Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND DEPENDENT COMPANIES
DEPENDENT COMPANIES

Consolidated Annual Financial Statements and Consolidated Management Report
for the year ended December 31, 2022
December 31, 2022

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

To the shareholders of SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.:

Report on the consolidated annual accounts.

Opinion

We have audited the consolidated financial statements of SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2022, the consolidated statement of income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated notes to the financial statements for the year then ended. for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, a true and fair view of the Group's equity and financial position as of December 31, 2022, and of its consolidated results and cash flows for the year then ended, in accordance with the applicable financial reporting framework (identified in the note to the consolidated financial statements) and, in particular, with the relevant principles and criteria contained therein.

Basis of the opinion

We conducted our audit in accordance with the regulations governing the auditing of accounts in force in Spain. Our responsibilities in accordance with those standards are described below in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including independence requirements, applicable to our audit of the consolidated financial statements in Spain as required by the regulations governing the audit activity.

In this regard, we have not rendered services other than those of the audit of accounts nor have there been any situations or circumstances that, in accordance with the provisions of the aforementioned regulatory standards, have affected the necessary independence in such a way that the necessary independence in such a way that it has been compromised.
We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters are those matters that, in our professional judgment, have been of most significance in our audit of the consolidated financial statements for the current period.
These matters have been addressed in the context of our audit of the consolidated financial statements as a whole in forming our opinion on them, and we do not express a separate opinion on those matters.

Valuation of goodwill in consolidation
Description
As per Note 5 accompanying the consolidated financial statements, the caption "Goodwill in consolidation" in the balance sheet is presented as follows in the consolidated balance sheet as of December 31, 2022: it includes goodwill of 12,257 thousand euros with a net book value, which has been recorded under the heading "Goodwill on consolidation." Additionally, there is an impairment charge of 9,324 thousand euros. In the consolidated statement of income for the year 2022, the goodwill is shown as 12,257 thousand euros.
The Parent Company's management evaluates, at least at the end of each reporting period, whether there are indications of impairment of the cash-generating units to which goodwill has been allocated. They test the allocated goodwill for impairment by estimating the recoverable amounts based on the present value of future cash flows.
During our audit, we considered this area to be a key matter due to the complexity and uncertainty involved in estimating the recoverable amount, which requires making judgments and assumptions by the Parent Company's management. Moreover, the financial significance of the amounts involved made this an important area to review.
The consolidated financial statements include information on the valuation standards applied, the main assumptions used to determine the impairment of goodwill on consolidation, and the related disclosures. These details can be found in notes 2.c., 3.3, 3.5, and 3.6, as well as note 5.

Our response
In relation to this area, our audit procedures have included, among others, the following:

Understanding of the process established by the Parent Company's management to identify indications of impairment and determine the recoverable amount of goodwill.

Review of the model used by the Parent Company's management for the determination of the recoverable amount, in collaboration with the auditors, covering in particular, the mathematical consistency of the model, and the reasonableness of the projected cash flows and the discount and perpetual growth rates.
In conducting our review we have interviewed those responsible for the development of the model and used recognized external sources and other available information to cross-check the data used.

Review of the sensitivity analyses carried out by the Parent Company's management with respect to the estimates made for the determination of the recoverable amount in the event of changes in relevant assumptions considered.
Review of the disclosures included in the consolidated annual report and evaluation of their conformity with the applicable financial reporting regulatory framework.

Other matters

8 On April 8, 2022, other auditors issued their audit report on the consolidated financial statements for the year ended April 8, 2022.
consolidated financial statements for the year ended December 31, 2021, in which they expressed a favorable opinion.

Building a better working world
Other information: Consolidated management report
The other information comprises exclusively the consolidated management report for the 2022 financial year, the preparation of which is the responsibility of the Parent Company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated directors' report, in accordance with the requirements of the the regulations governing the audit activity, is to assess and report on the consistency of the consolidated management report with the consolidated financial statements, on the basis of our knowledge of the consolidated annual accounts, based on the knowledge of the Group obtained during the audit of the aforementioned accounts, as well as to assess and report on whether the content and presentation of the consolidated management report are in accordance with with the applicable regulations. If, based on our work, we conclude that there are material misstatements, we are required to report them.

On the basis of the work performed, as described in the preceding paragraph, the information contained in the consolidated management report is in accordance with the applicable standards for the financial year 2022, and its content and presentation are consistent with that of the consolidated financial statements for the financial year 2022 in accordance with the applicable regulations.
Responsibility of the Parent Company's directors and the audit committee in relation to the consolidated financial statements.

The directors of the Parent Company are responsible for preparing the accompany consolidated annual accounts so that they give a true and fair view of the Group's net worth, financial position, consolidated results of operations, consolidated financial position and consolidated results of operations of the Group, in accordance with the regulatory financial reporting framework applicable to the Group in Spain, which is the financial reporting framework applicable to the Group in Spain, as identified in note 2 to the accompanying consolidated financial statements, and of the internal control and such internal control as they consider necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the Parent Company's directors are responsible for the valuation of the consolidated financial statements, are responsible for the assessment of the Group's ability to continue as a going concern, disclosing, as appropriate, matters related to the going concern and using the going concern basis of accounting except if the directors intend to liquidate the Group or to cease operations, or if there is no other realistic alternative.

The audit committee of the parent company is responsible for supervising the process of preparing and presenting the consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion.

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

Building a better working world
As part of an audit in accordance with the regulations governing the auditing of accounts in Spain, we apply our professional judgment and maintain a professional attitude to our work audit in Spain, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit.

Also:

We identify/assess the risks of material misstatement in the consolidated financial statements due to fraud or error, design audit procedures to respond to those risks, and obtain evidence of compliance with those procedures that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement.

The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion or fraudulent, forgery, deliberate omissions, intentional misstatements, or the intentional misstatements, or the circumvention of internal control.

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
the reasonableness of accounting estimates and related disclosures made by the Parent Company's management.

Parent Company.

We concluded on the appropriateness of the Parent Company's management's use of the going concern basis of accounting and, based on the audit evidence obtained, we conclude on the appropriateness of the Parent Company's management's use of the going concern basis of accounting evidence obtained, we conclude on whether or not a material uncertainty exists related to events or conditions that could give rise to a material uncertainty or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in our auditors' report to the relevant disclosures in the consolidated financial statements or, if such disclosures are inadequate, to draw attention to them in our auditor's report disclosures are not adequate, we are required to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report.

However, future events or conditions may cause the Group to cease to be a going concern.
We assessed the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events of the Group in a manner that achieves a true and fair view.

We obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the group to be able to entities or business activities within the group to express an opinion on the consolidated financial statements.
We are responsible for the direction, supervision and performance of the group audit.

We are solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the scope and timing of our audit opinion and the significant audit findings, as well as any significant deficiencies in internal control that we identified in the course of the audit.

We also provided the audit committee of the Parent Company with a statement that we have complied with applicable ethical requirements, including independence requirements, and we have communicated with the audit committee to report any significant deficiencies in internal control that we identified in the course of the audit that reasonably could pose a threat to our independence and, where appropriate, to the audit committee of the corresponding safeguards.

Building a better working world
Among the matters that have been reported to the audit committee of the parent company, we have identified those that were most significant in the audit of the financial statements for the current period and which are, consequently, the key issues of the audit.

We describe those matters in our auditor's report unless legal or regulatory provisions prohibit public disclosure. provisions prohibit public disclosure of the matter.
Report on other legal and regulatory requirements
Additional report to the audit committee of the parent company
The opinion expressed in this report is consistent with the opinion expressed in our additional report to the audit committee of the Parent Company dated April 10, 2023.

Period of engagement
The Extraordinary General Meeting of Shareholders held on August 1, 2022 appointed us as the auditors of the Group for a auditors of the Group for a period of 3 years from the year ended December 31, 2022.
December 31, 2022.

April 10, 2023

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SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARY COMPANIES
SUBSIDIARIES
Consolidated financial statements for the year ended
for the year ended December 31, 2022

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ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores
de Cuentas con el Nº S0530)

Amparo Ruiz Genovés
(Inscrita en el Registro Oficial de Auditores de
Cuentas con el Nº 05220)

AUDITORES
Colegio Oficial de Censores Jurados
de Cuentas de la Comunidad Valenciana

ERNST & YOUNG SL

2023 Núm. 30/23/01213
SELLO CORPORATIVO: 96,00 EUR

Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the

Annual Year Ended December 31, 2022

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SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated balance sheet as of December 31, 2022 and 2021
(expressed in euros)

ACTIVE	Notes	31/12/2022	31/12/2021 (reexpressed)
NON-CURRENT ASSETS		**19.129.172,09**	**30.864.173,90**
Intangible fixed assets		**17.820.051,66**	**29.460.938,17**
Consolidation Goodwill	5	12.257.097,54	22.313.754,00
Other intangible fixed assets	7	5.562.954,12	7.147.184,17
Property, plant and equipment	**8**	**141.286,78**	**116.898,73**
Land & Buildings		4.308,51	5.408,55
Technical installations and other property, plant and equipment		128.708,13	94.256,68
Fixed assets under construction and advances		8.270,14	17.233,50
Long-term investments in group companies and associates		**30.000,00**	**30.000,00**
Equity Instruments	10.1	30.000,00	30.000,00
Long-term financial investments	**10.1**	**221.468,72**	**954.346,39**
Equity Instruments		-	800.000,00
Third-party receivables		189.985,72	140.024,75
Other Financial Assets		31.483,00	14.321,64
Deferred tax assets	**13**	**916.364,93**	**301.990,61**
CURRENT ASSET		**3.188.835,30**	**1.321.554,99**
Stock		**283.667,75**	**198,44**
Commercial		283.667,75	-
Advances to suppliers		-	198,44
Trade receivables and other accounts receivable		**1.266.184,62**	**638.118,90**
Sales and service customers	10.1	483.168,23	247.652,28
Miscellaneous debtors	10.1	6.162,72	5.207,41
Personnel	10.1	500,00	3.707,52
Current tax assets	13	-	15.752,90
Other credits with the Public Administrations	13	776.353,67	365.798,79
Short-term investments in group companies and associates	**10.1**	**-**	**6.636,08**
Short-term loans to group companies		-	6.636,08
Short-term financial investments	**10.1**	**14.554,00**	**407.890,43**
Loans to companies		3.000,00	386.337,69
Other Financial Assets		11.554,00	21.552,74
Accruals and accruals		**1.000,00**	**1.000,00**
Cash and cash equivalents	**10.1**	**1.623.428,93**	**267.711,14**
Treasury		1.623.428,93	267.711,14
TOTAL ASSETS		**22.318.007,39**	**32.185.728,89**

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated balance sheet as of December 31, 2022 and 2021
(expressed in euros)

LIABILITIES AND EQUITY	Notes	31/12/2022	31/12/2021 (reexpressed)
EQUITY		**17.587.124,55**	**26.632.474,89**
EQUITY	**11**	**17.287.328,53**	**26.473.843,11**
Capital		**2.451.022,80**	**2.028.976,80**
Deeded capital		2.451.022,80	2.028.976,80
Issue premium		**34.548.123,83**	**26.655.923,20**
Reserves		**(1.352.337,53)**	**33.119,28**
Legal & Statutory		600,00	600,00
Other Bookings		(1.352.937,53)	32.519,28
Shares and holdings of the parent company		**(1.116.288,60)**	**6.000,00**
Results of previous years		**(1.643.405,05)**	**(472.604,78)**
Other Equity Instruments		**350.668,00**	**-**
Profit or loss for the year attributable to the parent company		**(15.950.454,93)**	**(1.777.571,39)**
GRANTS, DONATIONS AND BEQUESTS RECEIVED	**15**	**216.463,95**	**178.841,25**
EXTERNAL PARTNERS	**6**	**83.332,08**	**(20.209,47)**
TOTAL NON-CURRENT LIABILITIES		**2.288.657,64**	**429.964,00**
Long-term debts	**10.2**	**2.213.565,46**	**429.964,00**
Debts to credit institutions		557.179,76	-
Other financial liabilities		1.656.385,70	429.964,00
Deferred tax liabilities	**13**	**75.092,18**	-
TOTAL CURRENT LIABILITIES		**2.442.225,19**	**5.123.290,01**
Short-term provisions	**10.2**	**357.380,84**	**-**
Short-term debts	**10.2**	**1.295.173,69**	**4.855.423,70**
Debts to credit institutions		93.226,24	14.868,70
Lease creditors		3.795,71	-
Other financial liabilities		1.198.151,74	4.840.555,00
Short-term debts to group companies and associates		**-**	**1.585,73**
Trade Creditors and Other Payables		**789.670,66**	**266.280,58**
Short-Term Suppliers	10.2	269.319,82	123.627,77
Suppliers, group companies and associates	10.2	-	500,10
Miscellaneous creditors	10.2	79.592,90	33.640,84
Staff (unpaid wages)	10.2	49.368,12	(286,63)
Current tax liabilities	13	29.010,36	234,98
Other debts owed to the Public Administrations	13	344.427,09	115.093,38
Customer Advances	10.2	17.952,37	(6.529,86)
TOTAL EQUITY AND LIABILITIES		**22.318.007,39**	**32.185.728,89**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated Profit and Loss Account for the year Ended December 31, 2022 & 2021 (expressed in euros)

PROFIT AND LOSS STATEMENT	Notes	31/12/2022	31/12/2021 (reexpressed)
Net turnover	**14**	**3.135.850,47**	**1.600.144,13**
Sales		993.650,08	9.221,33
Provision of services		2.142.200,39	1.590.922,80
Work carried out by the company for its asset	**5**	**1.494.578,71**	**407.876,12**
Supplies		**(486.342,72)**	**(2.187,50)**
Consumption of goods		(457.243,06)	-
Consumption of raw materials and other consumables		(14.270,66)	-
Work carried out by other companies		(14.829,00)	(2.187,50)
Other Operating Income		**86.063,69**	**26.985,37**
Ancillary and other revenue under current management		6.784,62	26.985,37
Operating subsidies included in profit or loss for the year		79.279,07	-
Personnel costs	**14**	**(3.202.183,96)**	**(1.374.310,23)**
Wages, salaries and the like		(2.770.130,23)	(1.145.923,63)
Social security contributions		(432.053,73)	(228.386,60)
Other operating expenses		**(3.062.346,26)**	**(1.352.733,04)**
External services	14	(2.830.446,61)	(1.330.942,91)
Tributes		(19.412,70)	(21.602,61)
Losses, impairments and changes in provisions for commercial operations		(79.400,38)	-
Other current management costs		(133.086,57)	(187,52)
Depreciation of fixed assets	**5, 7 and 8**	**(2.616.166,11)**	**(1.474.718,16)**
Allocation of non-financial fixed assets and other subsidies		**42.502,68**	**5.612,00**
Impairment and profit or loss on disposals of fixed assets	**5 and 7**	**(11.649.391,74)**	**5.954,13**
Other results		**(8.187,47)**	**171,01**
Negative Difference in Business Combinations		**-**	**166.664,59**
OPERATING RESULT		**(16.265.622,71)**	**(1.990.541,58)**
Financial Income		**900,62**	**-**
Negotiable securities and other financial instruments		900,62	-
Financial Expenses	**10.2**	**(138.400,36)**	**(6.206,44)**
For debts to third parties		(138.400,36)	(6.206,44)
Change in fair value in financial instruments		**(3.145,09)**	**106.739,98**
Trading Book & Others		(3.145,09)	106.739,98
Exchange Differences	**12**	**(1.070,46)**	**(7.323,91)**
Impairment and profit or loss on disposals of financial instruments		**(93.584,30)**	**8.247,79**
FINANCIAL RESULT		**(235.299,59)**	**101.457,42**
PROFIT BEFORE TAX		**(16.500.922,30)**	**(1.889.084,16)**
Taxes on profits		**561.637,95**	**90.703,30**
PROFIT FOR THE YEAR		**(15.939.284,35)**	**(1.798.380,86)**
Profit attributable to the parent company	**11**	**(15.950.454,93)**	**(1.777.571,39)**
Profit attributable to external partners	**6**	**11.170,58**	**(20.809,47)**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Statement of changes in consolidated equity for the year Ended December 31, 2022 & 2021 (expressed in euros)

A) Consolidated statement of recognized income and expenses for the year ended December 31, 2022 and 2021

