substrate AI

C/ Maria de Molina, 41 – Oficina no 506 28006 Madrid

BME - GROWTH
Palacio de la Bolsa
Plaza de la Lealtad, 1
28014 Madrid

Madrid 13 april 2023

COMMUNICATION- OTHER RELEVANT INFORMATION - SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Dear Sir/Madam,

Pursuant to the provisions of Article 17 of Regulation (EU) No 596/2014 on market abuse and Article 227 of the revised text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of 23 October, and concordant provisions, as well as BME Growth Circular 3/2020 of BME MTF Equity, We inform you of the following information regarding the company **SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.** (hereinafter ("Substrate AI" or "the Company" indistinctly).

- **I.** Audit report corresponding to the consolidated annual accounts for the year ended December 31, 2022.
- **II.** Consolidated financial statements for the year ended 31 December 2022.
- **III.** Audit report corresponding to the individual annual accounts for the year ended 31 December 2022.
- **IV.** Individual annual accounts for the year ended 31 December 2022.
- **V.** Degree of compliance with the forecasts for 2022.
- **VI.** Organizational structure and internal control system.

In compliance with the provisions of Circular 3/2020 of the BME Growth segment of BME MTF Equity, it is expressly stated that the information communicated herein has been prepared under the sole responsibility of the Company and its administrators.

We remain at your disposal for as many clarifications as you consider appropriate.

Kind regards

Lorenzo Serratosa Gallardo

Chairman

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

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3a del Libro de Sociedades, folio68, hoja nº 87.690-1, inscripción 1a, Madrid 9 de marzo de 1.989. A member firm of Ernst & Young Global Limited.

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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

DocuSign Envelope ID: 1669D411-3264-4FBA-93D7-A41D44F97256

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.

Annual accounts for

Annual year ended December 31, 2022

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Balance sheet as at 31 December 2022 and 2021
(expressed in euros)

ACTIVE	Notes	31/12/2022	31/12/2021
NON-CURRENT ASSETS		**24.127.260,29**	**32.203.637,79**
Intangible fixed assets	**5**	**5.072.244,36**	**6.523.757,21**
Development		1.339.787,63	57.0054,68
Patents, licenses, trademarks and the like		4.881,77	5.440,13
Goodwill		3.197.212,44	5.896.667,00
Computer applications		21.391,52	53.949,71
Other intangible fixed assets		508.971,00	(2.354,31)
Property, plant and equipment	**6**	**88.461,68**	**50.185,07**
Land and buildings		4.308,51	5.408,55
Technical installations and other property, plant and equipment		84.153,17	27.543,02
Fixed assets in progress and advances		-	17.233,50
Long-term investments in group and associated companies	**7**	**18.063.705,82**	**24.569.680,10**
Heritage instruments Loans		16.420.769,601	23.830.000,00
to companies		.642.936,22	739.680,10
Long-term financial investments	**7**	**143.689,72**	**939.024,75**
Heritage instruments		-	800.000,00
Credits to third parties		125.031,72	130.024,75
Other financial assets		18.658,00	9.000,00
Deferred tax assets	**11**	**759.158,71**	**120.990,66**
CURRENT ASSET		**2.666.643,46**	**810.099,89**
Stock		**-**	**198,44**
Advances to suppliers		-	198,44
Trade receivables and other receivables	**7**	**1.193.676,71**	**354.697,58**
Customers for sales and provision of services		95.142,41	177.065,33
Customers, group companies and partners		438.494,40	95.505,22
Sundry debtors		169,28	-
Personnel		-	150,00
Other credits with Public Administrations	11	658.297,97	81.977,03
Short-term investments in group and associated companies		**-**	**0,10**
Short-term loans to group companies		-	0,10
Short-term financial investments		**-**	**354.816,43**
Loans to companies		-	833,69
Other financial assets		-	353.982,74
Periodifications		**1.000,00**	**1.000,00**
Cash and cash equivalents	**7**	**1.471.966,75**	**99.387,34**
Treasury		1.471.966,75	99.387,34

TOTAL ASSETS		26.793.903,75	33.013.737,68

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Balance sheet as at 31 December 2022 and 2021
(expressed in euros)

LIABILITIES AND EQUITY	Notes	31/12/2022	31/12/2021
EQUITY		**21.532.771,76**	**28.253.229,81**
OWN FUNDS	**10**	**21.418.561,76**	**28.244.811,81**
Capital		**2.451.022,80**	**2.028.976,80**
Deeded capital		2.451.022,80	2.028.976,80
Share premium		**34.548.123,83**	**26.655.923,20**
Reserves		**(1.411.930,84)**	**33.119,28**
Legal and statutory		600,00	600,00
Other bookings		(1.412.530,84)	32.519,28
Shares and participations in own assets		**(1,116,288.60)**	**-**
Results of previous years		**(473.207,47)**	**(472.604,78)**
Profit for the year		**(12.929.825,96)**	**(602,69)**
Other equity instruments		**350.668,00**	**-**
GRANTS, DONATIONS AND BEQUESTS RECEIVED	**10**	**114.210,00**	**8.418,00**
TOTAL NON-CURRENT LIABILITIES		**3.122.239,87**	**114.394,94**
Long-term debts	**8**	**2.158.565,46**	**95.000,00**
Bonds and other negotiable securities		-	-
Debts to credit institutions		557.179,76	-
Other financial liabilities		1.601.385,7	95.000,00
Long-term debts to group companies and associates		**925.604,41**	**19.394,94**
Deferred tax liabilities	**11**	**38.070,00**	**-**
TOTAL CURRENT LIABILITIES		**2.138.892,12**	**4.646.112,93**
Short-term debts	**8**	**1.276.929,36**	**4.508.706,79**
Debts to credit institutions		87.072,50	7.488,17
Other financial liabilities		1.189.856,86	4.501.218,62
Short-term debts with group companies and associates		-	-
Trade creditors and other accounts payable		**861.962,76**	**137.406,14**
Short-term suppliers	8	275.045,40	50.883,06

Suppliers, group companies and associates	8, 13	316.434,74	16.117,35
Sundry creditors	8	57.894,54	36.245,00
Staff (unpaid remuneration)		-	(286,63)
Current tax liability		-	-
Other debts with the Public Administrations	11	219.117,94	40.977,22
Customer advances		(6.529,86)	(6.529,86)
TOTAL EQUITY AND LIABILITIES		**26.793.903,75**	**33.013.737,68**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEARS 2022 AND 2021
(Expressed in euro)

PROFIT AND LOSS ACCOUNT	**Notes**	**31/12/2022**	**31/12/2021**
Net turnover	**14**	**1.642.031,06**	**1.386.120,87**
Sales		-	426,33
Provision of services		1.642.031,06	1.385.694,54
Work carried out by the company for its asset	**5**	**1.494.578,71**	**300.789,00**
Supplies		**(873,35)**	**(2.187,50)**
Consumption of goods		(198,35)	-
Consumption of raw materials and other consumables		(675,00)	-
Work carried out by other companies		-	(2.187,50)
Other operating income		**2.381,60**	**549,64**
Ancillary and other current management revenue		2.381,60	549,64
Operating subsidies incorporated in profit or loss for the financial year		-	-
Staff costs	**14**	**(1.836.634,37)**	**(521.620,97)**
Wages, salaries and similar		(1.605.988,84)	(400.437,42)
Social charges		(230.645,53)	(121.183,55)
Other operating expenses		**(2.705.316,14)**	**(884.960,99)**
External services	14	(2.556.383,14)	(864.407,23)
Tributes		(13.707,46)	(20.366,24)
Losses, impairment and changes in provisions for commercial operations		(124.961,49)	-
Other current management costs		(10.264,05)	(187,52)
Depreciation of fixed assets	**5 and 6**	**(644.050,00)**	**(253.780,98)**
Allocation of subsidies for non-financial fixed assets and others		**8.418,00**	**5.612,00**
Impairment and profit from disposals of fixed assets	**5**	**(2.211.968,75)**	**-**
Other results		**-**	**(500,00)**
OPERATING RESULT		**(4.251.433,24)**	**30.021,07**

