54.000,00 euros. In the six-month period ended June 30, 2019, remunerations were accrued by the Board of Directors amounting to 45.000 euros.

The Senior Management tasks are performed by three members of the same Board of Directors (two members for the six-month period ended June 30, 2019), with compensation for salaries and wages amounting to 144.867,51 euros (116.595,36 euros for the six-month period ended June 30, 2019) and 6.688,62 in other retributions (7.161,88 euros in the six-month period ended June 30, 2019).

As of June 30, 2020, as well as December 31, 2019, there are no credits or advances with the Board of Directors of the Company, as well as commitments for pension supplements, guarantees or guarantees granted in its favour.

### Other Information Regarding the Board of Directors

Pursuant to the Capital Companies Law, it is reported that the members of the Company's Management Body do not hold interests in other companies with the same, similar or complementary corporate purpose.

In accordance with the above-mentioned Law Capital Companies, it is also reported that the members of the Board have carried out no activity, on their own behalf or on behalf of others, with the Group, which may be considered to be not in accordance with normal trading and not carried out under normal market conditions.

**NOTE 19. OTHER INFORMATION**

The average number of employees during the financial year 2020 and 2019, which does not differ significantly from the number of employees at the end of the year, broken down by category and sex, is as follows:

	2020			2019				
	Men	Women	Total	Disability greater than or equal to 33%	Hombres	Women	Total	Disability greater than or equal to 33%
Senior Executives	1	2	3	-	1	1	2	-
Administration	1	3	4	1	-	5	5	1
Commercial	6	9	15	1	6	9	15	-
Human Resources	-	1	1	-	-	1	1	-
Production	31	5	36	1	28	7	35	-
Maintenance	-	1	1	-	-	2	2	-
Reception	-	8	8	-	-	6	6	-
Business development	3	5	8	-	2	5	7	-
Compliance	-	4	4	-	-	2	2	-
Intellectual Property	1	-	1	-	1	-	1	-
<b>TOTAL</b>	<b>43</b>	<b>38</b>	<b>81</b>	<b>3</b>	<b>38</b>	<b>38</b>	<b>76</b>	<b>1</b>

The amount of fees accrued for the individual review services of the Interim Financial Statements for the year ended June 30, 2020 amounted to 9.950 (9.775 euros in the previous period of 6 months ended June 30, 2019).

It is reported that during the year the Company paid the premium corresponding to the civil liability policy that would eventually cover the damage caused to third parties by acts or omissions related to the performance of their functions. The premium amounted to 19.107 euros (same amount in the previous year).

**NOTE 20. SEGMENTED INFORMATION**

The distribution of the net amount of turnover corresponding to the ordinary activities of the Company, by category and / or business segment, is shown below, in euros:

Business Areas (in thousands of euros)	2020 (6 months)		2019 (6 months)	
	Euros	%	Euros	%
SaaS Services	1.757.570,29	24,26%	1.463.934,70	25,54%
SMS Solutions	1.227.464,52	16,95%	1.307.941,65	22,82%
ICX Wholesale Solutions	4.258.844,03	58,79%	2.960.867,92	51,64%
<b>Total</b>	<b>7.243.878,84</b>	<b>100,00%</b>	<b>5.732.744,27</b>	<b>100,00%</b>

The distribution of the net amount of turnover corresponding to the ordinary activities of the Company, by geographic markets, is shown below, in euros:

Description of geographic markets	2020 (6 months)		2019 (6 months)	
	Euros	%	Euros	%
Domestic	3.363.640,37	46,43%	2.986.878,72	52,10%
European Union	1.994.079,55	27,53%	1.674.813,76	29,21%
Rest of the World	1.886.158,92	26,04%	1.071.051,79	18,69%
<b>Total</b>	<b>7.243.878,84</b>	<b>100,00%</b>	<b>5.732.744,27</b>	<b>100,00%</b>



**LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**  
**DIRECTORS' REPORT FOR**  
**THE SIX-MONTH PERIOD ENDED AS OF JUNE 30, 2020**

## **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.**

### **MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

In compliance with the provisions of the Spanish Corporations Law, the Board of Directors hereby submits the director's report for the year, in order to complement, expand and comment on the balance sheet, the profit and loss account and the report corresponding to the first half of fiscal year 2020.