	Notes	31/12/2022	31/12/2021 (reexpressed)
Profit and loss statement result		**(15.939.284,35)**	**(1.798.380,86)**
Income and expenses charged directly to equity			
Grants, Donations and Bequests Received	15	152.280,00	178.841,25
Tax effect		(38.070,00)	-
Total income and expenses charged directly to consolidated equity		**114.210,00**	**178.841,25**
Transfers to the consolidated profit and loss account			
Grants, Donations and Bequests Received		(42.502,68)	-
Tax Effect		10.625,67	
Total transfers to the consolidated profit and loss account		**(31.877,01)**	**-**
TOTAL CONSOLIDATED INCOME AND EXPENSES RECOGNIZED		**(15.856.951,36)**	**(1.619.539,61)**
Total income and expenses attributable to the parent company		(15.868.121,94)	(1.598.730,14)
Total income and expenses attributed to external partners		11.170,58	(20.809,47)

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Statement of changes in consolidated equity for the year
Ended December 31, 2022 & 2021
(expressed in euros)

B) Total Statement of Changes in Consolidated Equity for the Year Ended December 31, 2022 & 2021

	Capitaldeeds	Issue premium	Reserves	Own shares and holdings	Other Equity Instruments	Results of previous years	Result of the financial year attributed to the parent company	Grants, donations and bequests received	External Partners	TOTAL
Balance, end of year 2020 (Parent company)	**3.450,00**	**999.700,00**	**19.038,48**	**-**	**-**	**(435.231,99)**	**(37.372,79)**	**-**	**-**	**549.583,70**
Total Recognized Income and Expenses	-	-	-	-	-	-	(607.373,81)	178.841,25	-	(428.532,56)
Capital increases (note 11)	-	-	-	-	-	-	-	-	-	-
Other Changes in Equity	2.025.526,80	25.656.223,20	14.080,80	6.000,00	-	(37.372,79)	37.372,79	-	(20.209,47)	27.681.621,33
Year-end balance 2021	**2.028.976,80**	**26.655.923,20**	**33.119,28**	**6.000,00**	**-**	**(472.604,78)**	**(607.373,81)**	**178.841,25**	**(20.209,47)**	**27.802.672,47**
Error adjustment (Note 2.e)	-	-	-	-	-	-	(1.170.197,58)	-	-	(1.170.197,58)
Adjusted balance, beginning of the year 2022	**2.028.976,80**	**26.655.923,20**	**33.119,28**	**6.000,00**	**-**	**(472.604,78)**	**(1.777.571,39)**	**178.841,25**	**(20.209,47)**	**26.632.474,89**
Total Recognized Income and Expenses	-	-	-	-	-	-	(15.950.454,93)	82.332,99	11.170,58	(15.856.951,36)
Capital increases (note 11)	177.906,00	7.486.344,00	-	-	-	-	-	-	-	7.664.250,00
Other Changes in Equity	-	-	(711.685,12)	-		(1.170.800,27)	1.777.571,39	-	92.370,97	(12.543,03)
Conversion of financial liabilities into equity (note 11)	244.140,00	405.856,63	-	-	90.668,00	-	-	-	-	740.664,63
Other transactions (note 16)	-	-	-	-	260.000,00	-	-	-	-	260.000,00
Transactions in treasury shares (net) (note 11)	-	-	(470.444,55)	(1.122.288,60)	-	-	-	-	-	(1.592.733,15)
Other Moves	-	-	(203.327,14)	-	-	-	-	(44.710,29)	-	(248.037,43)
Year-end balance 2022	**2.451.022,80**	**34.548.123,83**	**(1.352.337,53)**	**(1.116.288,60)**	**350.668,00**	**(1.643.405,05)**	**(15.950.454,93)**	**216.463,95**	**83.332,08**	**17.587.124,55**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows for the Annual Year Ended December 31, 2022 & 2021 (Expressed in euros)

	Notes	31/12/2022	31/12/2021 (reexpressed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		**(16.500.922,30)**	**(1.889.084,16)**
Result Adjustments		**14.675.954,76**	**1.367.648,74**
Depreciation of fixed assets	5, 7 and 8	2.616.166,11	1.474.718,16
Valuation adjustments for impairment	5 and 7	11.534.072,01	-
Change in provisions		217.600,00	-
Allocation of subsidies		(42.502,68)	(5.612,00)
Profit or loss from retirements and disposals of fixed assets		115.319,73	-
Results from retirements and disposals of financial instruments		93.584,30	(8.247,79)
Financial Income		(900,62)	-
Financial Expenses		138.400,00	6.206,44
Exchange Differences		1.070,46	7.323,91
Change in fair value in financial instruments		3.145,09	(106.739,98)
Other income and expenses		-	-
Changes in current capital		**(663.160,66)**	**(403.353,98)**
Stocks (*)		(92.473,32)	(198,44)
Accounts receivable and other accounts receivable (*)		(355.474,15)	(680.612,06)
Other current assets		-	(1.000,00)
Accounts payable and other payables (*)		348.640,42	278.456,52
Other current liabilities		(563.853,61)	-
Other non-current assets and liabilities		-	-
Other cash flows from operating activities		**(137.499,74)**	**(13.530,35)**
Interest Payments		(138.400,36)	(13.530,35)
Interest Charges		900,62	-
Cash flows from operating activities		**(2.625.627,93)**	**(938.319,75)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Investment Payments		**(936.689,39)**	**(1.132.684,79)**
Intangible fixed assets	7	(5.481,05)	(690.778,07)
Property, plant and equipment	8	(70.682,62)	(45.066,61)
Other financial assets (*)	5	(860.525,72)	(396.840,11)
Divestment Charges		**-**	**254.610,13**
Intangible fixed assets	7	-	254.610,13
Cash flows from investing activities		**(936.689,39)**	**(878.074,66)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for equity instruments		**2.844.939,13**	**2.025.526,80**
Issuance of equity instruments	11	2.660.350,00	2.025.526,80
Grants, Donations and Bequests Received		184.589,13	-
Receipts and payments for financial liability instruments		**2.073.095,98**	**28.496,51**
Emission:		**2.135.006,30**	**91.454,43**
Debts to credit institutions		700.000,00	14.868,70
Debts to group companies and associates		-	1.585,73
Other debts		1.435.006,30	75.000,00
Return and amortization of:		**(61.910,32)**	**(61.372,19)**
Debts to credit institutions		(58.117,43)	(61.372,19)
Other debts		(3.792,89)	-
Cash flows from financing activities		**4.918.035,11**	**2.084.105,55**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**1.355.717,79**	**267.711,14**
Cash or equivalent at the beginning of the financial year		267.711,14	-
Effect or equivalents at the end of the year		1.623.428,93	267.711,14

(*) considering the effect of the integration of the shareholding acquired in 2022 described in note 5 of the attached consolidated report

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated annual report
Ended December 31, 2022

Note 1. <u>Establishment of the Group and activity</u>

1.1 Activity.

Substrate Artificial Inteligence, S.A., hereinafter "Parent Company", was incorporated as a limited company, for an indefinite period of time on December 9, 2010, with the name "Kau Finanzas, S.L.", with its current registered office at Calle María de Molina nº41 Oficina 506, Madrid. The Company is registered in the Mercantile Registry of Madrid, Volume 43321, Book 0, Folio 89, Page M-765355.

The Parent Company, by means of a public deed, changed its initial corporate name, on March 23, 2018, acquiring the name of Zona Value, S.L. In a deed dated July 20, 2021, it changed its legal form to a public limited company, and in a deed dated July 28, 2021, it changed its corporate name to Substrate Artificial Inteligence, S.A.

In May 2022, the Parent Company listed 100% of the Company's shares on the BME Growth trading segment. This entry into the market gives you valuable tools to obtain the necessary financing based on your growth plan.

Substrate Artificial Inteligence, S.A. and Subsidiaries (hereinafter, the "Group" or "Substrate AI Group"), have the following corporate purpose:

- The provision of information society services aimed at providing knowledge tools in the financial area and others related to it, in order to facilitate access to third parties interested in acquiring financial literacy and instruments that allow them to interpret such information through the learning modality called e-learning.
- Acquisition, holding and administration management of securities, shares
- Acquisition, possession, marketing, lease and operation of all types of rural or urban real estate
- Preparation of investment reports and financial analysis.
- Financial mediation services.
- Computer programming activities, design of structures and content, writing of computer code to implement programs for systems, computer applications, databases and web pages.
- Customization of computer programs, including configuration and modification of existing programs.
- Marketing and after-sales service of diagnostic imaging machinery (radiology, MRIs and computed tomography).

The main activity of the Substrate AI Group consists of the creation and development of state-of-the-art artificial intelligence systems and their application in various sectors, such as energy, livestock, health and finance, among others. The Group has developed its own technology to address the problems faced by companies in the digitalisation and streamlining of processes. This activity is supported by the study "Integrated Multi-Task Agent Architecture with Affect-Like Guided Behavior", carried out by external collaborators of the Group, presented at the Biologically Inspired Cognitive

Architectures 2021 and for the patents in progress of development and registration detailed in section 5 of the attached consolidated report. The geographical area of operation of the Substrate Group is currently mainly Spain.

Substrate Artificial Inteligence, S.A. is the parent company of the Group. The Directors of the parent company draw up the consolidated annual accounts of the Group, in order to present a true and fair view of the Group's financial situation and results and to comply with the requirements established by BME Growth.

Note 2. Basis for the presentation of the consolidated financial statements and principles of consolidation

a) True image and regulatory framework of reference

The consolidated financial statements as of December 31, 2022 have been obtained from the accounting records of the Parent Company and the Subsidiaries included in the scope of consolidation in accordance with the regulatory framework for financial reporting applicable to the Group, which is established in:

a) Commercial Code and other commercial legislation.

b) Rules for the preparation of consolidated accounts, approved by Royal Decree 1159/2010, of 17 September, amended by Royal Decree 602/2016 of 2 December.

c) General Chart of Accounts approved by Royal Decree 1514/2007 together with Royal Decree 1159/2010 amending certain aspects of the PGC, amended by Royal Decree 602/2016 of 2 December and Royal Decree 1/2021 of 12 January.

d) The mandatory standards published by the Institute of Accounting and Auditing of Accounts in development of the General Chart of Accounts.

a) The rest of the Spanish accounting regulations that are applicable.

The accompanying consolidated financial statements are presented in accordance with the applicable financial reporting regulatory framework and, in particular, the accounting principles and criteria contained therein, so that they give a true and fair view of the group's consolidated equity and financial position as of December 31, 2022 and the consolidated results of its operations. changes in consolidated equity and consolidated cash flows for the year ended on that date.

The accompanying consolidated financial statements have been prepared by the Board of Directors of the Parent Company and will be submitted for approval by the General Shareholders' Meeting, and it is estimated that they will be approved without any modification.

b) Non-Mandatory Accounting Principles Applied

The accounting principles and criteria applied for the preparation of these consolidated financial statements are summarized in Note 3 of the consolidated annual report. All mandatory accounting principles that have an impact on consolidated equity, financial position and consolidated results have been applied in the preparation of these consolidated financial statements.

c) Critical aspects of valuation and estimation of uncertainty

The information contained in these consolidated financial statements is the responsibility of the directors of the Parent Company.

In the preparation of these consolidated financial statements, estimates made by the directors of the Parent Company have been used to measure some of the assets, liabilities, income, expenses and commitments recorded therein. Basically, these estimates refer to:

- The useful life of intangible and tangible assets (see Notes 3.3 and 3.4).

- Recoverable value of consolidation goodwill and other intangibles (see Notes 5 and 7).

The Board of Directors has made these estimates based on the best information available as of December 31, 2022, and it is possible that events that may take place in the future will force them to be modified (upwards or downwards) in future years. Given the predictive nature of any estimate based on future expectations in the current economic environment and the activity carried out by the Group, differences between projected and actual results could become apparent.

Impairment test of goodwill from consolidation and other intangible fixed assets

The Directors of the Parent Company, in order to carry out the corresponding impairment test on consolidation goodwill and other intangible assets, have prepared a financial projection for the coming years based on the context of rising inflation and interest rates, rising energy prices and the possibility of a recession due to the war in Ukraine and its consequences. These projections reflect an estimate based on the fulfillment of certain milestones, variables and assumptions, which are subject to uncertainty and could be substantially modified (upwards or downwards) based on the occurrence of future events. Any change in future principal assumptions may affect the recoverable value of certain assets (see notes 5 and 7). The main features are:

- The value in use has been used based on future flows and not the market value of the company, taking into account the short period of time in which it is listed and its high volatility as a result of low liquidity and the adverse economic environment.
- The projections have a duration of 5 years, until 2027. For the purposes of calculating the impairment test, a terminal value with a discount rate and growth in perpetuity as indicated in notes 5 and 7 is considered.
- The forecasts are based, among other factors, on the knowledge and expected development of the various verticals in which the Group operates and will operate and on expectations for the future evolution of the Group.
- They include expectations of obtaining new contracts with customers within a reasonable period of time (2 years).
- They include increases in average selling prices.
- Average EBITDA is considered based on estimates and comparables, as historical information is not available for a portion of revenues.

Going Concern Principle

The directors of the Parent Company have prepared these consolidated financial statements, assuming the continuity of the Group's activity, stating that the Group's results are negative as of December 31, 2022, as well as the 2023 budgets, values characteristic of any startup. In addition, as of December 31, 2022, the Group had positive working capital of €747 thousand and €1,623 thousand of cash and cash equivalents (see note 10.1). The Strategic Plan drawn up by the Group until 2027 is based on the effective application of the artificial intelligence systems developed by the Group.

On the basis of the above, together with the new financing available described in note 17, the Directors of the Parent Company have prepared the consolidated financial statements under the principle of a going concern.

d) Comparison of information

In accordance with commercial law, for comparison purposes with each of the items in the Balance Sheet and the Statement of Change in Equity, in addition to the figures for the year ended December 31, 2022, those corresponding to the previous year are presented.

With regard to the new information on the average period of payment to suppliers to be broken down in note 10.4 of the consolidated report, no information has been presented for comparative purposes as it is not applicable.

e) Bug fixes

The Directors of the Parent Company have determined that the effective date of the business combination described in Note 5 was June 30, 2021. Therefore, the goodwill of first consolidation should be subject to amortization from that moment, which was not recorded in the consolidated financial statements for the financial year 2021. Based on the above, a depreciation expense corresponding to the second part of the 2021 financial year has been recorded.

The figures restated in the consolidated financial statements for the year ended December 31, 2021 are as follows:

(expressed in euros)	**Substrate Group Autonomous Communities formulated 2021**	**Substrate Group Autonomous Communities Restated 2021**	**Differences**
NON-CURRENT ASSETS	**32.034.371,48**	**30.864.173,90**	**(1.170.197,58)**
Intangible fixed assets	30.631.135,75	29.460.938,17	(1.170.197,58)
Consolidation Goodwill	23.483.951,58	22.313.754,00	(1.170.197,58)
TOTAL ASSETS	**33.355.926,47**	**32.185.728,89**	**(1.170.197,58)**
EQUITY	**27.802.672,47**	**26.632.474,89**	**(1.170.197,58)**
Equity	27.644.040,69	26.473.843,11	(1.170.197,58)
Profit or loss for the year attributable to the Parent Company	(607.373,81)	(1.777.571,39)	(1.170.197,58)
TOTAL EQUITY AND LIABILITIES	**33.355.926,47**	**32.185.728,89**	**(1.170.197,58)**

(expressed in euros)	**Substrate Group Autonomous Communities formulated 2021**	**Substrate Group Autonomous Communities Restated 2021**	**Differences**
Depreciation of fixed assets	(304.520,58)	(1.474.718,16)	(1.170.197,58)
OPERATING RESULT	**(820.344,00)**	**(1.990.541,58)**	**(1.170.197,58)**
PROFIT BEFORE TAX	**(718.886,58)**	**(1.889.084,16)**	**(1.170.197,58)**
PROFIT FOR THE YEAR	(628.183,28)	(1.798.380,86)	(1.170.197,58)
Profit or loss for the year attributable to the Parent Company	(607.373,81)	(1.777.571,39)	(1.170.197,58)

This correction has also been included in the Consolidated Statement of Changes in Equity, in the consolidated statement of cash flows for the year ended December 31, 2021 and the comparative figures of the notes concerned have been restated.

f) Consolidation Perimeter

In preparing the consolidated financial statements, the Group has aggregated the annual accounts of the parent company and its subsidiaries, adding the items representing assets, liabilities, equity, income and expenses of similar content. In order for the consolidated financial statements to present the Group's financial information, the carrying amount of the parent company's investment in each of the subsidiaries has been eliminated, in addition to the intra-group balances, transactions, income and expenses having been eliminated in their entirety.