Financial income	**7**	**55.659,42**	**-**
Transferable securities and other financial instruments		55.659,42	-
Financial expenses	**8**	**(139.301,27)**	**(1.710,45)**
For debts with group companies and associates		(21.263,51)	-
For debts with third parties		(118.037,76)	(1.710,45)
Change in fair value in financial instruments		**-**	**15.652,91**
Trading book and others		-	15.652,91
Exchange differences		**460,81**	**(1.765,52)**
Impairment and profit on disposals of financial instruments	**7**	**(9.233.379,73)**	**-**
FINANCIAL RESULT		**(9.316.560,77)**	**12.176,94**
PROFIT BEFORE TAX		**(13.567.994,01)**	**42.198,01**
Taxes on profits	**11**	**638.168,05**	**(42.800,69)**
PROFIT FOR THE YEAR		**(12.929.825,96)**	**(602,69)**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

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

A) Statement of recognised income and expenditure for the year ended 31 December 2022

	Notes	31/12/2022
Profit and loss account result		**(12.929.825,96)**
Income and expenses charged directly to equity Grants, donations and bequests received	10	152.280,00
Tax effect		(38.070,00)
Total income and expenses directly charged to consolidated equity		**114.210,00**
Transfers to the consolidated profit and loss account Grants, donations and bequests received		(8.418,00)
Tax effect		-
Total transfers to the consolidated profit and loss account		**(8.418,00)**
TOTAL CONSOLIDATED INCOME AND EXPENSES RECOGNIZED		**(12.824.033,96)**

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

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

B)Total statement of changes in equity for the financial year Ended December 31, 2022

	Capitaldeed	Premium of emission	Reserves	Own shares and participations	Other heritage instruments	Results of previous years	Result of the exercise	Grants, donation and legacies received	TOTAL
Adjusted balance, start of 2022	**2.028.976,80**	**26.655.923,20**	**33.119,28**	**-**	**-**	**(472.604,78)**	**(602,69)**	**8.418,00**	**28.253.229,81**
Total income and expenses recognized	-	-	-	-	-	-	(12.929.825,96)	105.792,00	(12.824.033,96)
Capital increases (Note 10)	177.906,00	7.486.344,00	-	-	-	-	-	-	7.664.250,00
Other changes in net worth	-	-	-	-	-	(602,69)	602,69	-	-
Conversion of financial liabilities into equity (Note 10)	244.140,00	405.856,63	-	-	90.668,00	-	-	-	740.664,63
Other operations (Note 13)	-	-	-	-	260.000,00	-	-	-	260.000,00
Transactions in own shares (net) (Note 10)	-	-	(1.241.722,98)	(1.116.288,60)	-	-	-	-	(2.358.011,58)
Other movements	-	-	(203.327,14)	-	-	-	-	-	(203.327,14)
Final balance of the year 2022	**2.451.022,80**	**34.548.123,83**	**(1.411.930,84)**	**(1.116.288,60)**	**350.668,00**	**(473.207,47)**	**(12.929.825,96)**	**114.210,00**	**21.532.771,76**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Statement of cash flows for the year Ended December 31, 2022 (Expressed in euro)

	Notes	31/12/2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before tax		**(13.567.994,01)**
Result adjustments		**12.549.123,01**
Depreciation of fixed assets	5 and 6	644.050,00
Impairment valuation adjustments	5 and 7	11.146.159,24
Change in provisions (+/-)		260.000,00
Allocation of subsidies		(8.418,00)
Results from deregistrations and disposals of financial instruments		424.150,73
Financial income		(55.659,42)
Financial expenses		139.301,27
Exchange differences		(460,81)
Changes in current capital		**(3.163.720,43)**
Stock		198,44
Receivables and other receivables		(2.148.374,29)
Other current assets		(19.221,20)
Creditors and other accounts payable		(135.883,38)
Other current liabilities		(860.440,00)
Other cash flows from operating activities		**(83.641,85)**
Interest payments		(139.301,27)
Charging of interest		55.659,42
Cash flows from operating activities		**(4.266.233,28)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments		**(2.073.938,74)**
Property, plant and equipment	6	(70.682,62)
Group and associated companies	5	(1.100.000,00)
Other financial assets		(903.256,12)
Cash flows from investing activities		**(2.073.938,74)**

CASH FLOWS FROM FINANCING ACTIVITIES		**2.660.350,00**
Collections and payments for equity instruments		
Issuance of equity instruments	11	2.660.350,00
Receipts and payments by financial liability instruments		**2.073.095,98**
Emission:		**3.041.215,77**
Debts to credit institutions	8	700.000,00
Debts with group and associated companies		906.209,47
Other debts	8	1.435.006,30
Return and amortization of:		**(61.910,32)**
Debts to credit institutions	8	(58.117,43)
Other debts		(3.792,89)
Cash flows from financing activities		**7.712.751,43**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**1.372.579,41**

Cash or equivalent at the beginning of the financial year 99.387,34 **Effect or equivalent at year-end** 1.471.966,75

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Annual report Ended December 31, 2022

NOTE 1. - COMPANY ACTIVITY

Substrate Artificial Inteligence, S.A., hereinafter "the Company", was incorporated as a limited company, for an indefinite period of time on December 9, 2010, with the name "Kau Finanzas, S.L.", being 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 Company, by 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 has changed its corporate name to Substrate Artificial Inteligence, S.A.

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

Its corporate purpose is:

- 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 culture and instruments that allow interpreting such information through the learning modality called e-learning.
- Acquisition, holding and administration management of shares.
- Acquisition, possession, marketing, lease and exploitation of all types of rural or urban properties.
- Customization of computer programs, including configuration and modification of existing programs.

The main activity of the Company is 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 culture and instruments that allow interpreting such information through the learning modality called e-learning.

Another of the Company's activities 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, either directly or through participations in Group companies. The Company has developed its own technology that allows it to address the problems faced by companies in the digitalization and rationalization of processes. This activity is supported by the study "Integrated MultiTask Agent Architecture with Affect-Like Guided Behavior", carried out by external collaborators of the Society, presented in the Biologically Inspired Cognitive Architectures 2021 and by the patents in process of development and registration detailed in note 5 of the attached report. The geographical operational scope of the Company is currently mainly Spain.

The Company is the head of a group of subsidiaries, and in accordance with current legislation, is obliged to prepare separate consolidated accounts. The consolidated financial statements have been prepared by the Directors on March 30, 2023. The consolidated annual accounts for 2021 were approved by the General Shareholders' Meeting on 30 June 2022 and deposited with the Commercial Registry.

The company has prepared the individual annual accounts for the year 2022 on March 30 , 2023 and, once approved, they will be deposited in the Mercantile Registry of Madrid. Information relating to interests in group, associated and multigroup companies is presented in Note 7.

NOTE 2. - BASES OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1. True and fair view and regulatory framework

The attached annual accounts have been obtained from the Company's accounting records and are presented in accordance with Royal Decree 1514/2007 approving the General Accounting Plan, which since its publication has been subject to several modifications, the last of them by Royal Decree 1/2021, of January 12, 2021, and the rest of the legal provisions in force in accounting matters, so that they show a true and fair view of the assets, financial situation, results of the Company and cash flows during the corresponding year. These annual accounts, which have been prepared by the Company's Directors, will be submitted for approval by the Ordinary General Meeting of Shareholders, and it will be considered that they will be approved without any modification.
The Annual Accounts of the previous year were approved by the Ordinary General Meeting, on June 30, 2022.

There are no exceptional reasons why, in order to show a true and fair view, legal provisions on accounting matters have not been applied.

2.2. Non-mandatory accounting principles applied

Non-mandatory accounting principles have not been applied. In addition, the Directors have prepared these annual accounts taking into account all the mandatory accounting principles and standards that have a significant effect on these annual accounts. There is no accounting principle which, although mandatory, has ceased to apply.