#### **1. EVOLUTION OF BUSINESS**

In the first half of the 2020 financial year, sales have increased by 26% to reach 7,2 million euros. The growth was marked by both the Wholesale line and the SaaS line, with increases of 44% and 20% respectively.

The growth of the SaaS line has been boosted by COVID19 which has created new demand for our products as a result of the increase in teleworking due to confinement. Lleida.net products are perfectly adapted to this new normality, where you have to keep signing documents and making notifications. Specifically, due to confinement, we have seen how the consumption typology of our customers has been modified, increasing the consumption of notification products in detriment of hiring products. Lleida.net product portfolio allows to adapt to both economic growth and recession periods. Additionally, we have accelerated the signing of relevant contracts, which will have an impact on sales from the last quarter of 2020 onwards, such as South African Post, Ibercaja, Alphabet and Ald Automotive.

The 44% increase in sales of the Wholesale line, which includes SMS sales from carriers and aggregators, is explained by the new agreements signed with Asian carriers. As a result of the COVID, we have seen how hospitality traffic has disappeared (hotels, airplanes, vacation home rentals, cabs) but the traffic of labor, health and transactional information has increased.

Commercial SMS sales, with a decrease of 6% compared to the same semester of 2019, are the ones with less potential within Lleida.net portfolio. It is a simple SMS market for small volume customers. We do not expect significant developments in this business line for the end of the year.

The gross margin has increased 13% in absolute figures, and the Gross margin between sales ratio has gone from 51.6% in the first semester of 2019 to 46.3% in the first semester of 2020. The decrease in the ratio is explained by the relative weight of Wholesale sales over total sales, as these sales have a lower unit margin than SaaS sales.

Personnel expenses increased by 168 thousand euros, 12% compared to the same semester in 2019. One of Lleida.net pillars is the constant incorporation of talent, necessary both in the development of new products and in the acquisition of new clients and opening of new markets. Lleida.net staff has increased in a 6% if we compare the year to year data. The last incorporations have been destined to cover the demand of additional information derived from COVID

Activations have decreased by 180 thousand euros, 35% compared to the same period in 2019. It is worth noting that the company, regardless of the lower volume of activations, continues to make the same intensive work in this area to continue developing products, mainly in the SaaS line, with innovation being a basic pillar within the company's strategy and continuously reinforcing its talented staff.

EBITDA has increased by 9% due to:

- Increase in sales and the corresponding gross margin.
  - The "braking" of external services costs, due to lower commercial trips due to mobility restrictions in the second quarter
- The lowest activation of research and development expenses as we have explained

Both EBITDA and pre-tax results are positive, and the increase in sales and gross margin has allowed us to continue with the company's strategic plan by attracting talent.

*Sales by business lines - Thousand of euros*

	S1 2019	S1 2020	Var. €	Var.%
SaaS Services	1.464	1.758	294	20%
SMS Solutions	1.308	1.227	-81	-6%
ICX WHOLESALE Solutions	2.961	4.259	1.298	44%
<b>Total</b>	<b>5.733</b>	<b>7.244</b>	<b>1.511</b>	<b>26%</b>

*Data in thousand of Euros*

	S1 2019	S1 2020	Var. €	Var.%
Sales	5.733	7.244	1.511	26%
Cost of Sales	(2.772)	(3.894)	1.122	40%
<b>Gross Margin</b>	<b>2.961</b>	<b>3.350</b>	<b>389</b>	<b>13%</b>
Payroll	(1.442)	(1.610)	168	12%
External Services	(1.280)	(1.243)	(37)	-3%
Other Incomes	6	(5)	(11)	-
Activations	511	331	(180)	-35%
<b>EBITDA</b>	<b>756</b>	<b>823</b>	<b>67</b>	<b>9%</b>
Amortizations	(565)	(584)	19	3%
Impairment and Gain on Disposal		(10)		
<b>Profit from operations</b>	<b>191</b>	<b>229</b>	<b>38</b>	<b>20%</b>
Financial Net Result	(23)	(22)	(1)	-4%
Exchange Rate Differences	(11)	(10)	(1)	-9%
<b>Profit Before Tax</b>	<b>157</b>	<b>197</b>	<b>40</b>	<b>25%</b>



## **2. IMPORTANT EVENTS OCCURRED AFTER THE CLOSURE**

On September 14, 2020, the General Shareholders' Meeting agreed, in an extraordinary call, to request the admission of all the company's shares as a listing on the OTCQX International market in New York (USA).