The subsidiaries included in the scope of consolidation are the following:

- ZONA VALUE GLOBAL, S.L.
    - Main activities:
        - Acquisition, holding and administration management of securities, shares
        - Acquisition, possession, marketing, lease and operation of all types of rural or urban real estate
    - Registered office: Colón, 4-5 Bº, 46004 Valencia (Spain)
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	197.399,67	83.000	7.151,00	-
31.12.2021	82.366,92	1.936,37	(304,50)	-

- SUBSTRATE AL SPAIN, S.L.
    - Main activities:
        - Computer programming activities, design of structures and content, writing of computer code to implement programs for systems, computer applications, databases and web pages.
        - Customization of computer programs, including configuration and modification of existing programs.
    - Registered office: Colón, 4-5 Bº, 46004 Valencia (Spain)
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	1.221.948,28	185.863,38	49.109,40	-
31.12.2021	1.038.070,81	138.122,08	(215.939,89)	-

- KAU MARKET EAF, S.L.
    - Main activities:
        - Preparation of investment reports and financial analysis.

        - Financial Mediation Services
        - Purchase and sale of real estate and movable property for the realization of the corporate purpose
    - Registered office: Colón, 4-5 Bº, 46004 Valencia (Spain)
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Company regulated by the CNMV
    - Audited by Capital Auditors and Consultants, S.L. (in 2022 and 2021)
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	271.367,09	197.551,49	7.904,47	-
31.12.2021	281.272,76	189.647,02	14.652,65	-

- AIREN AI FOR RENEWABLE ENERGY, S.L.
    - Main activities:
        - Computer programming activities.
        - Design of structures and content, and/or the writing of computer code necessary to create and implement programs for computer systems and applications
    - Registered office: Colón, 4-5 Bº, 46004 Valencia (Spain)
    - Percentage of effective shareholding in Parent Company: 90%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	75.890,60	(402.289,03)	(189.899,09)	-
31.12.2021	419.881,35	(205.920,92)	(208.920,92)	-

- BOALVET AI, S.L.
    - Main activities:
        - Computer programming activities.
        - Design of structures and content, and/or the writing of computer code necessary to create and implement programs for computer systems and applications
    - Registered office: Plazuela 43, 41370 Seville (Spain)
    - Percentage of effective shareholding in Parent Company: 90%

- Integration Method: Global Integration
- Unaudited
- Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	252.298,31	3.000,00	(45.659,81)	-
31.12.2021	14.361,36	3.828,16	828,16	-

- SUBSTRATE AI USA INC.
  - Main activities:
    - Miscellaneous Businesses, Activities, or Functions
    - Engage in any other lawful activity in connection with, or incidental to, the foregoing.
  - Registered office: Gunsmoke Dr.Bailey, Colorado, 80421, USA
  - Percentage of effective stake in Parent Company: 100%
  - Integration Method: Global Integration
  - Unaudited
  - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	309.693,32	(128.439,98)	(151.864,11)	-
31.12.2021	67.530,41	(150.884,54)	(110.630,12)	-

- AI SAIVERS LLC
  - Main activities:
    - Miscellaneous economic activities
  - Registered office: SW 6th Terrace, Miami, FL 33130, USA
  - Percentage of effective stake in Parent Company: 100%
  - Integration Method: Global Integration
  - Unaudited
  - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	30.015,53	27.120,65	(275.412,75)	-
31.12.2021	24.944,39	(19.745,42)	(114.147,05)	-

- CUARTA DIMENSIÓN MÉDICA, S.L. (integrated for the first time in 2022 – see note 5)
    - Main activities:
        - Marketing and after-sales service of diagnostic imaging machinery (radiology, MRIs and computed tomography).
    - Registered office: Baronessa Santa Bàrbara, 28, 46740 Carcaixent, Valencia (Spain)
    - Percentage of effective stake in Parent Company: 70%
    - Integration Method: Global Integration
    - Audited by Ernst & Young, S.L. in 2022 (not audited in 2021)
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31.12.2022	1.025.337,37	409.496,50	149.457,90	-
31.12.2021	1.185.445,65	620.038,60	259.228,69	-

Note 3. Accounting principles and valuation criteria.

3.1. Homogenization of items in the individual accounts of the companies included in the scope of consolidation

The annual financial year of all the companies of the group runs from January 1, 2022 to December 31, 2022, therefore, there is temporal homogeneity and a homogenization has been carried out in the accounting principles and standards applied. It is not appropriate to apply any adjustments or eliminations for its homogenization, with the exception of those relating to the functional currency. Cuarta Dimensión Médica S.L. has been integrated since the date of its acquisition (see Note 5).

3.2. Transactions between companies included in the scope of consolidation

The transactions between the parent company and subsidiaries correspond to the provision of services and therefore reciprocal credits and debits, loans of non-commercial credits, development and disposals of fixed assets.

These transactions have been removed from the consolidated income statement and the consolidated balance sheet for the amount of the transactions.

All significant accounts and transactions between the consolidated companies have been eliminated in the consolidation process.

3.3. Intangible assets

Computer Applications

Purchased software licenses are capitalized on the basis of the costs incurred for their acquisition and for making the specific software usable.

Costs associated with the development or maintenance of software are recognized as an expense as they are incurred. Expenses directly related to the production of unique and identifiable software controlled by the Group, and which are likely to generate economic benefits in excess of costs for more than one year, are recognized as intangible assets. Direct costs include the costs of staff developing the software and an appropriate percentage of overheads.

Goodwill

Goodwill represents the advance payment made by the acquiring entity for future economic benefits from assets that could not be individually identified and recognized separately after a business combination.

Goodwill is amortized over a 10-year period, ending on June 30, 2031. At the end of each financial year, the Group carries out an assessment of the recoverability of goodwill, impairing the part of goodwill that, where appropriate, it does not consider recoverable.

Goodwill is allocated to one or more cash-generating units ("CGUs") that are expected to benefit from the synergies arising from the business combinations. CGUs represent the smallest groups of identifiable assets that generate cash flows in favour of the Group and are mostly independent of the flows generated by other assets or other groups of assets of the Group.

Each CGU(s) to which goodwill is assigned:

- It represents the lowest level at which the entity manages goodwill internally.
- It's not bigger than a business segment.

The CGUs to which goodwill has been attributed are analysed (including the portion of goodwill allocated in their carrying amount) to determine whether they have been impaired. This analysis is carried out at least annually, or whenever there are indications of deterioration. For the purpose of determining the impairment of a CGU to which goodwill has been assigned, the carrying amount of that unit - adjusted by the amount of goodwill attributable to the external shareholders, in the event that the minority interests have not been valued at fair value - is compared with its recoverable amount.

The recoverable amount of a CGU is equal to the greater of the fair value minus costs of sale and its value in use. Value in use is calculated as the discounted value of the cash flow projections estimated by unit management and is based on the latest available budgets for the next few years. The main assumptions used in its calculation are: the cash flows themselves, a growth rate to extrapolate cash flows in perpetuity and a discount rate to discount cash flows; which is equal to the cost of capital allocated to each cash-generating unit and is equal to the sum of the risk-free rate plus a premium reflecting the risk inherent in the assessed business.

If the carrying amount of a CGU is greater than its recoverable amount, the Group recognises an impairment loss; that it is distributed by reducing, first, the carrying amount of the goodwill attributed to that unit and, secondly, if there are any losses to be allocated, by reducing the carrying amount of the rest of the assets; allocating the remaining loss in proportion to the carrying amount of each of the assets in such CGU. In the event that the minority interests have been valued at fair value, the impairment of goodwill attributable to these external partners would be recognized. Impairment losses related to goodwill will never be reversed.

Development

An intangible asset arising from the development (or development phase of an internal project) will be recognized as such if, and only if, the entity can demonstrate all of the following:

(a) Technically, it is possible to complete the production of the intangible asset so that it can be made available for use or sale.

(b) Your intent to complete the intangible asset in question, to use or sell it.

(c) Your ability to use or sell the intangible asset.

(d) The manner in which the intangible asset will generate likely economic benefits in the future. Among other things, the entity may demonstrate the existence of a market for the production that generates the intangible asset or for the asset itself, or, in the case that it is to be used internally, the usefulness of the market for the entity.

(e) The availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset.

(f) Its ability to reliably value the outlay attributable to the intangible asset during its development.

The intangible asset shall initially be measured at cost, including import duties and non-recoverable taxes on the acquisition, after deduction of trade discounts and rebates; and any costs directly attributable to preparing the asset for its intended use.

Industrial property

Industrial property rights are valued by their acquisition price or cost of production. Capitalized development expenses will be accounted for when the corresponding patent or similar is obtained, including the cost of registration and formalization of industrial property, without prejudice to the amounts that may also be accounted for by reason of the acquisition of the corresponding rights from third parties. These include, but are not limited to, invention patents, utility model protection certificates, industrial design, and introductory patents.

Other intangible fixed assets

In addition to the intangible items mentioned above, there are others that will be recognized as such in the balance sheet, provided that they meet the criteria contained in the Conceptual Framework of Accounting and the requirements specified in these recording and valuation standards. Such elements include: administrative concessions, commercial rights, intellectual property or licenses.

Subsequent assessment

After initial recognition, an intangible asset will be accounted for at cost less accumulated depreciation and accumulated impairment losses (see note 3.5).

The Group depreciates its intangible assets using the straight-line method to allocate the difference between the cost and its residual values over the estimated useful lives, applying the following coefficients:

	% Amortization
Development	20%
Industrial property	10%
Goodwill	10%
Computer Applications	33%
Other intangible fixed assets	10%

3.4. Property, plant and equipment

Property, plant and equipment, all of which are for own use, are recognised at cost less depreciation and corresponding accumulated impairment losses, except in the case of land that is presented net of impairment losses.

The historical cost includes the expenses directly attributable to the acquisition of the items, as well as any other costs directly related to the commissioning of the asset for the use for which it is intended. In the case of components included as technical installations, which require their replacement in a different period of time from that of the main good, they are registered and depreciated separately according to their specific useful life. Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is likely that the future economic benefits associated with the items will flow to the Group and the cost of the item can be reliably determined. The carrying amount of the replaced part is derecognized in the accounts. The rest of the expenses for repairs and maintenance are charged to the income statement during the period in which they are incurred.

The Group depreciates its property, plant and equipment using the straight-line method to allocate the difference between the cost and its residual values over the estimated useful lives, applying the following coefficients:

	% Amortization
Constructions	20%
Machinery	15%
Other Facilities	10% - 12% - 15%
Furniture	10 – 12%
Information Processing Equipment	25%
Other property, plant and equipment	10%

3.5. Impairment

At the end of each financial year, the Group analyses whether there are any indications of impairment of its assets or cash-generating units to which goodwill or other intangible assets have been allocated and, if any, verifies by means of the so-called "Impairment Test" the possible existence of losses in value that reduce the recoverable value of such assets to an amount lower than their current value. books. When it is not possible to estimate the impairment of assets, they are grouped under Cash Generating Units, considering that it is the minimum unit of income generation.

The recoverable amount is the greater of the market value, less the costs of sale, and the value in use, which is understood to be the present value of the estimated future cash flows. For the calculation of use value, the assumptions used include discount rates, growth rates, and expected changes in sales prices and costs. Company Directors estimate discount rates that reflect the value of money over time and the risks associated with the asset. Growth rates and changes in prices and costs are based on internal and sectoral forecasts and future experience and expectations, respectively.

In addition, the Group carries out the corresponding sensitivity analyses on its projection studies, modifying the variables that have the greatest impact on cash flows; specifically, discount rates and expected growth.

In the event that the recoverable amount is less than the net carrying amount of the asset, the corresponding impairment loss for the difference would be recorded under the heading "Impairment and profit on disposal of fixed assets" in the consolidated income statement and credited to the heading "Property, plant and equipment" or "Intangible fixed assets". in each case, from the consolidated balance sheet.

Impairment losses recognized on an asset in previous years are reversed, except for goodwill, when there is a change in the estimates of its recoverable amount, increasing the value of the asset with the limit of the carrying amount that the asset would have had if the write-down had not been carried out.

The assumptions considered to analyse the recoverability of goodwill and other intangibles have been broken down in Notes 5 and 7, respectively.

3.6. Operating Leases

In operating lease transactions, ownership of the leased asset, and substantially all of the risks and benefits of the asset, remain with the lessor.

In operating lease agreements, income and expenses will be considered as income and expense for the year in which they are accrued, and will be charged to the profit and loss account. Advance lease receipts or payments will be charged to profit or loss over the lease period as the economic benefits of the leased asset are transferred or received.

When the Company acts as lessee, the lease costs are charged on a straight-line basis to the profit and loss account depending on the agreements and the life of the contract.

3.7. Financial instruments

Financial Assets

1. Financial assets at amortised cost

A financial asset will be included in this category, even when it is admitted to trading on an organized market, if the company holds the investment for the purpose of receiving the cash flows derived from the performance of the contract, and the contractual terms of the financial asset give rise, at specified dates, to cash flows that are only collections of principal and interest on the amount of the outstanding principal.

In general, this category includes receivables for commercial transactions and receivables for non-commercial transactions:

(a) Receivables from commercial operations: these are financial assets that arise from the sale of goods and the provision of services for the company's traffic operations with deferred collection, and

b) Receivables for non-commercial transactions: these are financial assets that, not being equity instruments or derivatives, have no commercial origin and whose receipts are of a determined or determinable amount, which come from loan or credit operations granted by the company.

Financial assets classified in this category shall initially be measured at their fair value, which, unless otherwise evidenced, shall be the transaction price, which shall be equal to the fair value of the consideration paid, plus any transaction costs directly attributable to them.

However, receivables from commercial operations with a maturity of no more than one year and which do not have an explicit contractual interest rate, as well as loans to personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, may be valued at their nominal value when the effect of not updating cash flows is not significant.

Subsequent valuation: Financial assets included in this category will be measured at their amortised cost. Accrued interest shall be recorded in the profit and loss account, applying the effective interest rate method.

However, loans with a maturity of no more than one year which, in accordance with the provisions of the preceding paragraph, are initially valued at their nominal value, shall continue to be valued at that amount, unless they have been impaired.

Impairment

At least at the end of the financial year, the necessary valuation adjustments should be made whenever there is objective evidence that the value of a financial asset, or of a group of financial assets with similar risk characteristics collectively valued, has deteriorated as a result of one or more events that have occurred after its initial recognition and that cause a reduction or delay in estimated future cash flows. which may be motivated by the insolvency of the debtor.

The impairment loss on these financial assets shall be the difference between their carrying amount and the present value of future cash flows, including, where applicable, those from the enforcement of collateral and personal collateral, which are estimated to be generated, discounted at the effective interest rate calculated at the time of their initial recognition. For financial assets at a variable interest rate, the effective interest rate corresponding to the closing date of the annual accounts will be used in accordance with the contractual conditions. Models based on formulas or statistical methods may be used in the calculation of impairment losses for a group of financial assets.

Impairment adjustments, as well as their reversal when the amount of such loss decreases due to causes related to a subsequent event, shall be recognized as an expense or an income, respectively, in the profit and loss account. The impairment reversal shall be limited to the carrying amount of the asset that would have been recognized on the reversal date if the impairment had not been recognized.

However, the market value of the instrument may be used as a substitute for the present value of future cash flows, provided that it is reliable enough to be considered representative of the value that the company may recover.

2. Financial assets at cost.

Investments in the equity of group companies, multi-group companies and associates will initially be measured at cost, which will be equal to the fair value of the consideration plus any transaction costs directly attributable to them. Subsequently, they will be valued at cost, reduced, where appropriate, by the accumulated amount of impairment adjustments. This valuation adjustment is quantified as the difference between its carrying amount and the recoverable amount. Unless there is better evidence of the recoverable amount of the investments, the estimation of the impairment of this asset class takes into account the equity of the investee, corrected by the tacit capital gains existing at the valuation date. Impairment adjustments and, where applicable, their reversal, are recorded as an expense or an income, respectively, in the profit and loss account. The impairment reversal is limited to the original carrying amount of the investment. Dividends accrued after the time of acquisition are recognized as income in the profit and loss account when the right to receive them is declared.

3. Cash and Other Liquid Media

This heading includes cash on hand and banks, demand deposits and other highly liquid short-term investments that are quickly realizable in cash and have no risk of changing in value.