2.3. Critical aspects of the assessment and estimation of uncertainty.

In preparing the present annual accounts, the Managers have made estimates to determine the carrying value of some of the assets, liabilities, income and expenses and on the breakdown of contingent liabilities. These estimates have been made on the basis of the best information available at the end of the year, and it is possible that events that may occur in the future may require 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 by the activity carried out by the Company, differences between projected and actual results could be revealed.

Recoverable value of investees and intangible fixed assets

The measurement of non-current assets, other than financial assets, requires estimates to determine their fair value for the purpose of assessing impairment, such as investment in group companies.

The Company's Directors, in order to carry out the corresponding impairment test of investees and intangible fixed 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 hypotheses, which, despite being based on the worst scenarios, are subject to uncertainty and could be substantially modified (upwards or downwards) based on the occurrence of future events. Any change in material future 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 the year 2027. For the purpose of calculating the impairment test, it is considered a terminal value with a discount rate and growth in perpetuity as indicated in notes 5 and 7.
- 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 the expectations of its future evolution.
- They include expectations of obtaining new contracts with clients in a reasonable period of time (2 years).
- They include increases in average selling prices.
- Average EBITDA is considered based on estimates and comparables, as there is no historical information for a portion of revenue.

Deferred tax assets

Deferred tax assets are recorded for all deductible temporary differences, negative tax bases pending set-off and deductions pending application, for which the Company is likely to have future tax gains that allow the application of these assets. Managers are required to make significant estimates to determine the amount of deferred tax assets that may be recorded, taking into account the amounts and dates on which future tax earnings will be realized and the period of reversal of taxable temporary differences (see Note 11).

Life

The Company estimates the useful life of tangible and intangible fixed assets in order to reasonably record the depreciation of this type of asset (see Notes 4.1 and 4.2).

Going concern principle

The Company's directors have prepared these annual accounts, assuming the continuity of the Company's activity, stating that the results are negative as of December 31, 2022, as well as the 2023 budgets, characteristic values of any startup. Additionally, as of December 31, 2022, the Company had positive working capital of €528 thousand and €1,472 thousand of cash and cash equivalents (see note 7). The Strategic Plan prepared by the Company until 2027 is based on the effective application of the artificial intelligence systems developed by the Company.

Based on the above, together with the new financing described in note 8, the Company's Directors have prepared the annual accounts under the going concern principle.

2.4. Comparison of information.

Data for the financial year 2021 are presented for comparative purposes. The Company complies with the limits established for the preparation of abbreviated annual accounts. However, in compliance with Circular 2/2022 as well as article 536 of the Capital Companies Law, and rule 4 for the preparation of Annual Accounts, the Company has formulated normal annual accounts for the first time in 2022. In this regard, the statement of changes in equity, the statement of cash flows and the information on payment deferrals to suppliers in commercial operations (note 8.3) are presented without comparative figures, considering the year 2022 as initial.

2.5. Correction of errors.

No adjustment has been made for error correction.

2.6. Materiality

When determining the information to be broken down in this report on the different items of the financial statements or other matters, the Company, in accordance with the Conceptual Framework of the General Accounting Plan, has taken into account the relative importance in relation to the annual accounts for the year 2022.

NOTE 3.- DISTRIBUTION OF RESULTS

The proposal for the distribution of the result for the year 2022 that the Board of Directors proposes to the General Meeting of Members is as follows:

Distribution base	**Euros**
Profit and loss account balance	
Total	**(12.929.825,96)**

Application	**Euros**
Negative results from previous years	
Total	**(12.929.825,96)**

NOTE 4. - REGISTRATION AND VALUATION RULES

The main valuation rules used by the Company in the preparation of its annual accounts for the year ended December 31, 2022, have been the following:

4.1Intangible assets

Computer applications

Purchased software licences are capitalised 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 company, 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 separately recognised following a business combination.

Goodwill is amortized over a period of 10 years. At the end of each fiscal year, the company carries out an evaluation of the recoverability of goodwill, impairing the part of it 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 synergies arising from business combinations. CGUs represent the smallest identifiable groups of assets that generate cash flows in favor of the company and that, for the most part, are independent of the flows generated by other assets or other groups of assets of the company.

Each CGU or CGUs to which goodwill is allocated:

- It represents the lowest level at which the entity internally manages goodwill.
- It is not larger than a business segment.

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

The recoverable amount of a CSU is equal to the greater of fair value less costs to sell and its value in use. Value in use is calculated as the discounted value of the cash flow projections estimated by the unit's management and is based on the latest available budgets for the coming 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 value of a CSU exceeds its recoverable amount, the company recognises an impairment loss; that it is distributed by reducing, first, the carrying amount of goodwill attributed to that unit and, second, and if there are losses to be imputed, by reducing the carrying amount of the remaining assets; allocating the remaining loss in proportion to the carrying amount of each of the assets existing in said CGU. In the event that it had been decided to measure the minority interests 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 development (or from the development phase in an internal project) is recognised 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 available for use or sale.

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

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

(d) How 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, if it is to be used internally, the utility of the asset to 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 disbursement 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 the preparation of the asset for its intended use.

Industrial property

Industrial property rights are valued at their purchase price or production cost. The capitalized development expenses will be accounted for in this concept when the corresponding patent or similar is obtained, including the cost of registration and formalization of industrial property, without prejudice to the amounts that could also be accounted for by reason of acquisition of the corresponding rights from third parties. These include, inter alia, patents for inventions, 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 on 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 may include: administrative concessions, commercial rights, intellectual property or licences.

Subsequent assessment

After its initial recognition, an intangible asset is accounted for at cost less accumulated depreciation and the accumulated amount of impairment losses (see note 4.3).

The company amortizes its intangible fixed assets following the straight-line method to allocate the difference between the cost and its residual values over the estimated useful lives, applying the coefficients indicated below:

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

The Company has carried out work for its fixed assets during the current year.

4.2Property, plant and equipment

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

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

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

Elements	Depreciation ratios
Machinery	15 %
Furniture	10-12 %
Information processing equipment	25 %
Other fixed assets	10%

4.3 Impairment of tangible and intangible assets

At the end of each fiscal year, the company analyzes whether there are indications of impairment of its assets or cash-generating units to which goodwill or other intangible assets have been assigned and, if any, verifies, through the so-called "impairment test", the possible existence of losses in value that reduce the recoverable value of said assets to an amount lower than their value in 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, reduced by the costs of sale, and the value in use, understood as the present value of the estimated future cash flows. For the calculation of value in use, the assumptions used include discount rates, growth rates and expected changes in sales prices and costs. The Company's 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.
Likewise, the company 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 would be recorded for the difference under the heading "Impairment and profit on disposal of fixed assets" in the profit and loss account and credited under "Property, plant and equipment" or "Intangible fixed assets", in each case, of the balance sheet.

Impairment losses recognized on an asset in prior periods are reversed, except for goodwill, when there is a change in estimates of its recoverable amount, increasing the value of the asset by limiting the carrying amount of the asset had it not been written down.

The assumptions considered to analyze the recoverability of goodwill and other intangibles have been broken down in Note 5.

4.4Leases

Financial lease contracts, at the initial time, shall be recorded as an asset according to its nature, depending on whether it is an item of property, plant and equipment or intangible assets, and a financial liability of the same amount, which shall be the lesser of the fair value of the leased asset and the present value at the beginning of the lease of the agreed minimum payments, This includes payment for the purchase option where there is no reasonable doubt about its exercise and any amount it has guaranteed, directly or indirectly, and excludes contingent fees, the cost of services and taxes chargeable by the lessor. The initial direct costs incurred by the lessee in the operation should be considered as the higher value of the asset. The total financial burden shall be spread over the term of the lease and charged to the profit and loss account for the period in which it accrues, using the effective interest rate method.