In addition to the above-mentioned agreement, from June 30, 2020 until the date of preparation, no subsequent events have occurred, in addition to those already mentioned in the Notes to the Annual Accounts, that would reveal circumstances that already existed at June 30, 2020 and that, due to the importance of their economic impact, should entail adjustments to the financial statements or modifications to the information contained in the Notes to the Annual Accounts.

Nor are there any subsequent events, other than those already mentioned in the Explanatory Notes, that demonstrate conditions that did not exist at June 30, 2020 and which are of such importance that they require additional information in the Explanatory Notes to the Interim Financial Statements.

## **3. SUSCEPTIBLE EVOLUTION OF SOCIETY**

The forecast for the second half of the 2020 financial year is to increase the company's gross margin, reinforcing sales of certified products by consolidating international markets.

## **4. R&D ACTIVITIES:**

In the first half of fiscal year 2020, the Company has invested 331 thousand euros in research activities aimed mainly at the company's certification line.

## **5. OPERATIONS WITH OWN SHARES:**

In accordance with the regulations of the Alternative Stock Market, the company signed a liquidity agreement with the placement bank on the occasion of its market debut.

This agreement establishes both the delivery of a certain amount of own shares, and the deposit of an amount of cash. The purpose of this agreement is to allow investors to trade the company's shares, ensuring that any interested person has the possibility to buy or sell shares.

At the Board of Directors meeting held on August 12, 2016, the acquisition of own shares was approved for a maximum amount of 200 thousand euros. The program was extended until June 1, 2020 following the agreement of the Board of Directors on July 30, 2019.

At 30 June 2020, the company had 279.933 shares with a valuation on that date of 1.012.856,18 euros, which represented 1,74% of the shares in Lleidanetworks Serveis Telemàtics, S.A.

**6. FINANCIAL INSTRUMENTS**

During the first semester of 2020, the Company has not used instruments related to financial derivatives.

**7. DEFERRALS OF PAYMENT TO SUPPLIERS**

Information regarding deferrals of payment to suppliers is shown in the Financial Statements in Note 10.

**8. EFFECTS DERIVED FROM COVID-19**

Information regarding the effects of the current situation caused by Covid-19 is shown in the Financial Statements, in Note 11.6

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**PREPARATION OF THE INTERIM FINANCIAL  
STATEMENTS AND DIRECTORS' REPORT**

In compliance with company law, the Board of Directors of **LLEIDANETWORKS SERVEIS TELEMÀTICS, S.A.** draws up the Interim Financial Statements and the Directors' Report for the period that ends on June 30, 2020. Both of them are comprised in the attached pages number 1 to 47.

Lleida, October 9, 2020  
The Board of Directors



Mr. Francisco Sapena Soler  
Chairman and Chief Executive Officer



Mr. Marcos Gallardo Meseguer  
Secretary



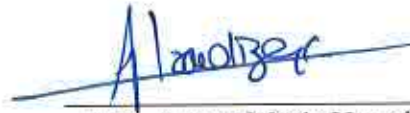
Mr. Miguel Pérez Subias  
Independent Director



Mr. Antonio López del Castillo  
Independent Director



Mr. Jordi Carbonell i Sebarroja  
Independent Director



Mrs. Arrate María Usandizaga Ruíz  
Executive Director



Investor Group composed of  
Sepi Desarrollo Empresarial, S.A.,  
Empresa Nacional de Innovación, S.M.E.,  
S.A.  
& Cántabro Catalana de Inversiones, S.A.  
represented by  
Mr. Jorge Sainz de Vicuña  
External Director



Mrs. Beatriz García Torre  
Executive Director



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