Financial liabilities

1. Financial liabilities at amortised cost.

All financial liabilities shall be classified in this category except where they are to be measured at fair value through changes in the profit and loss account. In general, debits for commercial transactions and debits for non-commercial transactions are included in this category.

a) Debits for commercial operations: these are those financial liabilities that arise from the purchase of goods and services for traffic operations of the company with deferred payment, and

b) Debits for non-commercial transactions: these are financial liabilities that, although they are not derivative instruments, do not have a commercial origin, but come from loan or credit operations received by the company.

Financial liabilities included in this category shall initially be measured at their fair value, which, unless otherwise demonstrated, shall be the transaction price, which shall be equal to the fair value of the consideration received adjusted for transaction costs directly attributable to them.

However, debits for commercial transactions with a maturity of no more than one year and that do not have a contractual interest rate, as well as disbursements required by third parties on shares, the amount of which is expected to be paid in the short term, may be valued at their nominal value, when the effect of not updating cash flows is not significant.

They will then be valued at their amortized cost. Accrued interest shall be recorded in the profit and loss account, applying the effective interest rate method.

However, debits with a maturity of no more than one year which, in accordance with the provisions of the previous section, are initially valued at their nominal value, will continue to be valued at that amount.

Write-off of financial assets and liabilities

The Group derecognizes a financial asset, or part thereof, when the contractual rights to the cash flows of the financial asset expire or have been assigned, and the risks and rewards inherent in its ownership have been substantially transferred. When the financial asset is derecognized, the difference between the consideration received net of attributable transaction costs and the carrying amount of the financial asset, plus any accrued amount that would have been recognised directly in equity, determines the gain or loss arising from the derecognition of the financial asset and forms part of the profit or loss for the period in which the asset is derecognized and forms part of the profit or loss for the period in which the asset is derecognized and is part of the profit or loss for the period in which the write-off occurs.

The Group derecognizes a previously recognised financial liability from the balance sheet when any of the following circumstances occur:

- The obligation has been extinguished because payment has been made to the creditor to cancel the debt (through payments in cash or other goods or services), or because the debtor is legally relieved of any liability for the liability.

- Own financial liabilities are acquired, even if it is with the intention of relocating them in the future.

- There is an exchange of debt instruments between a lender and a borrower, provided that they have substantially different terms, and the new financial liability that arises is recognized; In the same way, there is a substantial change in the current conditions of a financial liability, as indicated for debt restructurings.

The accounting for the retirement of a financial liability is carried out as follows: the difference between the carrying amount of the financial liability (or the part of it that has been derecognized) and the consideration paid, including attributable transaction costs, and which must also include any assets transferred other than the cash or liabilities assumed. It is recognised in the profit and loss account for the year in which it occurs.

Criteria used in the determination of income or expenditure from the different categories of financial instruments:

Interest and dividends on financial assets and liabilities accrued after the time of acquisition have been recognized as income or expense in the income statement. The effective interest method has been used for the recognition of interest. Dividends are recognized when the shareholder's right to receive them is declared.

3.8. Foreign currency transactions

Transactions carried out in foreign currencies are recorded in the functional currency of each company in the Group (generally euros) at the exchange rates prevailing at the time of the transaction. During the financial year, any differences between the posted exchange rate and the exchange rate in force on the date of collection or payment are recorded as financial results in the income statement. Company has not changed the functional currency, the euro, during the year.

As of December 31, 2022, monetary assets and liabilities determined in foreign currency will be measured at the closing exchange rate, existing on that date. Exchange differences, both positive and negative, arising from this process shall be recognised in the profit and loss account for the year in which they occur.

3.9. Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new units or options are presented in equity as a deduction, net of tax, from the amounts obtained.

Own shares

Treasury-shares are recorded in equity as less equity when they are acquired, and no profit or loss is recorded in the profit and loss account for their sale or cancellation. Income and expenses arising from transactions in treasury shares are recorded directly in equity as less reserves.

3.10. Stocks

Inventories are valued at their purchase price. The purchase price includes the amount invoiced by the seller, after deducting any discounts, price reductions or other similar items, and all additional expenses incurred until the goods are placed for sale, such as transportation, customs duties, insurance, and others directly attributable to the acquisition of the inventory.

Since the Company's stock does not need a period of more than one year to be in a saleable condition, no financial expenses are included in the purchase price.

The Group uses weighted average cost to assign value to inventories.

When the net realisable value of inventories is lower than their purchase price, appropriate valuation adjustments are made, recognising them as an expense in the profit and loss account.

3.11. Income tax

Income tax expense or income includes the portion relating to current tax expense or income and the portion corresponding to deferred tax expense or income.

Current tax is the amount paid by the Group as a result of the income tax assessments relating to a financial year. Deductions and other tax advantages in the amount of tax, excluding withholdings and payments on account, as well as tax losses that can be compensated for in previous years and actually applied in this year, give rise to a lower amount of current tax.

Deferred tax expense or income is the recognition and write-off of deferred tax assets and liabilities. These include temporary differences, which are identified as those amounts that are expected to be payable or recoverable arising from differences between the carrying amounts of assets and liabilities and their tax value, as well as tax losses pending offsetting and credits for tax deductions not applied for tax purposes. These amounts are recorded by applying to the corresponding temporary difference or credit the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect either the tax result or the accounting result and is not a business combination.

Deferred tax assets, on the other hand, are only recognised to the extent that it is considered likely that the Group will have future taxable gains against which it can recredit them.

Likewise, at the consolidated level, any differences that may exist between the consolidated value of an investee and its tax base are also considered. In general, these differences arise from the accumulated results generated since the date of acquisition of the investee, from tax deductions associated with the investment and from the translation difference, in the case of investees with a functional currency other than the euro. Deferred tax assets and liabilities arising from these differences are recognized unless, in the case of taxable differences, the investor can control the timing of the reversal of the difference and, in the case of deductible differences, if the difference is expected to reverse in the foreseeable future and the company is likely to have sufficient future taxable profits.

Deferred tax assets and liabilities, arising from transactions with direct debits or credits to equity accounts, are also accounted for as a counterpart entry in equity.

At each accounting closing, the deferred tax assets recorded are reconsidered, and the appropriate corrections are made to them to the extent that there are doubts about their future recovery. In addition, deferred tax assets not recorded on the balance sheet are valued at each closing and are recognized to the extent that they are likely to be recovered with future tax benefits.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally recognized right to offset current tax assets against current tax liabilities and when deferred tax assets and deferred tax liabilities are derived from income tax under the same taxing authority. that fall on the same entity or tax person, or different entities or tax subjects, that intend to settle current tax assets and liabilities for their net amount.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities, regardless of the expected date of realization or settlement.

3.12. Income and expenditure

The Group recognises income from the ordinary development of its business when there is a transfer of control of the goods or services committed to customers.

For the accounting recording of revenues, the Group follows a process consisting of the following successive stages:

a) Identify the contract (or contracts) with the client, understood as an agreement between two or more parties that creates enforceable rights and obligations for them.
b) Identify the obligation(s) to be fulfilled in the contract, representative of the commitments to transfer goods or provide services to a customer.

c) Determine the price of the transaction, or consideration of the contract, to which the Group expects to be entitled in exchange for the transfer of goods or the provision of services committed to the client.
d) Assign the price of the transaction to the obligations to be fulfilled, which must be carried out on the basis of the individual sales prices of each different good or service that have been committed in the contract, or, where appropriate, following an estimate of the sale price when it is not independently observable.
e) Recognize income from ordinary activities when the Group fulfills an obligation committed through the transfer of an asset or the provision of a service; Compliance that takes place when the customer obtains control of that good or service, so that the amount of income from ordinary activities recognized will be the amount assigned to the contractual obligation satisfied.

Recognition

The Group recognises the income derived from a contract when control over the goods or services committed (i.e. the obligation(s) to be fulfilled is transferred to the customer.

For each obligation to be fulfilled that is identified, the Group determines at the beginning of the contract whether the commitment assumed is fulfilled over time or at a certain time.

Revenue derived from commitments that are fulfilled over time is recognized based on the degree of progress or progress towards full compliance with contractual obligations, provided that the Group has reliable information to mediate the degree of progress. With regard to income from training courses, as most of them are recorded courses, they are recognized at the initial moment regardless of when they are viewed.

In the case of contractual obligations that are fulfilled at a particular point in time, the revenue derived from their performance is recognized on that date.

Fulfilment of the obligation over time

The Group transfers control of an asset over time when one of the following criteria is met:

a) The client simultaneously receives and consumes the benefits provided by the Group's activity as the entity carries it out.
b) The Group produces or improves an asset that the client controls as the business develops.
c) The Group develops a customer-specific asset with no alternative use and the Group has an enforceable right to payment for the activity that has been completed to date.

Indicators of compliance with the obligation at a point in time

To identify the specific moment at which the client gains control of the asset, the Group considers the following indicators:

a) The client assumes the significant risks and rewards inherent in owning the asset.
b) The Group transfers physical possession of the asset.
c) The client receives the asset in accordance with the contractual specifications.
d) The Group has a right of collection for transferring the asset.
e) The customer has ownership of the asset.

Assessment

Ordinary income from the sale of goods and the provision of services is measured at the monetary amount or, as the case may be, at the fair value of the consideration, received or expected to be received. The counterpart is the agreed price for the assets to be transferred to the client, deducted: the amount of any discounts, price reductions or other similar items that the Group may grant, as well as the interest incorporated into the nominal amount of the loans.

According to the accrual principle, revenue is recorded with the transfer of control and expenses are recorded when they occur, regardless of the date of collection or payment. Overall, the Panel has concluded that it acts on its own account in its revenue arrangements, because it normally controls the goods or services before transferring them to the customer.

3.13. Transactions with related parties

Commercial or financial transactions with related parties are generally accounted for at the initial time at their fair value, and their subsequent measurement is carried out in accordance with the provisions of the general accounting rules. In addition, transfer pricing is adequately supported, so the Board of Directors considers that there are no significant risks in this regard from which significant liabilities may arise in the future. The Group carries out all its transactions with linked market securities.

3.14. Grants, donations or bequests received

Non-refundable grants, gifts and bequests shall initially generally be accounted for as income directly charged to equity and shall be recognised in the profit and loss account as income on a systematic and rational basis in a manner correlated with the expenditure arising from the grant, gift or bequest.

Grants, donations and bequests of a monetary nature will be valued at the fair value of the amount awarded.

Grants, donations and legacies that are non-refundable will be charged to profit or loss in accordance with their purpose.

For the purposes of their allocation in the profit and loss account, a distinction must be made between the following types of grants, donations and bequests:

(a) When they are granted to ensure a minimum return or to compensate for operating deficits: they shall be charged as income for the year in which they are granted, unless they are intended to finance operating deficits in future years, in which case they shall be charged in those years.

(b) When they are granted to finance specific expenditure: they shall be charged as income in the same financial year in which the expenditure to be financed is incurred.

(c) Where granted for the purpose of acquiring assets or cancelling liabilities, the following cases may be distinguished:

- Intangible fixed assets, tangible assets and real estate investments: they will be charged as income for the year in proportion to the provision for depreciation made in that period for the aforementioned items or, where appropriate, when they are disposed of, adjusted for impairment or derecognized from the balance sheet.

- Inventories that are not obtained as a result of a commercial rebate: they will be charged as income for the year in which they are disposed of, a valuation adjustment for impairment or a write-off from the balance sheet.

- Financial assets: these will be charged as income for the year in which they are disposed of, an impairment adjustment or a write-off on the balance sheet.

- Cancellation of debts: they will be charged as income for the year in which the cancellation takes place, except when they are granted in relation to specific financing, in which case the allocation will be made according to the element financed.

(d) Monetary amounts received without earmarking shall be charged as revenue for the period in which they are recognized.

3.15. Business Combination

In business combinations, the acquisition method is applied. The acquisition date is the date on which the Group gains control of the acquired business.

The cost of the business combination is determined at the acquisition date by the sum of the fair values of the assets delivered, the liabilities incurred or assumed, the equity instruments issued and any contingent consideration that depends on future events or the fulfillment of certain conditions in exchange for control of the acquired business.

The cost of the business combination excludes any outlay that is not part of the exchange for the acquired business. Costs related to acquisition are known as expense as they are incurred.

At the acquisition date, the Group recognises the assets acquired and the liabilities assumed at fair value. Therefore, the initial capital gains and losses of the consolidated company are incorporated in the terms set out above, without being limited to the amount attributable to the group's shareholding. Assumed liabilities include contingent liabilities to the extent that they represent present obligations arising from past events and their fair value can be reliably measured.

Revenues, expenses and cash flows from the acquired business are included in the consolidated financial statements from the date of acquisition. The excess between the cost of the business combination, plus the value assigned to the external partners, over the corresponding value of the identifiable net assets of the acquired business is recorded as goodwill, if the acquisition has been recognised in the individual financial statements of the consolidated companies, or as consolidation goodwill. whether the acquisition has been made in the consolidated financial statements.

<u>External Partners</u>

External shareholders in subsidiaries acquired as of the transition date are recorded at the acquisition date by the percentage of interest in the fair value of identifiable net assets. External shareholders are presented in the equity of the consolidated balance sheet separately from the equity attributable to the Parent Company. The share of external partners in the profit or loss for the year is also presented separately in the consolidated income statement.

The participation of the Group and the external shareholders in the profits or losses and in the changes in the equity of the subsidiaries, after considering the adjustments and eliminations resulting from the consolidation, is determined on the basis of the percentages of participation existing at the end of the financial year, without considering the possible exercise or conversion of potential voting rights and after deducting the effect of dividends. agreed or not, of preferred shares with cumulative rights that have been classified in equity accounts.

The results and the income and expenses recognized in equity of the subsidiaries are allocated to the equity attributable to the Parent Company and the external shareholders in proportion to their shareholding, even if this implies a debit balance of external partners. Agreements entered into between the Group and external partners are recognised as a separate transaction.

3.16. Provisions and contingencies

Liabilities that are indeterminate with respect to their amount or the date on which they will be cancelled are recognised in the balance sheet as provisions when the Group has a current obligation (whether by a legal or contractual provision or by an implied or implied obligation), arising as a result of past events, which is considered likely to entail an outflow of resources for settlement and which is quantifiable.

Provisions are measured at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation to a third party, with adjustments arising from the updating of the provision being recorded as a financial expense as they accrue. In the case of provisions with a maturity of less than or equal to one year, and the financial effect is not significant, no discount is applied. Provisions are revised at the closing date of each balance sheet and are adjusted to reflect the best current estimate of the corresponding liabilities at any given time.

Compensation to be received from a third party at the time of settling provisions is recognised as an asset, without reducing the amount of the provision, provided that there is no doubt that such repayment will be received, and without exceeding the amount of the obligation recorded. Where there is a legal or contractual relationship for the externalisation of risk, by virtue of which the Group is not obliged to be liable for it, the amount of such compensation is deducted from the amount of the provision.

On the other hand, contingent liabilities are considered to be those possible liabilities arising as a result of past events, the materialization of which is conditional on the occurrence of future events that are not entirely under the control of the Group, and those present obligations arising as a result of past events, for which it is unlikely that there will be an outflow of resources for settlement or that cannot be measured with sufficient reliability. These liabilities are not subject to accounting records, and are detailed in the report, except when the output of resources is remote.

3.17. Heritage elements of an environmental nature

Expenses related to the decontamination and restoration of contaminated sites, waste disposal and other expenses arising from compliance with environmental legislation are recorded as expenses for the year in which they occur, unless they correspond to the cost of purchasing elements that are incorporated into the Group's assets in order to be used on a lasting basis. in which case they are accounted for under the corresponding items under the heading "Property, plant and equipment" and are depreciated according to the same criteria.

3.18. Transactions with payments based on equity instruments

The Group recognizes, on the one hand, the goods and services received as an asset or as an expense, according to their nature, at the time they are obtained and, on the other hand, the corresponding increase in equity, if the transaction is settled with equity instruments, or the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

In the case of transactions that are settled with equity instruments, both the services provided and the increase in equity are measured at the fair value of the equity instruments transferred, as of the date of the concession agreement. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liabilities are recognized at the fair value of the latter, referring to the date on which the requirements for their recognition are met.

3.19. Classification of current and non-current assets and liabilities

Assets and liabilities are presented in the consolidated balance sheet as current and non-current. For these purposes, assets and liabilities are classified as current when they are linked to the Group's normal operating cycle and are expected to be sold, consumed, realized or liquidated within a year.