The depreciation, impairment and deregistration criteria applicable to them according to their nature shall apply to assets recognised as a result of the lease and the provisions of the financial instruments standard shall apply to the downward effects of financial liabilities.

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

4.5Financial instruments

Financial assets

1. Financial assets at amortized cost

A financial asset is included in this category, even when admitted to trading on an organised market, if the enterprise maintains the investment for the purpose of collecting cash flows arising from the performance of the contract, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are only principal and interest charges on the amount of outstanding principal.
In general, this category includes credits for commercial operations and credits for non-commercial operations:

a) Credits for commercial operations: are those financial assets that originate in the sale of goods and the provision of services for traffic operations of the company with deferred collection, and

b) Credits for non-commercial operations: are those financial assets that, not being equity instruments or derivatives, have no commercial origin and whose collections 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 fair value, which, unless otherwise evidenced, shall be the transaction price, which shall be equal to the fair value of the consideration delivered, plus any transaction costs directly attributable to them. However, claims for commercial transactions with a maturity not exceeding one year and which do not have an explicit contractual interest rate, as well as claims on staff, dividends receivable and required disbursements 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 discounting cash flows is not material.

The subsequent valuation of the financial assets included in this category shall be carried out at their amortised cost. Interest earned shall be entered in the profit and loss account using the effective interest rate method. However, claims with a maturity not exceeding 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 deteriorated. Where the contractual cash flows of a financial asset are changed due to the financial difficulties of the issuer, an enterprise shall consider whether an impairment loss should be accounted for.

At least at the end of the financial year, the necessary valuation adjustments shall 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 been impaired as a result of one or more events occurring after its initial recognition and resulting in 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 arising from the enforcement of collateral and personal collateral, which they are estimated to generate, discounted at the effective interest rate calculated at the time of their initial recognition. For variable-rate financial assets, the effective interest rate corresponding to the date of closure of the annual accounts shall be used in accordance with the contractual conditions. Models based on statistical formulas or methods may be used in the calculation of impairment losses for a group of financial assets.

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

2. Financial assets at cost.

Investments in the assets of group, multi-group and associated companies shall initially be measured at cost, which shall be equal to the fair value of the consideration plus the transaction costs directly attributable to them. They shall then be valued at cost, reduced, where appropriate, by the cumulative amount of impairment valuation 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 investments, the estimate of the impairment of this asset class takes into account the equity of the investee entity, adjusted for tacit capital gains existing at the valuation date. Valuation adjustments for impairment and, where applicable, their reversal, are recorded as an expense or 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.

The assumptions considered to analyze the recoverability of investments in the equity of group, multigroup and associated companies have been broken down in Note 7.

3. Cash and other liquid media

Under this heading are cash in cash and banks, demand deposits and other short-term investments of high liquidity that are quickly realizable in cash and that do not have risks of change of 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 with changes in the profit and loss account. In general, debits for commercial operations and debits for non-commercial operations are included in this category.

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

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

Financial liabilities included in this category shall initially be measured at fair value, which, unless otherwise evidenced, 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 not exceeding 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. Interest earned shall be entered in the profit and loss account using the effective interest rate method.

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

2. Decommissioning of financial assets and liabilities

The Company deregisters a financial asset, or part thereof, when the contractual rights over the cash flows of the financial asset expire or have been assigned, and the risks and benefits inherent in its ownership have been substantially transferred. When a financial asset is written off, the difference between the consideration received net of attributable transaction costs and the carrying amount of the financial asset, plus any accumulated 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 occurs.
The Company deregisters a previously recognized financial liability 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 conditions, recognizing the new financial liability that arises; In the same way, there is a substantial modification of the current conditions of a financial liability, as indicated for debt restructurings.

The derecognition 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 written off) and the consideration paid, including attributable transaction costs, and which also includes any assets transferred other than the cash or liabilities assumed, It is recognised in the profit and loss account for the period in which it occurs.

Criteria used in determining revenue or expenditure from different categories of financial instruments:

Interest and dividends on financial assets and liabilities accrued after the time of acquisition have been recognised as income or expenses in the profit and loss account. For the recognition of interests, the method of effective interest has been used. Dividends are recognized when the partner's right to receive them is declared.

4.6Foreign currency operations

Transactions carried out in foreign currency are recorded in the company's functional currency (euros) at the exchange rates in force at the time of the transaction. During the period, differences between the exchange rate recorded and the exchange rate in effect on the date of collection or payment are recorded as financial results in the income statement. The company has not changed in the year the functional currency that is the euro.

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

4.7Share capital
Ordinary 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 acquired, and no profit or loss account is recorded on sale or cancellation. Income and expenses derived from transactions in own shares are recorded directly in equity as less reserves.

4.8Taxes on profits

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

The current tax is the amount that the Company pays as a result of the tax assessments of the income tax relating to a financial year. Tax deductions and other tax advantages in the amount of tax, excluding withholdings and payments on account, as well as compensable tax losses from previous years and actually applied in this one, give rise to a lower amount of current tax.

Deferred tax income or expense corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that 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 negative tax bases pending setoff and credits for tax deductions not applied for tax purposes. These amounts are recorded by applying to the temporary difference or credit that corresponds to the rate of tax 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 tax result or 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 Company will have future tax gains against which it can make them effective.

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

At each accounting closing, the deferred tax assets recorded are reconsidered, and appropriate corrections are made to the extent that there are doubts about their future recovery. In addition, off-balance-sheet deferred tax assets are valued at each closing and are recognised to the extent that they are likely to be recovered with future tax benefits.

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.

4.9Revenue and expenditure

The Company recognizes the income from the ordinary development of its activity when there is a transfer of control of the goods or services committed to customers.
For the accounting record of income, the Company 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 rights and obligations enforceable for them.
b) Identify the obligation or obligations to be fulfilled in the contract, representative of the commitments to transfer goods or provide services to a client.
c) Determine the transaction price, or contract consideration 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 transaction price to the obligations to be fulfilled, which must be made based on the individual sale 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 Company fulfills an obligation committed through the transfer of a good or the provision of a service; compliance that takes place when the client 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 Company recognises the income derived from a contract when control over the committed goods or services is transferred to the customer (i.e. the obligation(s) to be fulfilled).

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

The income derived from the commitments that are fulfilled over time are recognized according to the degree of progress or progress towards the complete fulfillment of the contractual obligations provided that the Company has reliable information to carry out the mediation of the degree of progress. With regard to income from training courses, being mostly recorded courses, they are recognized at the initial moment regardless of the moment in which they are displayed.

In the case of contractual obligations that are fulfilled at a given time, the revenue derived from their performance is recognised on that date.
Fulfillment of the obligation over time
The Company 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 Company's activity as the entity develops it.
b) The Company produces or improves an asset that the client controls as the activity develops.
c) The Company prepares a specific asset for the client without alternative use and the Company 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 in which the client obtains control of the asset, the Company considers the following indicators:

a) The client assumes the significant risks and benefits inherent in the ownership of the asset.
b) The Company transfers physical possession of the asset.
c) The customer receives the asset in accordance with the contractual specifications.
d) The Company has a receivable for transferring the asset.
e) The customer owns the asset.

Assessment

Revenue from the sale of goods and services is measured by the monetary amount or, where applicable, the fair value of the consideration received or expected to be received. The consideration is the agreed price for the assets to be transferred to the client, minus: the amount of any discount, price reduction or other similar items that the Company may grant, as well as the interest incorporated into the nominal amount of the credits.

According to the accrual principle, income is recorded with the transfer of control and expenses are recorded when they occur, regardless of the date of their collection or payment. In general, the Company 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 client.

4.10Transactions 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 valuation is carried out in accordance with the provisions of the general accounting rules. Additionally, transfer pricing is adequately supported, so the Board of Directors considers that there are no significant risks in this aspect from which significant liabilities may arise in the future. The Company carries out all its operations with related to market securities.

4.11Grants, donations or bequests received

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

Grants, gifts and legacies that are repayable are recorded as liabilities of the enterprise until they become non-refundable.

4.12Provisions and contingencies

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

Provisions are valued at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party, with adjustments arising from the provision being updated 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 carried out. Provisions are revised at the closing date of each balance sheet and adjusted to reflect the current best estimate of the corresponding liability at any given time.

Compensation to be received from a third party at the time of settlement of provisions is recognised as an asset, without reducing the amount of the provision, provided that there is no doubt that such reimbursement will be received, and without exceeding the amount of the obligation recorded. When there is a legal or contractual link of externalization of the risk, by virtue of which the Company is not obliged to respond to it, the amount of said compensation is deducted from the amount of the provision.

On the other hand, contingent liabilities are those possible obligations, arising as a result of past events, whose materialization is conditioned to the occurrence of future events that are not entirely under the control of the Company and those present obligations, arising as a result of past events, for which it is not likely that there will be an outflow of resources for settlement or that cannot be valued with sufficient reliability. These liabilities are not subject to accounting record, detailing them in memory, except when the output of resources is remote.

4.13Heritage elements of an environmental nature

Expenses related to the activities of decontamination and restoration of contaminated sites, waste disposal and other expenses derived 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 Company's assets in order to be used on a lasting basis, in which case they are accounted for in the corresponding items under the heading "Property, plant and equipment", being amortized with the same criteria.

4.14Transactions with payments based on equity instruments

The Company recognizes, on the one hand, the goods and services received as an asset or as an expense, taking into account their nature, at the time of their acquisition 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 rendered and the increase in equity are measured at the fair value of the equity instruments transferred, referred to the date of the concession agreement. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognized at the fair value of the latter, referring to the date on which the requirements for recognition are met.

4.15Classification of assets and liabilities between current and non-current

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

NOTE 5. - INTANGIBLE FIXED ASSETS

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

(Euros)	Balance initial	Tickets	Outputs	Balance final
31.12.2022 Cost				
Development	584.306,57	1.084.991,41	(204.629,02)	1.464.668,96
Industrial property	5.582,32	-	-	5.582,32
Goodwill	6.100.000,00	-	-	6.100.000,00
Computer applications	106.509,98	-	(1.968,75)	104.541,23
Other fixed assets in progress	-	508.971,00	-	508.971,00
Total cost	**6.796.398,87**	**1.593.962,41**	**(206.597,77)**	**8.183,763,51**
Accumulated depreciation				
Development	(16.606,2)	(108.275,13)	-	(124.881,33)
Industrial property	(142,19)	(558,36)	-	(700,55)
Goodwill	(203.333)	(489.454,56)	-	(692.787,56)
Computer applications	(52.560,27)	(30.589,44)	-	(83.149,71)
Other fixed assets in progress	-	-	-	-
Total amortization	**(272.641,66)**	**(628.877,49)**	**-**	**(901.519,15)**

(Euros)	Balance initial	Tickets	Outputs	Balance final
31.12.2021				
Cost				
	-		-	
Development	-	584.306,57	-	584.306,57
Industrial property	-	5.582,32	-	5.582,32
Goodwill	-	6.100.000,00	-	6.100.000,00

Computer applications	106.739,00	-	-	106.739,00
Total cost	**106.739,00**	**6.689.888,89**	**-**	**6.796.627,89**
Accumulated depreciation				
Development	(2.354,31)	(14.251,89)	-	(16.606,20)
Goodwill	-	(142,19)	-	(142,19)
Computer applications	-	(203.333,00)	-	(203.333,00)
Other fixed assets	(21.340,86)	(31.448,43)	-	(52.789,29)
Total amortization	**(23.695,17)**	**(249.175,51)**	**-**	**(272.870,68)**
NET WORTH	**(83.043,83)**	**(6.840.942,20)**	**-**	**(6.523.757,21)**

There have been no investments outside Spanish territory during the year 2022. During 2022, the Company received a RED.ES subsidy relating to intangible fixed assets amounting to €600,000, recording €114,210 in equity, net of tax, as detailed in note 10 and the remainder as non-current liabilities (see note 8). As of December 31, 2022, the entire subsidy is pending collection (see note 11).

In 2022, acquisitions of intangible fixed assets were made, amounting to 1,593,962.41 euros, of which 1,494,578.71 euros correspond to work carried out by the Company for its assets.

The goodwill arose from the acquisition of two production units by the Company in May 2021. The acquisition of these production units generated goodwill amounting to 5,500,000 and 600,000 euros respectively, with a liability for these acquisitions as of December 31, 2021 of 4,500,000 euros. At the end of 2022, the outstanding liabilities regarding these acquisitions is 120,000.00 euros.

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

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

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

The main hypotheses considered when determining the recoverable value have been the following:

Hypothesis	**Hexenebel production unit (intangible cost of 600,000.00 euros)**	**Production unit Summon Press (intangible cost of 5,500,000.00 euros)**
Duration of projections	5 years	5 years
Discount rate	8 - 12%	8 - 12%
Perpetual growth rate	0,5 - 2%	0,5 - 2%

According to the estimates made, considering conservative economic and financial evolution assumptions, the forecasts of future cash flows allow the net book value of said 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 the following:

2022

Title	Case status
METHODS AND APPARATUS TO AUTOMATE THE MANAGEMENT OF MILK PRODUCING LIVESTOCK IN AN INTENSIVE REGIME TO PRODUCE A PERSONALIZED PRODUCT BASED ON THE END USE USING LEARNING	Application prepared and under review.
AUTOMATIC METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE FEED MIXING AND MEDICATION SELECTION THROUGH LEARNING AUTOMATIC TO OPTIMIZE THE REPRODUCTION RATE OF ANIMALS METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE THE MIXTURE OF FEED AND MEDICINE SELECTION THROUGH MACHINE LEARNING TO OPTIMIZE MILK PRODUCTION AND ANIMAL HEALTH	Application prepared and under review.
SYSTEMS AND METHODS TO EFFICIENTLY IMPLEMENT HIERARCHICAL STATES IN MACHINE LEARNING MODELS USING REINFORCEMENT LEARNING	Application prepared and under review.
METHODS FOR AUTOMATICALLY TUNING REINFORCEMENT LEARNING HYPERPARAMETERS USING HYPERPARAMETER MODELS THAT USE THE SHARPE RATIO REWARD SIGNAL TO OPTIMIZE THE AGENT'S RISK-ADJUSTED PERFORMANCES OVER TIME	Application prepared and under review.
METHOD FOR LEARNING THE REPERTOIRE OF THE BEHAVIOR OF THE REINFORCEMENT LEARNING AGENT USING OPTIONS	Application in preparation
APPARATUS AND METHODS FOR A MULTI-MODEL STRATEGY LEARNING AGENT ARCHITECTURE INTEGRATED WITH GUIDED BEHAVIOR FOR THE AFFECTION	Provisionally expired*
METHOD TO PRE-TRAIN THE LEARNING AGENT BY REINFORCEMENT BASED ON TABULAR DATA AND EXAMPLES OF IMPERFECT ACTIONS OF EXPERTS WHEN THE SIMULATED ENVIRONMENT IS NOT AVAILABLE	Application prepared and under review.
METHOD TO CREATE A LEARNING IMAGINATION SYSTEM BY REINFORCEMENT THROUGH SYNTHETIC STATE-ACTION TRANSITIONS AND THEIR ASSOCIATED REWARD SIGNALS AND FACILITATE AGENT PLANNING AND CREATION OF OPTION CANDIDATES	Application in preparation
METHOD TO DETECT AND AUTOMATICALLY ADJUST THE BEHAVIOR OF THE REINFORCEMENT LEARNING AGENT BASED ON A MULTIPLE OBJECTIVE SIGNAL THAT INCLUDES THE VALUE OF THE BIAS SIGNAL	Application in preparation
METHOD FOR EXTRACTING OPTIONS FROM THE DEMONSTRATION EXPERIENCE AND INITIALIZING AGENTS WITH THE LEARNED OPTIONS TO SUPPORT DEMONSTRATION TRANSFER LEARNING	Application in preparation
METHOD TO REDUCE MODEL DATA FOR INCLUSION IN THE DON APPROXIMATOR BY CONSTRUCTING AN ESTIMATE	Application in preparation
STATISTICS OF EMPTY VALUES METHOD TO PRE-TRAIN A LEARNING AGENT BY REINFORCEMENT BASED ON TABULAR DATA AND EXAMPLES OF ACTIONS BY IMPERFEC EXPERTS WHEN A SIMULATED ENVIRONMENT IS NOT AVAILABLE	Application in preparation
APPARATUS AND METHOD FOR MANAGING DATABASES OF MACHINE LEARNING MODELS	Prepared provisional application