Note 4. <u>Consolidation of subsidiaries</u>

The consolidated financial statements have been prepared by applying the global integration method determined in Chapter III of RD 1159/2010 of 17 September, which approves the Rules for the Preparation of the Consolidated Financial Statements and the amendments contained in RD 602/2016 of 2 December and RD 1/2021 of 12 January.

Note 5. <u>Consolidation Goodwill</u>

<u>Acquisition of Zona Value Global, S.L., Substrate AI Spain, S.L. and Substrate AI USA Inc.</u>

The consolidation goodwill arises from the acquisition of the subsidiaries Zona Value Global, S.L. and Substrate AI Spain, S.L. and Substrate AI USA Inc. for an amount of €23,800,000.00, giving rise to a provisional consolidation goodwill of €23,483,951.58 as a result of the difference between the consideration transferred and the assets acquired and liabilities assumed at fair value on the date of acquisition. Since the different acquisitions are highly interrelated since one depended on the other and the price determined was conditional, everything has been considered as a single business combination. There is no variable or contingent price on the amount of such a transaction.

The date of acquisition was June 30, 2021, however, given that the transactions between that date and the beginning of the year were not considered significant for accounting purposes, except for the effect of depreciation that has been considered the acquisition date (restating the comparative figures for the year 2021 as indicated in note 2-e) of the attached report), January 1, 2021 was considered as the acquisition date.

After the 12-month period for adjusting values indicated in the point below based on the provisions of the accounting regulations applicable to business combinations, goodwill remains as follows as of December 31, 2022:

(Euros)	
Acquisition consideration (non-cash contribution – see Note 11) (A)	23.800.000,00
Fair value of identified net assets acquired as of 01.01.2021 (B)	396.048,42
Goodwill (excess of the cost of the combination over the fair value of net assets acquired) (A-B)	23.403.951,58

The Directors of the Parent Company considered that the fair market value of the assets and liabilities assumed in the business combination described above did not differ materially from their book values.

<u>Acquisition of Kau Market EAF, S.L. and AI Saivers LLC</u>

The companies Kau Market EAF, S.L. and AI Saivers LLC, were acquired at the end of the 2021 financial year for an amount of 80,000 and 16,731.41 euros respectively, arising from this sale a negative consolidation difference, which has been imputed within the Profit and Loss account for the year ended December 31, 2021 for an amount of 166,664.59 euros. The Directors of the Parent Company have considered that these transactions are different from the one described above and have reassessed that the value of the net assets acquired is higher than the cost of the transaction, resulting in an advantageous purchase.

<u>Acquisition of Cuarta Dimensión Médica, S.L.</u>

On February 25, 2022, the Parent Company acquired 70% of Cuarta Dimensión Médica, S.L. for €1,400,000.00, of which €300,000.00 was made through a non-monetary contribution, delivering shares of the Parent Company. However, since transactions between that date and April 30, 2022 were not considered significant for accounting purposes, April 30, 2022 has been considered as the acquisition date. There is no variable or contingent price on the amount of such a transaction.

The Directors of the Parent Company have considered that the fair market value of the assets and liabilities assumed in the business combination described above do not differ materially from their book values. In any case, in accordance with the provisions of the "business combinations" accounting standard, the Group has a period of twelve months after the acquisition to adjust the value of the assets and liabilities acquired. However, the Directors of the Parent Company do not expect the value of the recognized goodwill to differ significantly.

The quantification of such initial goodwill corresponds to the following calculations.

(Euros)	
Consideration for Acquisition (A)	1.400.000,00
Fair value of identified net assets acquired as of 30.04.2022 (B) – 70%	217.069,99
Goodwill (excess of the cost of the combination over the fair value of net assets acquired) (A-B)	1.182.930,01

The assets and liabilities from the financial statements of Cuarta Dimensión Médica, S.L. at the date of acquisition were as follows:

(expressed in euros)	Notes	30.04.2022
Current asset:		
Stock		190.995,99
Trade receivables and other accounts receivable		272.591,57
Short-term financial investments		107.954,00
Cash and cash equivalents		239.474,28
Non-current assets:		
Property, plant and equipment	8	60.041,77
Long-term financial investments		24.845,00
TOTAL ASSETS		**895.902,61**
Current liabilities:		
Short-term provisions		399.780,84
Short-term debts		4.839,43
Trade Creditors and Other Payables		174.749,66
Non-current liabilities:		
Long-term debts		3.795,71
Deferred tax liabilities		2.636,98
TOTAL LIABILITIES		**585.802,62**
Total fair value of identifiable net assets acquired		**310.099,99**

Total sales and profit before tax contributed to the consolidated from the date of first integration to December 31, 2022 were €1,029,185.77 and €199,277.20, respectively. Throughout the 2022 financial year, the sales and profit before tax generated by this subsidiary company were €1,432,426.59 and €255,963.59, respectively.

Based on the above, the movement for the 2022 financial year as well as the net book value of the consolidation goodwill is as follows:

(Euros)	Balance 31.12.21 (*)	Additions	Low	Balance 31.12.22
Consolidation Goodwill	23.483.951,58	1.182.930,01	(80.000,00)	24.586.881,59
Accumulated Depreciation	(1.170.197,58)	(1.835.514,50)	-	(3.005.712,08)
Deterioration	-	(9.324.072,01)	-	(9.324.072,01)
Net Book Value	22.313.754,00	(9.976.656,50)	(80.000,00)	12.257.097,54

(*) The figures for December 31, 2021 have been modified based on the restatement described in note 2.e).

During the 2022 financial year, there has been a progressive deterioration in general economic conditions as a result of persistently high inflation rates, which have led to the progressive increase in interest rates, tensions in the supply chain and the increase in energy costs, circumstances in many cases resulting from the war in Ukraine, that seems to be prolonging over time, and that could lead to a scenario of economic recession in the coming months.

In this context, the Board of Directors of Substrate Artificial Inteligence, S.A., following a principle of extreme prudence, adopted the following decisions in June 2022:

A. Rejecting corporate acquisitions in order to focus the Group's work on organic growth in those areas in which it was already present.
B. Approve new projections for 2022 and 2023 based solely on this organic growth resulting from the development of current businesses, having also re-evaluated the estimates for the following years.

Taking into account all of the above and in order to carry out the corresponding Consolidation Goodwill Impairment Test, the Group proceeded to update the financial projections of the businesses that gave rise to said Goodwill, using the discounted cash flow method.

For this reason, the Parent Company decided to impair the goodwill arising from these corporate transactions by €9,324 thousand. This decision will reduce by approximately €920 thousand the amount of goodwill that needs to be amortized annually and, therefore, will result in a higher net profit once the business plan evolves as planned.

In general terms, the main assumptions considered by the Group for the calculation of the present value of the average expected flows for the period 2023 - 2027 were the following:

Hypothesis	Goodwill for the acquisition of Zona Value Global, S.L., Substrate AI Spain, S.L. and Substrate AI USA Inc.	Goodwill for the acquisition of Cuarta Dimensión Médica, S.L.
Duration of screenings	5 years	5 years
Discount Rate	12-20%	10-15%
Growth rate in perpetuity	1-3%	1-3%

In specific terms, the key assumptions for the calculation of value-in-use have been the following:

- Do not contemplate new corporate acquisitions.
- Sales/Market Share: SaaS businesses are cumulative businesses, one year's sales generate revenue every other year through monthly usage licenses, i.e., they are ultimately subscription businesses. Some businesses will be developed by the Group and others through the sale of licenses, which makes it easier to obtain customers quickly. In all businesses, it is projected to achieve very low market shares.
- EBITDA: EBITDA margins are expected to be achieved in the medium term in line with the SaaS services sector.

- Discount rate: Discount rates reflect management's estimate of sector-specific risk. This is the benchmark used by management to evaluate operational development and future investment proposals.

In accordance with these estimates and considering the assumptions of both economic and financial evolution and the forecasts of future cash flows, they would allow the net book value of the resulting goodwill to be recovered as of December 31, 2022.

Note 6. External Partners

The balance of external shareholders as of December 31, 2022 and 2021 corresponds to the percentage of their real participation, which amounts to 10% of the equity of the companies Airen Ai For Renewable Energy, S.L. and Boalvet AI, S.L., as well as 30% of Cuarta Dimensión Médica, S.L. The movement of external partners is as follows:

(Euros)	31.12.2022	31.12.2021
Beginning Balance	(20.209,47)	-
Business combination effect (note 5)	92.370,97	599,81
Results for the period attributable to external partners	11.170,58	(20.809,28)
Ending Balance	**83.332,08**	**(20.209,47)**

Note 7. Intangible fixed assets

The movement in this chapter of the accompanying balance sheet is as follows:

(Euros)	Initial Balance	Tickets	Outputs	Final Balance
31.12.2022				
Cost				
Development	837.062,10	1.108.437,31	(8.108,57)	1.937.390,84
Industrial property	202.177,85	5.481,05	(44.395,53)	163.263,37
Goodwill	6.100.000,00	-	-	6.100.000,00
Computer Applications	232.850,65	-	(118.278,08)	114.572,57
Other Immobilized	83.517,57	509.000,00	(83.516,65)	509.000,92
Total Cost	**7.455.608,17**	**1.622.918,30**	**(254.298,83)**	**8.824.227,70**
Accumulated depreciation				
Development	(8.357,74)	(217.965,28)	13.365,00	(212.958,02)
Industrial property	(11.087,05)	(22.370,40)	5.919,40	(27.538,05)
Goodwill	(203.333,00)	(489.454,56)	-	(692.787,56)
Computer Applications	(81.468,62)	(30.589,44)	3.034,53	(109.023,53)
Other Immobilized	(4.177,59)	(4.788,83)	-	(8,966.42)
Total amortization	**(308.424,00)**	**(765,168.51)**	**22.318,93**	**(1.051.273,58)**
Total deterioration	**-**	**(2.210.000,00)**	**-**	**(2.210.000,00)**
NET BOOK VALUE	**7.147.184,17**			**5.562.954,12**

(Euros)	Initial Balance	Tickets	Outputs	Final Balance
31.12.2021				
Cost				
Development	379.293,60	457.768,50	-	837.062,10
Industrial property	44.395,53	157.782,32	-	202.177,85
Goodwill	-	6,100,000.0	-	6.100.000,0
Computer Applications	134.282,87	98.796,80	(229,02)	232.850,65
Other Immobilized	-	83.517,57	-	83.517,57
Total Cost	**557.972,00**	**6.897.865,19**	**(229,02)**	**7.455.608,17**
Accumulated depreciation				
Development	-	(8,357.74)	-	(8,357.74)
Industrial property	-	(11.087,05)	-	(11.087,05)
Goodwill	-	(203.333,00)	-	(203.333,00)
Computer Applications	(23.868,36)	(57.900,26)	-	(81.468,62)
Other Immobilized	-	(4.177,59)	-	(4.177,59)
Total amortization	**(23.568,36)**	**(284.855,64)**	**-**	**(308.424,00)**
NET WORTH	**534.403,64**			**7.147.184,17**

There were no investments outside Spanish territory during the 2022 financial year. During 2022, one of the Group's companies received a subsidy of €600,000 in RED.ES relating to intangible assets, with €114,210 in equity, net of taxes, as detailed in note 15, and the remainder as non-current liabilities (see note 10.2). As of December 31, 2022, the entire grant is outstanding (see note 15).

In the 2022 financial year, acquisitions of intangible fixed assets amounting to €1,622,918.30 were made, of which €1,494,578.71 correspond to work carried out by the Group's companies for their assets.

The goodwill arose from the acquisition of two production units by the Parent Company in May 2021. The acquisition of these production units generated goodwill of €5,500,000 and €600,000 respectively, with liabilities for these acquisitions at 31 December 2021 of €4,500,000. As of December 31, 2022, the outstanding liabilities for these acquisitions amounted to €120 thousand, and were recorded under the heading "other current liabilities" in the accompanying consolidated balance sheet.

These acquisitions are considered to be two independent business combinations, with the fair value of net assets at the time of acquisition being close to zero, and the transaction price having been determined based on future cash flows that could be generated by customers and the web domains already held by these production units. These goodwill have begun to be amortized since September 30, 2021, by which time they have been put into operation and were in a position to do so.

The Parent Company has carried out an impairment test in accordance with the business plans and updated information on the performance of the businesses and has decided:

- Record an impairment of €2,210 thousand in line with the performance of the business acquired from Summon Press.
  - In relation to this impairment, the company Summon press SL has been asked to partially dissolve the legal purchase business carried out in 2021 due to the repeated failure to comply with the agreements reached in the purchase operation and its impact on the Group's goodwill. The amount claimed amounts to 2,210 thousand euros.
- Not to record any impairment to goodwill arising from the acquisition of the Hexenebel production unit, which has successfully passed the impairment test.

The main hypotheses considered when determining the recoverable value were the following:

Hypothesis	Hexenebel production unit (intangible of 600,000.00 euros)	Summon Press Production Unit (intangible of 5,500,000.00 euros)
Duration of screenings	5 years	5 years
Discount Rate	8 - 12%	8 - 12%
Growth rate in perpetuity	0,5 - 2%	0,5 - 2%

According to the estimates made, considering conservative economic and financial scenarios, the forecasts of future cash flows allow the net book value of such goodwill recorded as of December 31, 2022 to be recovered.

The patents in progress, which are pending registration as of December 31, 2022 and 2021, are as follows:

2021

Name	Status (*)
Method to automate the management of intensively managed milk, producing livestock to produce customized product depending on end-use using machine learning	Prepared Application and under review
Method to adaptively optimize feed blend and medicinal selection using machine learning to optimize animal reproduction rate	Prepared Application and under review
Method to Adaptively Optimize Feed Blend And Medicinal Selection Using Machine Learning To Optimize Animal Milk Production And Health	Prepared Application and under review
Method to Automatically Perform Temporal Abstraction In Reinforcement Learning Options	Application in process and under review
Method to Automatically Tune Reinforcement Learning Hyperparameters Using Hyperparameter Models That Use Sharpe Ratio Reward Signal To Optimize For Risk Adjusted Returns By The Agent Over Time	Prepared Application and under review
Method to Learn Repertoire Of Behavior For Reinforcement Learning Agent Using Options	Application in process
Method to Create Cognitively Inspired Hierarchical Agent That Includes Models That Select Subgoals And Shape Agent Attention AndAction To Be Used By An Enhance Experiential Model For Agent Action Execution	Application in process
Method to Pretrain Reinforcement Learning Agent From Tabular Data And Imperfect Expert Action Examples When Simulated Environment Is Not Available	Application in process
Method to Create Reinforcement Learning Imagination System Through Synthetic StateAction Transitions And Their Associated Reward Signals And Facilitate Agent Planning And Creation Of Option Candidates	Application in process
Method to Detect And Automatically Adjust Reinforcement Learning Agent Behavior Based On Multiple Objective Signal That Includes Bias Signal Value	Application in process
Method to Extract Options From Demonstration Experience And Initialize Agents With Learned Options To Support Transfer Learning From Demonstrator	Application in process
Method to Reduce Model Data For Inclusion Into DqnApproximator By Building Empty Value Statistics Estimation	Application in process

*Despite being expired, it is recoverable in the future

Note 8. Property, plant and equipment.