*Despite being expired, it is recoverable in the future

NOTE 6. - PROPERTY, PLANT AND EQUIPMENT

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

(Euros)	Opening Balance	Additions	Retreats	Balance final
31.12.2022 Cost				
Constructions	5.500,00	-	-	5.500,00
Machinery	1.152,14	-	-	1.152,14
Other facilities	-	54.649,41	-	54.649,41
Furniture	21.667,60	9.724,43	-	31.392,03
Information Process Equipment	19.958,03	6.308,78	-	26.266,81
Other fixed assets	2.962,62	-	-	2.962,62
Fixed assets in progress	17.233,50	-	(17.233,50)	-
Total cost	**68.473,89**	**70.682,62**	**(17.233,50)**	**121.923,01**

Accumulated depreciation

Constructions	(91,45)	(1100,04)	-	(1.191,49)
Machinery	(650,56)	(173,28)	-	(823,84)
Other facilities	(13,9)	(5.163,07)	-	(5.176,97)
Mobiiliary	(1326,68)	(3.238,4)	-	(4.565,08)
Information Process Equipment	(9703,57)	(5.258,08)	-	(14.961,65)
Other fixed assets	(6502,66)	(239,64)	-	(6.742,30)
Total amortization	**(18.288,82)**	**(15.172,51)**	**-**	**(33.461,33)**
NET WORTH	**50.185,07**			**88.461,68**

(Euros)	**Balance initial**	**Additions**	**Retreats**	**Balance final**
31.12.2021 Cost				
Constructions				
Machinery				
Other facilities	-	5.500,00	-	5.500,00
Furniture	1.152,14	-	-	1.152,14
Information Process Equipment	-	17233,5	-	-
Other fixed assets	3.184,23	18.483,37	(17.233,50)	21.667,60
Fixed assets in progress	17.192,74	2.765,29	-	19.958,03
Total cost	566,95	2.395,67	-	2.962,62
	-	17.233,50	-	17.233,50
	22.096,06	**63.611,33**	**(17.233,50)**	**68.473,89**
Accumulated depreciation				
Constructions				
Machinery				
Other facilities	-	(91,45)	-	(91,45)
Furniture	(477,27)	(173,29)	-	(650,56)
Information Process Equipment	-	(13,90)	-	(13,90)
Other fixed assets	(973,69)	(352,99)	-	(1.326,68)
Total amortization	(5.875,30)	(3.828,27)	-	(9.703,57)
NET WORTH	(6.357,09)	(712,52)	566,95	(6.502,66)
	(13.683,35)	**(5.172,42)**	**566,95**	**(18.288,82)**
	8.412,71			**50.185,07**

In 2022, no acquisitions of property, plant and equipment from Group companies were made.
In 2022 and 2021, no valuation adjustment for impairment of property, plant and equipment has been recognised or reversed.

The Company has contracted insurance policies to cover the risks that are subject to the property, plant and equipment.

As of December 31, 2022 and 2021, the Company does not have fully amortized property, plant and equipment.

NOTE 7. – FINANCIAL ASSETS

Shareholdings in group companies

The Company owns 100% of the share capital of the entities: Substrate Al Spain, S.L., Zona Value Global, S.L. and Substrate AI USA INC for an amount of 16,000,000 euros, 1,800,000 euros and 6,000,000 euros respectively, which were acquired in the previous year. Since the different acquisitions are highly interrelated since one depended on the other and the price determined was conditioned, everything has been considered as a single business combination. There is no variable or contingent price in the amount of such a transaction.

On February 25, 2022, the Company has acquired 70% of Cuarta Dimensión Médica, S.L. for an amount of 1,400,000.00 euros, of which 300,000.00 euros have been via non-monetary contribution, delivering own shares of the Company. There is no variable or contingent price in the amount of such a transaction.
In 2020, the Company established the Zona Value Foundation, with a foundational endowment of 30,000 euros.

The movement under this heading was as follows:

(Euros)	Balance 31.12.21	Additions	Low	Balance 31.12.22
Holdings in Group companies	23.830.000,00	1.399.998,6	-	25.229.998,6
Deterioration	-	(8.809.229,00)	-	(8.809.229,00)
Net Book Value	23.830.000,00	(7.409.230,40)	-	16.420.769,60

The financial information relating to the group, multigroup and associated companies as of December 31 is as follows:

(Euros)	Total assets	Total own funds	Result	Dividends distributed
Financial year 2022				
CUARTO DIMENSIÓN MÉDICA, S.L.	1.025.337,37	409.496,50	149.457,90	-
ZONA VALUE GLOBAL, S.L.	197.399,67	83.000,00	7.151,00	-
SUBSTRATE AL SPAIN, S.L.	1.221.948,28	185.863,38	49.109,40	-
SUBSTRATE AI USA INC	309.693,32	(128.439,98)	(151.864,11)	-
VALUE ZONE FOUNDATION	n.a.	n.a.	n.a.	-
Financial year 2021				
ZONA VALUE GLOBAL, S.L.	82.366,92	1.936,37	(304,50)	-
SUBSTRATE AL SPAIN, S.L.	1.038.070,81	138.122,08	(215.939,89)	-
SUBSTRATE AI USA INC	67.530,41	(150.884,54)	(110.630,12)	-
VALUE ZONE FOUNDATION	n.a.	n.a.	n.a.	-

(*) includes share premium, reserves, other contributions from partners and results from previous years

The main activity of the investees as well as other relevant information is as follows:

- CUARTO DIMENSIÓN MÉDICA, S.L.
    - Main activities:
        - Marketing and after-sales service of diagnostic imaging machinery (radiology, resonances and computed tomography).

- Registered office: Carrer Baronessa Santa Bàrbara, 28, 46740 Carcaixent, Valencia (Spain) o Auditated by Ernst & Young in 2022 (unaudited in 2021)

- ZONA VALUE GLOBAL, S.L.
  - Main activities:
    - Acquisition, holding and administration management of securities shares
    - Acquisition, possession, marketing, leasing and operation of all types of rural or urban properties
  - Registered office: Calle Colón, 4-5 Bº, 46004 Valencia (Spain) o Unaudited
  - In turn, this investee maintains 100% of the capital in KAU MARKET EAF, S.L.. The main information of this subsidiary is as follows:

- KAU MARKET EAF, S.L
  - Main activities:
    - Preparation of investment reports and financial analysis.
    - Financial Mediation Services
    - Purchase and sale of real estate and furniture for the realization of the corporate purpose
  - Registered office: Calle Colón, 4-5 Bº, 46004 Valencia (Spain)
  - Company regulated by the CNMV
  - Audited by Capital Auditors and Consultants, S.L.
  - Financial information

(expressed in euro)	Total Assets	Total own funds	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	-

- SUBSTRATE AL SPAIN, S.L.
  - Main activities:
    - Computer programming activities, Design of structures and content, writing 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: Calle Colón, 4-5 Bº, 46004 Valencia (Spain)
  - Unaudited
  - In turn, this investee holds 90% of the capital in AIREN AI FOR RENEWABLE ENERGY, S.L. and 90% of the capital in BOALVET AI, S.L. The main information of these subsidiaries is as follows:

- AIREN AI FOR RENEWABLE ENERGY, S.L.
  - Main activities:

- Computer programming activities.
- Design of structures and content, and/or writing the computer code necessary to create and implement programs for systems, and computer applications

- Registered office: Calle Colón, 4-5 Bº, 46004 Valencia (Spain)
- Unaudited
- Financial information:

(expressed in euro)	Total Assets	Total own funds	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 writing the computer code necessary to create and implement programs for systems, and computer applications
  - Registered office: Calle de la plazuela 43, 41370 Sevilla (Spain)
  - Unaudited
  - Financial information:

(expressed in euro)	Total Assets	Total own funds	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
    - Carry out any other lawful activity in connection with, or incidental to, the foregoing.
  - Registered Office: Gunsmoke Dr.Bailey, Colorado, 80421, USA.
  - Unaudited
  - In turn, this investee maintains 100% of the capital in AI SAIVERS LLC. The main information of this subsidiary is as follows:
    - Main activities:
      - Miscellaneous economic activities
    - Registered Office: SW 6th Terrace, Miami, FL 33130, USA.
    - Unaudited
    - Financial information:

(expressed in euro)	Total Assets	Total own funds	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)	-

Evidence of impairment of shareholdings in group companies

During the financial year 2022, there has been a progressive deterioration in general economic conditions as a result of persistently high inflation rates over time, which have led to a progressive increase in interest rates, tensions in the supply chain and the increase in energy costs, circumstances in many cases derived from the war in Ukraine, that seems to be prolonged in 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. Dismiss corporate acquisitions to focus the Company's work on organic growth in those areas in which it was already present.
B. Approve new projections for the years 2022 and 2023 based solely on this organic growth as a result of the development of current businesses, having also reevaluated the estimates for the following years.

Taking into account all of the above and in order to carry out the corresponding Impairment Test of the Company's holdings in its different subsidiaries, the Company proceeded to update the financial projections of the businesses, using the cash flow discount method.

For this reason, the Company has decided to impair its holdings by 8,809 thousand euros. If the Company continues to comply with its strategic plan, this deterioration in the coming years can be reversed in its entirety.

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

Hypothesis	**Investees: Zona Value Global, S.L., Substrate AI Spain, S.L. and Substrate AI USA Inc.**	**Participated in Cuarto Dimensión Médica, S.L.**
Duration of projections	5 years	5 years
Discount rate	12-20%	10-15%
Perpetual growth rate	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 use licenses, i.e. they are ultimately subscription businesses. Some businesses will be developed by the Company and others through the sale of licenses, which facilitates obtaining 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 industry-specific risk. This is the benchmark used by management to evaluate operational development and future investment proposals.

Based on these estimates made and considering the assumptions of both economic and financial evolution, the forecasts of future cash flows would allow to recover the net book value of the value of the investees resulting as of December 31, 2022.

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 Public Treasury are not included):

(Euros) Tuition	Long-term financial instruments		Short-term financial instruments	
Categories	**Heritage instrument**	**Credits, derivatives and others**	**Credits, derivatives and others**	**Total**
31.12.2022				
Financial assets at amortized cost	1.642.936,22	143.689,72	1.193.676,71	2.980.302,65
Financial assets at cost	16.420.679,60	-	-	16.420.679,60
Total	**18.063.705,82**	**143.689,72**	**1.193.676,71**	**19.400.982,25**
31.12.2021				
Financial assets at amortized cost	739.680,10	939.024,75	354.697,58	2.033.402,43
Financial assets at cost	23.830.000,00	-	354.816,43	24.184.816,43
Total	**24.569.680,10**	**939.024,75**	**709.514,01**	**26.218.218,86**

Heritage instruments	16.420.679,60	-	23.830.000,00	-
Other heritage instruments	-	-	800.000,00	-
Loans to companies	1.642.936,22	-	739.680,10	-
Loans disbursed	125.031,72	-	130.024,75	-
Customers for sales and provision of services	-	95,142.41	-	177.065,33
Customers, group companies and partners	-	438.494,40	-	95.505,22
Sundry debtors	-	169,28	-	-
Other credits with Public Administrations	-	658.297,97	-	81.977,03
Personnel	-	-	-	150,00

Bonds and deposits and others	18.658,00	-	9.000,00	354.816,43
Total	**18.207.395,54**	**1.193.676,71**	**25.508.704,85**	**709.514,01**

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

	31.12.2022		**31.12.2021**	
(Euros)	**Not current**	**Stream**	**Not current**	**Stream**

Financial assets at cost correspond to the holdings in Group companies and short-term associates explained above.

The financial assets at long-term amortized cost as of December 31, 2021 correspond mainly to loans delivered euros and the purchase of 10% of the company Assistacasa S.L. for an amount of 3,600,000 euros, of which 2,800,000 euros were outstanding as of December 31, 2021, part of which has been offset in the capital increase in 2022 (see note 10). In 2022, the purchase contract described above has been terminated, generating a loss of 323,160.80 euros, being recorded under the heading "Impairment and result from disposals of financial instruments" of the profit and loss account as of December 31, 2022.

The Company has formalized loans during the year 2022 with other related parties for a total amount of 125,031.72 euros maturing in 2026 (130,024.75 euros as of December 31, 2021). The deposit that the Company has constituted for the rental of its offices has been formalized for a total amount of 9,658 euros (9,000 euros as of December 31, 2021).

The Company has formalized loans during the 2022 financial year with other Group companies for an amount of 1,642,936.22 euros (739,680.10 in 2021).

Cash and cash equivalents existing as of December 31, 2022 amount to €1,471,996.75 (€99,387.34 in 2021). As of December 31, 2022, there is a retained cash amount amounting to 266,669.15 euros related to the R + D + I project mentioned in note 14 of the report, whose amount will be released during the first half of 2023 if all the milestones set forth in the contract are met.

NOTE 8. – FINANCIAL LIABILITIES

8.1. Categories of financial liabilities

The amount of debts classified within the category of financial liabilities, at the end of the year and their comparative information is as follows:

Class	**Long-term financial instruments**				**Short-term financial instruments**			
	2022		2021		2022		2021	
Category	Debts to credit and financial institutions	Derivatives and others	Debts to credit and financial institutions	Derivatives and others	Debts to credit and financial institutions	Derivatives and others	Debts to credit and financial institutions	Derivatives and others
Financial liabilities at amortised cost	557.179,76	1.601.385,70	-	95.000,00	87.072,50	1.832.701,68	7.488,17	4.638.624,76

Other liabilities	-	925.604,41	-	19.394,94	-	-	-	-
Total	**557.179,76**	**2.526.990,11**	**-**	**114.394,94**	**87.072,50**	**1.832.701,68**	**7.488,17**	**4.638.624,76**

In 2022, the Company has formalized 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%. This loan is not subject to compliance with financial ratios. The maturity by years is as follows:

(Euros)	2023	2024	2025	2026	2027 and beyond	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 to credit institutions	2.369,79	-	-	-	-	2.369,79

Likewise, in 2022, the Company has formalized a loan with a participatory financing platform, maturing in 2026 and at an interest rate of 6.60%. This loan is not subject to compliance with financial ratios. This loan is recorded under "other financial liabilities" in the balance sheet.

(Euros)	2023	2024	2025	2026	2027 and beyond	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)	**Not current**	**Stream**	**Not current**	**Stream**
Deposits received for capital increases	-	-	-	-
Credits received	1.153.665,70	1.189.856,86	95.000,00	4.501.218,62
Grants received (Note 5)	447.720,00	-	-	-
Debts with group and associated companies	925.604,41	-	19.394,94	
Financial leases	-	-	-	-
Suppliers for purchases and provision of services	-	275.045,40	-	50.883,06
Suppliers, group companies and associates	-	316.434,74	-	16.117,35
Other sundry creditors	-	57.894,54	-	36.245,00
Personnel	-	-	-	(286,63)
Customer advances	-	(6.529,86)	-	(6.529,86)
	2.526.990,11	**1.832.701,68**	**114.394,94**	**4.638.624,76**

Part of the short-term financial liabilities recorded in credits received that appeared as of December 31, 2021 for the acquisition of a production unit (see note 5) have been capitalized (see note 10).