The movement in this chapter of the accompanying balance sheet is as follows:

(Euros)	Initial Balance	Additions	Retreats	Perimeter Variation	Final Balance
31.12.2022					
Cost					
Constructions	5.500,00	-	-	-	5.500,00
Machinery	1.152,14	-	-	7.205,00	8.357,14
Other Facilities	90.290,98	54.649,41	(97.988,74)	-	46.951,65
Furniture	9.293,30	9.724,43	-	1.747,2	20.764,93
Information Processing Equipment	34.858,09	6.308,78	(1.390,83)	1.114,88	40.890,92
Other Immobilized	3.450,50	-	-	111.420,37	114.870,87
Fixed assets in progress	17.233,50	-	(8.963,36)	-	8.270,14
Total Cost	**161.778,51**	**70.682,62**	**(108.342,93)**	**121.487,45**	**245.605,65**
Accumulated depreciation					
Constructions	(91,45)	(1.100,04)	-	-	(1.191,49)
Machinery	(650,56)	(1.037,88)	-	(504,35)	(2.192,79)
Other Facilities	(22.957,39)	(9.673,64)	12.937,74	-	(19.693,29)
Furniture	(1.387,32)	(3.326,11)	-	(1.659,49)	(6.372,92)
Information Processing Equipment	(19.213,28)	(6.485,51)	15.230,25	(752,87)	(11.221,41)
Other Immobilized	(579,78)	(4.538,22)	-	(58.528,97)	(63.646,97)
Total amortization	**(44.879,78)**	**(26.161,40)**	**28.167,99**	**(61.445,68)**	**(104.318,87)**
NET WORTH	**116.898,73**				**141.286,78**

(Euros)	Initial Balance	Additions	Retreats	Final Balance
31.12.2021				
Cost				
Constructions	-	5.500,00	-	5.500,00
Machinery	1.152,14	-	-	1.152,14
Other Facilities	90.290,98	-	-	90.290,98
Furniture	26.495,23	6.109,07	(23.311,00)	9.293,30
Information Processing Equipment	23.277,46	13.340,49	(1.759,86)	34.858,09
Other Immobilized	566,95	2.883,55	-	3.450,50
Fixed assets in progress	-	17.233,50	-	17.233,50
Total Cost	**141.782,76**	**45.066,61**	**(25.070,86)**	**161.778,51**
Accumulated depreciation				
Constructions	-	(91,45)	-	(91,45)
Machinery	(477,27)	(173,29)	-	(650.56)
Other Facilities	(10.665,56)	(12.291,83)	-	(22.957,39)
Furniture	(13.989 02)	(581,09)	13.182,79	(1.387,32)
Information Processing Equipment	(13.258,74)	(6.285,47)	330,93	(19.213,28)
Other Immobilized	(566,95)	(12,83)	-	(579,78)
Total amortization	**(38.957,54)**	**(19.435,96)**	**13.513.72**	**(44.879,78)**
NET WORTH	**102.825,22**			**116.898,73**

There have been no investments outside Spanish territory during the 2022 and 2021 financial years. There were no subsidies related to property, plant and equipment in 2022 and 2021.

In the 2022 financial year, there were no acquisitions of property, plant and equipment between the group companies (€13,320.12 in 2021).

In 2022 and 2021, no impairment adjustment for property, plant and equipment has been recognised or reversed.

The companies of the group have taken out insurance policies to cover the risks that are subject to property, plant and equipment.

As of December 31, 2022 and 2021, the companies in the group did not have fully depreciated property, plant and equipment.

Note 9. Operating Leases

The operating leases correspond to contracts for the rental of the offices in which the group carries out its activity for an amount of 95,301.12 euros as of December 31, 2022. During the 2021 financial year, the group's leases amounted to €48,201.19.

The minimum future payments for the operating lease of offices and offices are broken down as follows:

(euros)	**1 year**	**Ages 1 to 5**	**+5 years**
Minimum Future Payments 2022	113.370	566.850	-
Minimum Future Payments 2021	65.650	64.800	-

This information is obtained from the contracts in our possession and taking into account the current maturities and the agreed rents, and it is the intention of the company and the lessors to renew these contracts for periods similar to those initially contracted, provided that there is no cause that prevents it.

Note 10. Financial Instruments

10.1 Categories of financial assets

The breakdown of current and non-current financial assets as of December 31, 2022 and 2021, classified by category and maturities, is as follows (loans with the Treasury are not included):

(Euros) **Tuition**	**Long-term financial instruments**		**Short-term financial instruments**	
Categories	**Equity Instrument**	**Credits, derivatives and others**	**Credits, derivatives and others**	**Total**
31.12.2022				
Financial assets at amortised cost	-	221.468,72	504.384,95	725.853,67
Financial assets at cost	30.000,00	-	-	30.000,00
Total	**30.000,00**	**221.468,72**	**504.384,95**	**755.853,67**
31.12.2021				
Financial assets at amortised cost	-	154.346,39	671.093,72	825.440,11
Financial assets at cost	830.000,00	-	-	830.000,00
Total	**830.000,00**	**154.346,39**	**671.093,72**	**1.655.440,11**

The category of financial assets at amortised cost is composed of:

	31.12.2022		31.12.2021	
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**
Loans Delivered	189.985,72	3.000,00	140.024,75	392.973,77
Customers for sales and service provision	-	483.168,23	-	247.652,28
Miscellaneous debtors	-	6.162,72	-	5.207,41
Personnel	-	500,00	-	3.707,52
Surety bonds and deposits and others	31.483,00	11.554,00	14.321,64	21.552,74
Total	**221.468,72**	**504.384,95**	**154.346,39**	**671.093,72**

The increase in the heading "customers for sales and provision of services" compared to December 31, 2021 is mainly due to the acquisition of Cuarta Dimensión Médica, S.L. described in note 5. Long-term bonds and deposits expire in 2024. The loans delivered are due in 2026 in the non-current part.

There are no credits that are doubtful of their collection.

The financial assets at cost at 31 December 2021 correspond to the foundation endowment provided for the constitution of the Zona Value Foundation in the amount of 30,000 euros and the purchase of 10% of the company Assistacasa S.L. for 3,600,000 euros, of which 2,800,000 euros were pending payment as of 31 December 2021, part of which has been offset in the capital increase in 2022 (see Note 11). In 2022, the purchase agreement for the purchase described above has been terminated, generating a loss of €323,160.80, which is recorded under the heading "Impairment and profit or loss on disposals of financial instruments" in the consolidated income statement as of December 31, 2022. Likewise, this heading includes financial income from the sale of shares to third parties amounting to €330,566.43.

Cash and cash equivalents as of December 31, 2022 amounted to €1,623,428.93 (€267,711.14 in 2021). As of December 31, 2022, there is an amount of retained cash amounting to 266,669.15 euros related to the R+D+I project mentioned in note 14 of the report, the amount of which will be released during the first half of 2023 if all the milestones set out in the contract are met.

10.2 Categories of financial liabilities

The breakdown of current and non-current financial liabilities at the end of the year, classified by categories and classes, is as follows (debts to the Treasury are not included):

(Euros)	**Financial Instruments**					
Tuition	**Long-term financial instruments**		**Short-term financial instruments**		**TOTAL**	
Categories	**Derivatives & Others**	**Debts to credit institutions and financial institutions**	**Derivatives & Others**	**Debts to credit institutions and financial institutions**	**Derivatives & Others**	**Debts to credit institutions and financial institutions**
31.12.2022						
Financial liabilities at amortised cost	1.656.385,70	557.179,76	1.618.180,66	93.226,24	3.274.566,36	650.406,00
Total	**1.656.385,70**	**557.179,76**	**1.618.180,66**	**93.226,24**	**3.274.566,36**	**650.406,00**
31.12.2021						
Financial liabilities at amortised cost	429.964,00	-	4.993.092,95	14.868,70	5.423.056,95	14.868,70
Total	**429.964,00**	**-**	**4.993.092,95**	**14.868,70**	**5.423.056,95**	**14.868,70**

In the 2022 financial year, the Parent Company has formalised a loan with a financial institution for an amount of 700,000.00 euros, maturing in 2029 and at an interest rate of Euribor 12 months + 3.25%. Such a loan is not subject to compliance with financial ratios. The maturity per year is as follows:

(Euros)	2023	2024	2025	2026	2027 and onwards	Total
Debts to credit institutions	84.702,71	90.154,46	96.293,73	102.851,06	267.880,51	641.882,47
Other debts owed to credit institutions	8.523,53	-	-	-	-	8.523,53

Likewise, in the 2022 financial year, the Group has formalized a loan with a crowdfunding platform, maturing in 2026 and at an interest rate of 6.60%. Such a loan is not subject to compliance with financial ratios. This loan is recognized under the heading "other financial liabilities" in the consolidated balance sheet.

(Euros)	2023	2024	2025	2026	2027 and onwards	Total
Other debts	47.201,58	50.367,56	53.745,89	52.428,08	-	203.743,11

The class Derivatives and Others presents the following detail:

	31.12.2022		31.12.2021	
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**
Deposits received for capital increases	-	-	-	-
Credits received	1.208.665,70	1.198.151,74	429.964,00	4.642,140,73
Subsidies received (note 7)	447.720,00	-	-	200.000,00
Finance Leases	-	3.795,71	-	-
Suppliers for purchases and provision of services	-	269.319,82	-	124.127,87
Other miscellaneous creditors	-	79.592,90	-	33.640,84
Personnel	-	49.368,12	-	(286,63)
Customer Advances	-	17.952,37	-	(6.529,86)
	1.656.385,70	**1.618.180,66**	**429.964,00**	**4.993.092,95**

Part of the short-term financial liabilities that appeared as of December 31, 2021 for the acquisition of a production unit (see note 7) have been capitalized (see note 11).

The Group has signed a three-year contract for bonds compulsorily convertible into shares within a period of one year, for up to €20 million, signed with the Alpha Blue Ocean (ABO) fund, which ensures the company the necessary financing for the development of its business plan. This point is key to ensuring the achievement of the objectives set out in the company's business plan, whose numbers for 2022 and 2023 were published as a relevant fact in June 2022.

The receivables received reflected in current liabilities at the end of the 2022 financial year correspond mainly to bonds issued under the contract with ABO pending conversion into equity for an amount of €564,777.66 and to two fixed assets suppliers for an amount of €577,259.00.

The bonds are associated with a certain number of equity warrants that are determined according to the price of the Company's shares and that may or may not be exercised by the fund over a period of 3 years. The bonds issued are recorded as debt instruments at amortized cost by the difference between the amount received for the issuance of the different tranches and the fair value of the warrants issued together with the convertible debentures. The amount of the warrants is recorded in an equity account. Within one year, the fund can convert this debt at any time and if the bonds have not been converted within that period, they become compulsorily convertible. At the time of conversion, the liabilities generated will be reclassified as equity as share capital and share premium. During the 2022 financial year, three tranches of bonds were issued for an amount of €500,000, €300,000 and €500,000, totalling €1,300,000. At the end of the 2022 financial year, ABO converted the first tranche in its entirety, increasing the share capital and the share premium by €178,922.70 and €321,074.14, respectively. Part of the second tranche has also been converted, increasing the share capital by €65,217.30 and the share premium by €84,782.49 (See note 11).

In addition, during 2022, 612,433 warrants associated with these convertible bonds were issued with exercise prices ranging from €0.21 to €1.89 per share.

Loans received in non-current liabilities correspond mainly to loans to individuals (€963,161.00). These loans will be fully capitalized during 2023 (see note 17).

Financial expenses from financial liabilities in the 12-month period ended December 31, 2022 amounted to €138,400.36 (€6,206.44 as of December 31, 2021).

There are other non-financial liabilities that are accounted for under the heading "short-term provisions" that refer to the provisions for equipment warranties associated with Cuarta Dimensión Médica, S.L. In the 12-month period ended December 31, 2022, they amounted to €357,380.84. In 2021 there was no amount as this company was integrated into the Group during 2022.

10.3 Information on the nature and level of risk arising from financial instruments:

- Credit risk: Credit risk represents the losses that the group would suffer in the event that a counterparty defaulted on its contractual payment obligations to the group. This risk is reduced, due to the collection method required of its customers.
- Liquidity risk: Liquidity risk in the Group's financial assets would exist in the event that the Group invests in small-cap securities or in financial markets with a small size and limited trading volume, which could result in investments being deprived of liquidity. Management regularly monitors the Group's liquidity forecasts based on expected cash flows. The Group is looking for alternative ways to obtain additional sources of funding if necessary (see footnote 17).
- Market risk: Market risk represents the Group's losses as a result of adverse movements in market prices. The most significant risk factors could be grouped into the following:
    - Interest rate risk: Because both debts and interest rates on group borrowing are low, interest rate risk is minimal.
    - Exchange rate risk: at the end of the year, the group does not have significant financial assets or liabilities in currencies other than the euro, so it is not exposed to risk from exchange rate fluctuations.
    - Price risk of shares or stock market indices: Investing in equity instruments means that the group's profitability could be affected by the volatility of the markets in which it could be invested. As the Group does not invest significantly in listed equity instruments, it is not exposed to this price risk.

10.4 Information on the average period of payment to suppliers. Third Additional Provision. "Duty of information" of Law 15/2010, of 5 July

The information relating to the average period of payment to suppliers is as follows:

	31.12.2022	31.12.2021
	Days	**Days**
Average Payment Period to Suppliers	31	11
Ratio of Paid Trades	30	11
Ratio of outstanding transactions	39	12
	Amount (euros)	**Amount (euros)**
Total payments made	3.349.269,24	16.892.432,55
Total Outstanding Payments	628.874,60	157.768,71

Likewise, the amount of payments made during the 2022 financial year in a period below the established maximum is 3,316,659.48 euros (87% of the total), corresponding to 98% of the total invoices, which amount to 3,234 invoices.

Note 11. Consolidated equity and equity.

The share capital of the Parent Company as of December 31, 2022 was €2,451,022.80, divided into 24. Article 510.228 shares with a par value of €0.1 each, fully subscribed and paid up. As of December 31, 2021, the share capital of the Parent Company amounted to €2,028,976.80 (20,289,768 shares with a par value of €0.1 each). All shares are of the same class, grant the same rights and are subject to listing on the BME Growth.

During the 2021 financial year, the Parent Company carried out several capital increases through the monetary contribution and capitalization of debts for amounts of 500,000 euros and 27,181,750 euros, respectively. A large part of the debt capitalization was due to the acquisition described in Note 5. These increases represented a total increase of €2,025,526.80 in capital and €25,656,223.20 in share premium.

In March 2022, prior to the IPO, the shareholders of the Parent Company carried out a capital increase of €177,906.00, with an issue premium of €7,486,344.00, of which €5,004,000.00 was for the offsetting of receivables (see notes 10.1 and 10.2) and the rest, €2,660,250.00 in monetary contributions.

The capital increases described above are registered in the Commercial Registry.

In relation to the contract with ABO described in note 10.2 of the attached consolidated report, at the end of the 2022 financial year, ABO has converted the first tranche in its entirety, increasing the share capital and the share premium by €178,922.70 and €321,074.14, respectively. Part of the second tranche has also been converted, increasing the share capital by €65,217.30 and the share premium by €84,782.49.

Taking into account the capital increases described above, the share premium amounts to €34,548,123.83 as of December 31, 2022 (€26,655,923.20 as of December 31, 2021).

Own shares

As of December 31, 2022, the Parent Company held 259,602 shares for an amount of €1,116,288.60, representing 1.06% of the share capital, thus complying with the 10% limit established in the revised text of the Capital Companies Act. The quoted value of the shares of the Parent Company, at the end of the 2022 financial year, is 0.2860 euros.

The summary of the movements in treasury shares in 2022 is as follows:

Operation carried out	2022
Number of shares at the beginning of the year	**-**
Purchase of treasury shares	150.000
Hand over shares to the liquidity provider	(69.800)
Surrenders treasury shares for the purchase of a subsidiary company	(69.765)
Increase in treasury shares due to the termination of a sales and purchase agreement (note 10.1)	565.544
Deliver treasury shares to shareholders	(316.377)
Number of shares at the end of the year	**259.602**

In addition, the subsidiaries hold 149,062 shares of the Parent Company.

Subsidiaries and other reserves

The composition of the reserves is as follows:

(Euros)	31.12.2022	31.12.2021
Legal reserve of the Parent Company	600,00	600,00
Other reserves of the Parent Company	(739.284,93)	32.519,28
Reserves of subsidiaries	(613.652,60)	-
Total	**(1.352.337,53)**	**33.119,28**

The amount reflected as "other movements" in the statement of changes in consolidated equity for the year ended December 31, 2022 corresponds mainly to the non-activation of development expenses from the previous year.

The composition of the reserves of subsidiaries is as follows:

(Euros)	31.12.2022	31.12.2021
Airen AI for renewable energy, S.L..	(188.028,83)	-
Substrate AL Spain, S.L.	(215.939,89)	-
AI Saivers, LLC	(114.147,05)	-
Substrate AI USA, Inc.	(110.630,12)	-
Zona Value Global, S.L.	(304,50)	-
Kau Markets EAF, S.L.	14.652,65	-
Boalvet AI, S.L.	745,14	-
Total	**(613.652,60)**	**-**

Negative results from previous years amounting to €1,643,405.05 (negative €472,604.78 at 31 December 2021) correspond to losses attributable to the Parent Company from previous years.

In accordance with the Consolidated Text of the Capital Companies Act, an amount equal to 10% of the profit for the year must be allocated to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase the capital by the part of its balance that exceeds 10% of the capital already increased.

The legal reserve, as long as it does not exceed the limit indicated, may only be used to offset losses in the event that there are no other sufficient reserves available for this purpose.

As of December 31, 2022, the legal reserve of the Parent Company is not fully constituted in accordance with the previous paragraph.

Profit by company

The contribution of each company included in the scope of consolidation to the profit attributable to the parent company is as follows:

(Euros)	31.12.2022	31.12.2021 (*)
Substrate Artificial Intelligence, S.A. (including consolidation adjustments)	(15.383.540,74)	(1.163.918,79)
Airen AI for renewable energy, S.L.	(170.909,18)	(188.028,83)
Substrate AL Spain, S.L.	49.109,40	(215.939,89)
AI Saivers, LLC	(275.412,75)	(114.147,05)
Substrate AI USA, Inc.	(151.864,79)	(110.630,12)
Zona Value Global, S.L.	7.151,00	(304,50)
Kau Markets EAF, S.L.	2.483,53	14.652,65
Boalvet AI, S.L.	(132.091,93)	745,14
Cuarta Dimensión Médica, S.L.	104.620,53	-
Total	**(15.950.454,93)**	**(1.777.571,39)**

(*) The figures for December 31, 2021 have been modified based on the restatement described in note 2.e).

Note 12. Foreign currency

At the end of the 2022 financial year, the Group had expenses in foreign currency of 303,155.95 dollars, equivalent to 305,034.36 euros. As of December 31, 2021, the amount is $187,772.41, equivalent to €165,788.81. As of December 31, 2022, credit balances in foreign currency amounted to $20,481.05, equivalent to €20,278.27. The total sales in foreign currency made by the Group in 2022 amounted to 23,076.64 dollars, equivalent to 22,848.16 euros. As of December 31, 2021, the Group's total foreign currency sales amounted to $4,140.10, equivalent to €3,418.58.

Negative exchange differences have been recognised in the result for the 2022 financial year, amounting to €1,070.46. (€7,323.91 at the end of the 2021 financial year).

Note 13. Tax Status

13.1. The balances with general government as of December 31 are as follows:

	31.12.2022		31.12.2021	
(Euros)	Non-current	Stream	Non-current	Stream
Deferred tax assets	916.364,93	-	301.990,61	-
Current tax assets	-	-	-	15.752,90
Other credits with the Public Administrations	-	776.353,67	-	365.798,79
Total	**916.364,93**	**776.353,67**	**301.990,61**	**381.551,69**
Deferred tax liabilities	75.092,18	-	-	-
Current tax liabilities	-	29.010,36	-	234,98
Other debts owed to the Public Administrations	-	344.427,09	-	115.093,38
Total	**75.092,18**	**373.437,45**	**-**	**115.328,36**

The balance reflected as "other receivables with the General Administrations" of current assets corresponds mainly to the concept of VAT and a subsidy held by the parent company pending collection as of December 31, 2022.

The balance reflected as "other debts to the Public Administrations" of current liabilities corresponds mainly to Personal Income Tax and Social Security.

The reconciliation of the net amount of income and expenses for the year with the taxable income tax base is as follows:

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAXABLE BASE OF INCOME TAX			
	31.12.2022		
	Profit and Loss Accounts		
	Increases	Decrease	Net effect
Income and expense balances for the year before tax			(16.500.922,30)
Permanent Differences	9.152.522,70	-	9.152.522,70
Temporary Differences			
Originating in the exercise	2.560.556,23	-	2.560.556,23
Offsetting of tax losses from previous years	-	98.632,60	(98.632,60)
Taxable base (tax result)			(4.886.475,97)

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAXABLE BASE OF INCOME TAX			
	31.12.2021 (*)		
	Profit and Loss Accounts		
	Increases	Decrease	Net effect
Pre-tax income and expense balances for fiscal years			(1.889.084,16)
Permanent Differences	1.171.402,07	-	1.171.402,07
Temporary Differences			
Originating in the exercise	108.863,54	-	108.863,54
Offsetting of tax losses from previous years	-	50.681,99	(50.681,99)
Taxable base (tax result)			(659.500,54)

(*) The figures for December 31, 2021 have been modified based on the restatement described in note 2.e).

The increases for permanent differences are mainly due to non-tax-deductible expenses corresponding to the impairment of the consolidation goodwill described in Note 5 and the loss recorded by the termination of the contract in 2022 of the purchase of 10% of a company's shares (see note 10.1).

The temporary differences correspond mainly to the impairment of Summon Press' goodwill and the intangible amortization adjustment.

The numerical reconciliation between the income tax expense and the result of multiplying the tax rate to the total income and expenses recognized is as follows:

(Euros)	31.12.2022	31.12.2021
Taxable amount (*)	(2.339.888,51)	(608.818,55)
Tax Rate	25%	25%
Quota	(584.972,13)	(152.204,64)
Offsetting of tax losses	24.658,15	12.670,50
Activity Deductions or Incentives	(175,00)	(175,00)
Other	(1.233,57)	-
Withholdings and payments on account	84,60	15.752,90
Total	**(561.637,95)**	**(90.703,30)**

(*) It corresponds to the aggregate prior taxable base of all subsidiaries that file a tax assessment
On an individual level

In relation to deferred taxes, the breakdown and movement produced during the year is as follows:

(Euros)	31.12.2021	Variations	31.12.2022
Deferred tax assets			
Deductible Temporary Difference Assets	108.000,00	530.168,05	638.168,05
Right of deduction	-	175,00	175,00
Receivables for losses to be offset	193.990,61	84.031,27	278.021,88
Total	**301.990,61**	**614.374,32**	**916.364,93**
Temporary differences (subsidies)	-	75.092,18	75.092,18
Total	**-**	**75.092,18**	**75.092,18**

All changes have been reflected in the consolidated income statement, except for deferred tax liabilities, which have been reflected in equity.

The tax losses generated by the Parent Company in 2022, as a matter of prudence, have not been capitalised, as it is considered that the conditions for this are not met.

According to the current legal provisions, tax assessments cannot be considered final until they have been inspected by the tax authorities or the limitation period, currently set at four years, has expired. The companies of the Group have been open to inspection for the last four years for all the taxes that are applicable to them. In the opinion of the Directors of the Parent Company, as well as their tax advisors, there are no tax contingencies of significant amounts that could arise, in the event of an inspection, from possible different interpretations of the tax regulations applicable to the transactions carried out by the Group.

Note 14. Income and Expenses

Business Segments

The Group is in the incipient phase of its growth, so the information by segments is not relevant.

Net turnover

The breakdown of this heading of the consolidated income statement for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
Domestic Businesses	2.613.069,22	1.079.542,84
Intra-community businesses	471.521,85	459.197,21
Export Business	51.259,40	61.404,08
Total	**3.135.850,47**	**1.600.144,13**

The Group has signed a service contract with an EIG related to the development of an R+D+I project and 266 thousand euros have been recorded as a net amount of turnover in the consolidated profit and loss account related to the margin obtained in said contract.

Personnel costs

The breakdown of this heading of the consolidated income statement for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
Wages, salaries and the like	2.770.130,23	1.145.923,63
Social security to be paid by the company and other social expenses	432.053,73	228.386,60
Total	**3.202.183,96**	**1.374.310,23**

<u>External services</u>

The breakdown of this heading of the consolidated income statement for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
Leases and royalties	120.431,17	48.645,48
Repairs & Maintenance	15.865,51	108,79
Independent Professional Services	1.745.002,56	587.916,18
Transport	15.666,29	945,99
Insurance premiums	11.696,31	674,14
Bank fees	29.175,13	12.162,71
Advertising, Advertising & Public Relations	320.203,89	290.102,71
Supplies	41.422,94	32.136,61
Other operating expenses	530.982,82	358.250,30
Total	**2.830.446,61**	**1.330.942,91**

The increase in the item of independent professional services in 2022 compared to 2021 corresponds mainly to expenses derived from the incorporation into BME Growth in May 2022, consulting services and other services of independent professionals (lawyers, auditors, etc.).

Note 15. <u>Grants, Donations & Bequests</u>

The Group obtained subsidies during the 2022 financial year amounting to 184,589.31 euros granted by the Institute of Foreign Trade. In addition, he has been granted another subsidy of 600,000 euros per RED.ES, imputing 114,210 euros (25% of the same net of taxes) in net worth. As milestones are met in the following years, the Group will receive 100% of the subsidy (See note 13). This grant is financing a development project, which will be charged to the profit and loss account annually based on the depreciation criterion of the associated asset when the project ends in 2024. The amount as of December 31, 2022 amounts to €216,463.95 (€178,841.25 as of December 31, 2021).

Note 16. <u>Related Parties</u>

All significant balances held at year-end between the consolidated entities and the effect of transactions between them during the period have been eliminated in the consolidation process.

However, the Group maintains significant balances in the consolidated balance sheet with related parties. Related parties are considered to be the shareholders and direct partners of the Group (including minority shareholders) as well as the Directors of the Parent Company and the key management staff of the Group and close family members of the aforementioned and related companies, and those investee companies consolidated by the equity method.

(Euros)	DEBIT BALANCES			
	Equity Instrument	**Credits Delivered**	**Clients**	**Capital Increase Credit**
31.12.2022				
ZONA VALUE FOUNDATION (Group Company)	30.000,00	-	-	-
SUBSTRATE UNIPESSOAL (Other Related Party)	-	-	-	-
KAU SPECIAL SITUATIONS (Other related party)	-	79.934.82	-	-
OTHER RELATED PARTIES	-	-	26.504,00	-
TOTAL	**30.000,00**	**79.934,82**	**26.504,00**	**-**
31.12.2021				
ZONA VALUE FOUNDATION (Group Company)	30.000,00	-	-	-
SUBSTRATE UNIPESSOAL (Other Related Party)	-	68.989,93	60.000,00	-
KAU SPECIAL SITUATIONS (Other related party)	-	50.034,82	-	336.500,00
OTHER RELATED PARTIES	-	11.000,00	26.504,00	-
TOTAL	**30.000,00**	**130.024,75**	**86.504,00**	**336.500,00**

(Euros)	CREDIT BALANCES			
	Equity Instrument	**Credits received**	**Suppliers**	**Capital Increase Credit**
31.12.2022				
ZONA VALUE FOUNDATION (Group Company)	-	29.000,00	-	-
SUBSTRATE UNIPESSOAL (Other Related Party)	-	-	-	-
KAU SPECIAL SITUATIONS (Other related party)	-	219.155,00	-	-
OTHER RELATED PARTIES	-	-	-	-
TOTAL	**-**	**248.155,00**	**-**	**-**
31.12.2021				
ZONA VALUE FOUNDATION (Group Company)	-	-	-	-
SUBSTRATE UNIPESSOAL (Other Related Party)	-	20.000,00	-	-
KAU SPECIAL SITUATIONS (Other related party)	-	-	-	-
OTHER RELATED PARTIES	-	-	-	-
TOTAL	**-**	**20.000,00**	**-**	**-**

There have been no relevant income and expense transactions with related parties as of December 31, 2022.

Administrators and senior management

The breakdown of the remuneration accrued by the members of the Board of Directors and senior management of the Parent Company is as follows:

(Euros)	31.12.22	31.12.21
Administrators		
Salaries	521.884,38	150.805,12
Diets	-	-
Option Plans	180.000,00	-
Senior Management		
Salaries	380.122,81	97.473,60
Option Plans	80.000,00	-
Contributions to pension plans	-	-
Total	**1.162.007,19**	**248.278,72**

As of December 31, 2022 and 2021, the Group had no pension and life insurance obligations owed to former or current members of the Board of Directors.

The Parent Company maintains an active incentive plan for employees and investors approved by the shareholders' meeting on March 14, 2022, which, in any case, does not exceed 4% of the Parent Company's capital, a limit imposed by the aforementioned shareholders' meeting. The incentive plan accrued as of December 31, 2022 amounts to €260,000, which will be effective before March 31, 2023 with the formula for delivering treasury shares at the average price of the last 10 sessions of 2022.

As of 31 December 2022 and 2021, there were no advances or credits granted to senior management staff or members of the Board of Directors, nor were there any obligations assumed on their behalf by way of guarantee.

During the period covered by these accounts, no directors' liability insurance premiums have been paid.

In relation to article 229 of the Capital Companies Act, the directors of the Parent Company have communicated that they do not have situations of conflict with the interest of the Company.

The amount reflected in the salaries of Directors includes both the remuneration for the position they hold in the administrative body and their remuneration for their employment relationship.

Note 17. <u>Post-Closing Events</u>

Since the end of the financial year, no relevant facts, circumstances and/or information have been revealed or occurred that would require the Consolidated Financial Statements for the year ended December 31, 2022 to be amended and/or to include additional breakdowns or explanations, except for those described below:

- To date, 3 additional tranches of the contract signed with ABO (see note 10.2) have been executed for a value of €500,000 each: 2 in February and 1 in March, all in 2023, and 883,928 equity warrants associated with the convertible bonds have also been issued.
- The Parent Company held an extraordinary meeting on January 30, 2023 and approved the following items:
    - Create a new type of type B shares with no voting rights and a preferred dividend of €0.01.
    - To increase the share capital in B shares without voting rights by means of the credit offsetting method provided for in article 301 of Royal Legislative Decree 1/2010, which approves the Revised Text of the Capital Companies Act, for an amount of 963,161 euros. This amount is recorded under the balance sheet heading other non-current financial liabilities. The acceptance by our creditors of these new B shares is a vote of confidence in the future of Substrate AI, a vote of confidence that we appreciate and that we hope will be rewarded in the future with the collection of the promised preferred dividend
    - Delegate to the Board in accordance with the provisions of Articles 297.1.b), 506 and related articles of the Capital Companies Act, so that it may agree on one or more occasions to increase share capital within a maximum period of five years and for a maximum total amount of the increase or increases that are agreed upon not exceeding 20% of the share capital at the time of authorization.

    With these approved points, the Parent Company strengthens its capital and establishes new mechanisms to finance itself and facilitate the achievement of its objectives.
- 176,000 euros have been released from the amount withheld in relation to the R+D+I development contract mentioned in point 10 of the report.

Note 18. Other information

Average number of employees

The average number of workers by category and sex was as follows:

	AVERAGE SQUAD 31.12.2022		
	MEN	**WOMEN**	**TOTAL**
Analyst	2	1	3
Administrative Assistant	4	6	10
Commercial	8	-	8
Draughtsman	1	-	1
Graphic Designer	1	-	1
Marketing Manager	-	2	2
Head of Programming	1	-	1
Project Manager	2	1	3
Computer Engineer	1	-	1
Administration Officer	3	10	13
First Officer	2	-	2
Second Class Officer	-	1	1
Programmers	2	2	4
Project manager	-	1	1
Telephonist	-	6	6
Bachelor's degree	1	-	1
TOTAL	**28**	**30**	**58**

	AVERAGE WORKFORCE 31.12.2021		
	MEN	**WOMEN**	**TOTAL**
Analyst	2	-	2
Administrative Assistant	1	7	8
Commercial	5	2	7
Draughtsman	1	-	1
Graphic Designer	1	-	1
Marketing Manager	-	1	1
Head of Programming	1	-	1
Project Manager	-	1	1
Computer Engineer	1	-	1
Administration Officer	1	-	1
First Officer	1	2	3
Second Class Officer	-	1	1
Programmers	2	1	3
Project manager	-	1	1
Telephonist	-	1	1
Bachelor's degree	1	-	1
TOTAL	**17**	**17**	**34**

As described in note 5 of the accompanying consolidated financial statement, as a result of the acquisition of a stake in 2022, the average number of employees as well as the number of employees at the end of the year increased significantly.

Template at the end of the period

	TEMPLATE END 31.12.2022		
	MEN	**WOMEN**	**TOTAL**
Analyst	4	1	5
Administrative Assistant	3	8	11
Commercial	6	-	6
Draughtsman	1	-	1
Graphic Designer	1	-	1
Marketing Manager	-	2	2
Head of Programming	1	-	1
Project Manager	3	1	4
Computer Engineer	1	-	1
Administration Officer	4	10	14
First Officer	3	-	3
Second Class Officer	-	1	1
Programmers	1	1	2
Project manager	1	-	1
Telephonist	-	2	2
Bachelor's degree	2	-	2
TOTAL	**31**	**26**	**57**

	TEMPLATE END 31.12.2021		
	MEN	**WOMEN**	**TOTAL**
Analyst	3	1	4
Administrative Assistant	1	9	10
Commercial	4	1	5
Draughtsman	1	-	1
Graphic Designer	1	-	1
Marketing Manager	-	2	2
Head of Programming	1	-	1
Project Manager	-	1	1
Computer Engineer	1	-	1
Administration Officer	1	1	2
First Officer	1	3	4
Second Class Officer	-	1	1
Programmers	2	1	3
Project manager	-	1	1
Telephonist	-	1	1
Bachelor's degree	1	-	1
TOTAL	**17**	**22**	**39**

As of December 31, 2022, the Group has a workforce of more than 33% of people with a disability (33% as of December 31, 2022).

The auditors' fees for the financial years 2022 and 2021 are as follows

(Euros)	**2022**	**2021**
For parent company audit services (individual and consolidated)	52.800,00	20.150,00
By audit services of subsidiaries	9.000,00	-
Review of Consolidated Interim Financial Statements	19.500,00	-
For other services (*)	9.500,00	9.400,00

** Special reports for capital increase*

In addition, fees for audit services of subsidiaries other than the main auditor amounted to €1,427.00 (€1,650.00 in 2021).

Note 19. Environmental Information

Given the activities to which the Group is engaged, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could be detrimental to the Group's financial and results. For this reason, specific breakdowns are not included in this consolidated report.

Madrid, 30 March 2023

Mr. Lorenzo Serratosa Gallardo

Mr. Christopher Nicolas Dembik

Mr. Jesús Mota Robledo

Mr. José Iván García Braulio

Fr. Cyrille François Restier

CONSOLIDATED MANAGEMENT REPORT 31.12.2022

1. EVOLUTION OF THE GROUP AND OTHERS

The objective of Substrate AI since its birth in 2021 was and is to become a holding company of companies that sell, apply and develop artificial intelligence in their sectors, with a focus on increasing productivity, improving the allocation of resources and boosting efficiency in the economy by improving decision-making processes.

To make this idea a reality, we needed two things. On the one hand, an AI technology capable of making a difference and, on the other, a series of companies that will apply this technology in their sectors, demonstrating their ability to improve the profitability of their businesses by seeking to create efficiencies, seeking to generate AI products that improve people's lives and also seeking to improve the ability to grow without that entailing an increase in their carbon footprint.

The first of these things, having technology that makes a difference, was the most difficult. And it wasn't completed because we decided so in advance, but because of those things that fate reserves for you without you knowing or programming it. One day we met Bren Worth, a great professional and a better person, and our fate was sealed. In 2021 we merged our businesses with Substrate AI LLC, the American company created by Bren Worth and owner of the technology and its ongoing patents and this Reinforced Learning technology, developed together with the Reseanlaer Institute in New York, became the heart of our company. A heart that will always be developing with an eye on the idea of offering better technological solutions to our companies and customers every day.

The second, the creation of a collection of companies that apply and exploit products and services based on this technology in their sectors is and will always be a "work in progress". In a year and a half we have done a great job and today we are present in sectors as different as finance, Agritech, Energy, Health and Human Resources with young companies, sometimes driven almost from scratch, sometimes bought, but all of them led by professionals with great experience in what they do, who give their all every day in their work and who have the total determination to carry out the objective Entrusted.

But we will not stop here, today we continue to look for and analyze opportunities to buy new companies that either complement those we already have, or allow us to work in new sectors of the economy and make our group stronger and more global.

If we look at the work done in 2022 in each of the sectors, we can say.

<u>Cheers</u>. In this sector, in 2022 we have completed the purchase of the company Cuarta Dimensión Médica SL that entered our portfolio in May, just before our IPO. Cuarta Dimensión Médica SL is a company that sells diagnostic imaging hardware in the veterinary sector, a very specialized sector in which very few companies work, and is directed by Francisco Ramos, an excellent professional who has not only many years of experience in his sector, but also a family link with it. Together with Cuarta Dimensión Medica, we are developing a diagnostic imaging software system for the veterinary sector. With this system, veterinarians save time and money by improving their service and customer satisfaction. Cuarta Dimensión Médica SL already has a large portfolio of customers to sell this solution, which greatly reduces the risk and time spent in the "go to market" that we expect to take place at the end of 2023. This is the most important project of Cuarta Dimensión Médica SL but there are others that we will be telling you about as they begin to become a reality.

<u>Agritech.</u> In the Agritech sector, 2022 has served to finish all the developments related to PAM solutions, and Cannai. PAM is an AI system for the early detection of diseases in dairy farms, which is already enjoyed by many farmers in our country and is marketed through Boalvet, a start-up led by Alvaro Fernandez Blanco, a person with extensive experience in the sector and with a very particular way of understanding how problems arising from animal health should be faced. On the other hand, Cannal is an R+D development

carried out together with Ornavera, a company that installs sensors in the field for data collection and that will exploit the solution. This AI seeks to improve the quality and quantity produced in medical cannabis plantations through the detection of diseases.

RH. In the Human Resources sector, 2022 has served to continue the development of our Fleebe Corporate solution, a platform for the detection and empowerment of talent in large organizations. A platform that aims to increase the job satisfaction of society as a whole by allowing us to access those positions in which we feel most committed to the challenges we face.

Our platform already has its early adopter and is ready to be launched on the market in 2023. A launch that will be led by Lola Ribas, one of those people who has entrepreneurship in her veins and who we are sure will be very successful bringing this product to the market.

To collect all the Group's operations in the sector, we have created the company Fleebe AI and encompassed within the businesses acquired from Summon press SL that today make up a group of portals with millions of monthly visits that we are focusing on and enhancing thanks to the effort of the entire team that makes it up and especially Isis. Desire and Prisca who lead it and who are doing a great job transforming a business for which, unfortunately, we have had to make a claim to its former owners.

Fintech. In the fintech sector during 2022 we have continued to integrate the businesses purchased from Jose Luis Cárpatos into the Zona Value Global SL ecosystem, forming a group of companies around financial training and advice with all the elements to grow under the leadership of Juan José Esteve, a professional who has been with us for many years and in whom we fully trust, and supported by AI, which we have used to develop stock market investment strategies and some other things that I cannot make public today and that we will launch during 2023.

Energy. In the energy sector, we continue to work on two projects. The first is the completion of the development of our energy saving solution in buildings applied to hotels. We are working on this thanks to a grant of 600,000 euros from red.es and thanks to the invaluable collaboration of Poseidón Hotels, which have been unabashedly committed to innovation and sustainability in their sector and to working with us to rationalise energy expenditure in large hotel infrastructures.

The second project is related to solar plants and is, as in almost all projects, about seeking new efficiencies that allow improving the profitability of businesses, in this case solar plants. To do this, we have tackled the problem of inverter maintenance and created a predictive maintenance solution that is now sold through the Azure marketplace.

Finally, we must talk about our consulting services, which are led by our project manager Francisco Hernández in a spectacular way. In this segment we have carried out two projects this year, one of them for the beer company Mahou, in the marketing environment, and the other for Ornavera, a company as I have already mentioned that sells and installs data collection systems in the field, in the Agritech environment and closely linked to R+D. With these projects, we have exceeded the business plan in this line, in which we contemplated lower revenues in 2022 and we have prepared to close projects that will allow us to exceed the expected revenues once again in 2023.

With all this work, we closed 2022 with a 133% growth in revenue, in line with our business plan. Also in line with this plan is the enormous investment effort we are making in Substrate AI to make artificial intelligence solutions available to our customers that improve their businesses and their lives. An effort that is reflected in the company's accounts in which spending on personnel and external development weighs heavily, something that will gradually balance out during 2023 to be able to see the results of all this work in 2024.

In euros	2022	2021	Variation
Total revenue	4,758,996	2,040,617	133%
Personal expenses	(3,202,184)	(1,374,310)	
Supplies and other operating expenses	(3,548,689)	(1,354,920)	
EBITDA	(1,991,877)	(688,613)	

The total revenue and EBITDA figure includes the heading "Works carried out by the company for its assets" amounting to €1,495 thousand in 2022 and €408 thousand in 2021.

But despite all the work done for the focus and development of the business, the most important milestone for us in 2022 has been our IPO, an experience that has not had the sweet taste we all expected but that was necessary for the future of the company.

We hope and wish that investors who trusted Substrate AI stock will get the reward they seek, but it's not always up to us. What does depend on what we do, we take care that the business we are building has more value every day, it is what we must do, it is what we work for and this is corroborated by the growth in revenues of more than 100% in 2022. A growth that we expect to be repeated in 2023.

Apart from this, we have achieved what we hoped to achieve. Access to financing that allows us to develop the investments we had planned and meet the medium-term plan, making Substrate AI a benchmark in the world of artificial intelligence. A new world that is expected to grow at around 30% per year by 2030 and that promises to become, as we believe, a revolution as intense as that of software development in the 80s and 90s.

In line with this, during 2022 we have requested €1,300,000 from the Alpha Blue Ocean (ABO) fund in three drawdowns in August, October and December, provisions that have been sufficient to finance the year's cash needs. And we have made an additional 1,500,000 euros available during the month of February and March 2023. We therefore have the capacity to continue to have this financing line of €20,000,000 in convertible bonds with associated warrants during 2023 and 2024 without being subjected to any stress derived from the situations that are being experienced in the field of private capital before and after the bankruptcy of SVB.

It is true that with these provisions we make capital increases that dilute the participation of each one of us in the company, but in this sense we want to point out the power of mathematics and Asset Allocation. A capital increase is not good or bad in itself, but depends on the use given to the funds obtained. If these funds are used for expenses that do not create value or future cash flows, the capital increase will have been negative for the shareholder. If, on the other hand, these funds are used for investments that create value, a value greater than the money obtained, and are a source of future cash flows, then, despite having been diluted, they will have created value for shareholders.

The latter is what we have in mind every day, the intelligent use of funds obtained from our funders in order to purchase or develop assets that generate future cash flows.

The Assets of Substrate AI

What are these assets that we're building? Throughout our short history, we have built a number of assets into Substrate AI that are basically intangible assets.

1. Those related to the purchase of companies or businesses that we have included in the portfolio of investees and have allowed us to acquire the technology that we apply today in our solutions.

   To account for these purchases, an accounting concept called goodwill is generated, which is defined as the difference between the fair value of the assets acquired and the transaction price. At Substrate AI we have a high goodwill

2. Those related to the activation of all the developments made for each of our companies to turn our technology into products and solutions for sale.

These assets, the intangibles, have become over the years the most important assets in the economy. Almost every large and small company on the planet that thrives today has them and they have become 84% of the assets of the SP500 companies, highlighting a substantial change in the type of companies that have the capacity to grow in the economic environment in which we live, those whose growth does not depend on large investments in fixed assets, factories, machinery, etc., as was the case in the industrial age when GM or Alcoa were the big names in the SP500

The problem with these assets is their valuation. Obviously, the valuation of a factory or office building is not a mystery, and neither is its depreciation or possible impairment as an asset. This is not the case with intangible assets. Here we are moving in terrain of greater uncertainty

The CGUs to which goodwill has been attributed are analysed (including the portion of goodwill allocated in their carrying amount) to determine whether they have been impaired. This analysis is carried out at least annually, or whenever there are indications of deterioration. For the purpose of determining the impairment of a CGU to which goodwill has been assigned, the carrying amount of that unit - adjusted by the amount of goodwill attributable to the external shareholders, in the event that the minority interests have not been valued at fair value - is compared with its recoverable amount.

The recoverable amount of a CGU is equal to the greater of the fair value (quoted value, if applicable) minus the costs of sale and its value in use. Value in use is calculated as the discounted value of the cash flow projections estimated by unit management and is based on the latest available budgets for the next few years.

You will agree with us that neither of these two criteria has a sufficient basis for determining the fair value of an intangible asset. Obviously the share price is not, otherwise it could be the case that Coca Cola should reduce the price of its brand as an asset just because its shares go down, something that we all understand to be absurd.

In the other case, the same thing happens, because we enter into the discussion of the possibilities or not of fulfilling a business plan. Everyone knows that business plans are just that, plans and that no one is better qualified than any manager to know what will happen to the company in 2027. However, this is used as an important criterion when determining facts such as the impairment of assets.

But such are accounting standards, those rules that Warren Buffett criticizes so much and that make Berkshire Hathaway, for example, publish millionaire losses in 2022 when its operating profits have been more than 30,000 million, and this because it must put as losses the falls in the prices of listed shares in the portfolio that it is not going to sell.

Impairments recorded in 2022

That said, and as a result of all this, Substrate AI recorded an impairment of 9,324 thousand euros in the goodwill created with the merger between Zona value SL and Substrate AI and the creation of the Substrate Artificial Intelligence SA business group, which had generated goodwill of 23,000 thousand euros.

In addition, in the first half of the year, the company also recorded an impairment of €2,210 thousand in goodwill generated by the purchase of the Summon Press business unit, in line with the claims opened against the selling company, Summon Press SL, whose breach of contract has caused damage to the value of goodwill.

Obviously, these points radically change the last line of our accounts, although they do not affect the progress of the business at all and, in positive terms, reduce the need to amortize this goodwill by 900,000 euros per year, thus preparing us to generate net profit once events develop as planned and EBITDA is positive.

In euros	2022	2021	Variation
Total revenue	4.758.996	2.040.617	133%
Personal expenses	(3.202.184)	(1.374.310)	
Supplies and other operating expenses	(3.548.689)	(1.354.920)	
EBITDA	(1.991.877)	(688.613)	
Other results	(8.187)	171	
Amortization	(2.616.166)	(1.474.718)	
Impairment and results from disposals of financial instruments	(11.649.392)	5.954	
Result of the excersice	(15.939.284)	(1.798.381)	

Finally, it should be noted that at the end of the 2022 financial year, the Group had 405,964 treasury shares, which represents 1.65%, thus complying with the legal limit of 10%.

Some Post-Closing Events

Since the end of the financial year, no relevant facts, circumstances and/or information have been revealed or occurred that would require the Consolidated Financial Statements for the year ended December 31, 2022 to be amended and/or to include additional breakdowns or explanations, except for those described below:

- To date, 3 additional tranches of the contract signed with ABO (see note 10.2) have been executed for a value of €500,000 each: 2 in February and 1 in March, all in 2023, and 883,928 equity warrants associated with the convertible bonds have also been issued.
- The Parent Company held an extraordinary meeting on January 30, 2023 and approved the following items:
    - Create a new type of type B shares with no voting rights and a preferred dividend of €0.01.
    - To increase the share capital in B shares without voting rights by means of the credit offsetting method provided for in article 301 of Royal Legislative Decree 1/2010, which approves the Revised Text of the Capital Companies Act, for an amount of 963,161 euros. This amount is recorded under the balance sheet heading other non-current financial liabilities. The acceptance by our creditors of these new B shares is a vote of confidence in the future of Substrate AI, a vote of confidence that we appreciate and that we hope will be rewarded in the future with the collection of the promised preferred dividend.
    - Delegate to the Board in accordance with the provisions of Articles 297.1.b), 506 and related articles of the Capital Companies Act, so that it may agree on one or more occasions to increase share capital within a maximum period of five years and for a maximum total amount of the increase or increases that are agreed upon not exceeding 20% of the share capital at the time of authorization.

    With these approved points, the Parent Company strengthens its capital and establishes new mechanisms to finance itself and facilitate the achievement of its objectives.
- 176,000 euros have been released from the amount withheld in relation to the R+D+I development contract mentioned in point 10 of the report.

Irrigation

We also have sufficient liquidity to cover the demand for financing that the normal evolution of the business implies.

- Credit risk: Credit risk represents the losses that the group would suffer in the event that a counterparty defaulted on its contractual payment obligations to the group. This risk is reduced, due to the collection method required of its customers.
- Liquidity risk: Liquidity risk in the Group's financial assets would exist in the event that the Group invests in small-cap securities or in financial markets with a small size and limited trading volume, which could result in investments being deprived of liquidity. Management regularly monitors the Group's liquidity forecasts based on expected cash flows. The Group is looking for alternative ways to obtain additional sources of funding if necessary (see footnote 17).
- Market risk: Market risk represents the Group's losses as a result of adverse movements in market prices. The most significant risk factors could be grouped into the following:

- Interest rate risk: Because both debts and interest rates on group borrowing are low, interest rate risk is minimal.
- Exchange rate risk: at the end of the year, the group does not have significant financial assets or liabilities in currencies other than the euro, so it is not exposed to risk from exchange rate fluctuations.
- Price risk of shares or stock market indices: Investing in equity instruments means that the group's profitability could be affected by the volatility of the markets in which it could be invested. As the Group does not invest significantly in listed equity instruments, it is not exposed to this price risk.

Madrid, 30 March 2023

Mr. Lorenzo Serratosa Gallardo

Mr. Christopher Nicolas Dembik

Mr. Jesús Mota Robledo

Mr. José Iván García Braulio

Fr. Cyrille François Restier