The Company has signed a three-year contract for bonds compulsorily convertible into shares for a period of one year, of up to 20 million euros, signed with the Alpha Blue Ocean (ABO) fund that ensures the company the necessary financing for the development of its business plan. The contract has a duration of 3 years. This point is key to ensure the achievement of the objectives set in the company's business plan whose numbers for 2022 and 2023 were published as a relevant fact in June 2022.

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

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 can be exercised or not by the fund in a period of 3 years. The bonds issued are recorded as debt instruments at amortized cost for 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 bonds. 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 into equity as share capital and issue premium. During the 2022 financial year, three tranches of bonds have been issued for an amount of 500,000 euros, 300,000 euros and 500,000 euros, totaling 1,300,000 euros. At the end of 2022, ABO has converted the first tranche in its entirety by increasing the share capital and the issue premium by 178,922.70 and 321,074.14 euros, respectively. Part of the second tranche has also been converted by increasing the share capital by 65,217.30 euros and the issue premium by 84,782.49 euros (see note 10).

Likewise, during 2022, 612,433 warrants associated with these convertible bonds have been issued with exercise prices between 0.21 and 1.89 euros per share.

The credits received in non-current liabilities correspond mainly to loans to individuals (963,161.00 euros). These credits will be fully capitalized during 2023 (see note 15).

Financial expenses arising from financial liabilities in the 12-month period ended December 31, 2022 amounted to 139,301.27 euros (1,710.45 euros as of December 31, 2021).

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

- Credit risk: Credit risk represents the losses that the Company would suffer in the event that a counterparty defaulted on its contractual payment obligations to it. This risk is reduced, due to the method of collection required of its customers.
- Liquidity risk: The liquidity risk in the Company's financial assets would exist in the event that the Company invests in small-cap securities or in financial markets with a small size and limited trading volume, with which investments could be deprived of liquidity. Management regularly monitors the Company's liquidity forecasts based on expected cash flows. The Company is seeking alternative ways to obtain additional sources of funding if necessary (see note 8.1).
- Market risk: Market risk represents the Company'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 the debts and the interest rates of the Company's indebtedness are low, the interest rate risk is minimal.
    - Foreign exchange risk: the Company at closing has no significant financial assets or liabilities in currencies other than the euro, so it is not exposed to risk from exchange rate fluctuations.
    - Share price risk or stock indices: The investment in equity instruments implies that the profitability of the Company could be affected by the volatility of the markets in which it could be invested. As the Company does not invest significantly in listed equity instruments, it is not exposed to this price risk.

8.3 Information on the average period of payment to suppliers. Third additional provision. "Duty of information" of Law 15/2010, of July 5

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

	31.12.2022	**31.12.2021**
	Days	**Days**
Average period of payment to suppliers	36	20
Ratio of paid trades	36	11
Ratio of outstanding transactions	40	12
	Amount (euros)	**Amount (euros)**
Total payments made	1.962.888,90	16.892.432,55
Total outstanding payments	581.466,60	137.406,14

Likewise, the amount of payments made during the year 2022 in a period below the maximum established is 1,583,702.75 euros (81% of the total), corresponding to 95% of the total invoices, amounting to 1,384 invoices.

NOTE 9. – OPERATING LEASES

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

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

(euros)	1 year	From 1 to 5 years	+5 years
Minimum future payments 2022	57.948	289.740	-
Minimum future payments 2021			

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

NOTE 10. – OWN FUNDS AND GRANTS

The share capital of the Company as of December 31, 2022 was 2,451,022.80 euros, divided into 24,510,228 shares of 0.1 euros par value each, fully subscribed and paid. As of December 31, 2021, the Company's share capital amounted to €2,028,976.80 (20,289,768 shares with a nominal value of €0.1 each). All shares are of the same class, grant the same rights and are subject to trading on the BME Growth.

During 2021, the 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. Of the capitalization of debts, a large part was from the acquisition described in Note 5. These increases have led to a total increase of 2,025,526.80 euros in capital and 25,656,223.20 euros in issue premium.

In March 2022, prior to the IPO, the Company's shareholders carried out a capital increase of 177,906.00 euros, with an issue premium of 7,486,344.00 euros, of which 5,004,000.00 euros were for compensation of credits (see note 8) and the rest, 2,660,250.00 euros of monetary contribution.

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

In relation to the contract with ABO described in note 8.1 of the attached report, at the end of 2022, ABO has converted the first tranche in its entirety by increasing the share capital and the share premium by 178,922.70 and 321,074.14 euros, respectively. Part of the second tranche has also been converted by increasing the share capital by 65,217.30 euros and the issue premium by 84,782.49 euros.

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).

According to the Consolidated Text of the Capital Companies Law, a figure equal to 10% of the profit of 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 indicated limit, may only be used for the compensation of losses in the event that there are no other reserves available sufficient for this purpose.

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

At the end of 2022, the shareholders with a stake of more than 10% in the Company's share capital are the following:

	Euros	% participation
JMSAN AGENTES FINANCIEROS GLOBALES, S.L.	575.000	23,45%

At the end of 2021, the shareholders with a stake of more than 10% in the Company's share capital are the following:

	Euros	% participation
JMSAN AGENTES FINANCIEROS GLOBALES, S.L.	975.000	48,05%

Own shares

As of December 31, 2022, the parent company holds 259,602 shares for an amount of 1,116,288.60 euros, representing 1.06% of the share capital, thus complying with the 10% limit established in the revised text of the Capital Companies Law. 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 of own shares produced in the year 2022 is as follows:

Operation performed	**2022**
Number of shares at the beginning of the year	-
Purchase of own shares	150.000
Delivers shares to the liquidity provider	(69.800)
Delivery of own shares for the purchase of a dependent company	(69.765)
Increase in treasury shares due to the termination of a sales contract (Note 7)	565.544
Delivers own shares to shareholders	(316.377)
Number of shares at year-end	**259.602**

Grants, donations and bequests

During the year 2022, they have granted the Company a subsidy of 600,000 euros per RED.ES, imputing 114,210 euros (25% of the same net of taxes) in net equity. As the milestones are met in the following years, the Company will receive 100% of the subsidy (See note 11). This grant is financing a development project, which will be charged to the profit and loss account annually based on the amortization criterion of the associated asset when the project ends in 2024.

NOTE 11. – FISCAL SITUATION

The balances with general government at 31 December are as follows:

SUBSTRATE AI, S.A.

	31.12.2022		**31.12.2021**	
(Euros)	**Not current**	**Stream**	**Not current**	**Stream**
Deferred tax assets	759.158,71	-	120.990,56	-
Current tax assets	-	-	-	-
Other credits with Public Administrations	-	658.297,97	-	86.193,84
Total	**759.158,71**	**658.297,97**	**120.990,56**	**86.193,84**

Deferred tax liabilities	38.070,00	-	-	-
Current tax liabilities	-	-	-	-
Other debts with the Public Administrations	-	219.117,94	-	40.977,22
Total	**38.070,00**	**219.117,94**	**-**	**40.977,22**

The balance reflected as "other credits with the Public Administrations" of current assets corresponds mainly to the concept of VAT and a subsidy that the Company had pending collection as of December 31, 2022.

The balance reflected as "other debts with the Public Administrations" of the 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 tax base of the income tax is as follows:

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAX BASE OF THE INCOME TAX			
	31.12.2022		
	Profit and loss accounts		
	Increases	**Decrease**	**Net effect**
Pre-tax income and expenditure balances for the year			(13.567.994,01)
Permanent differences	9.132.389,80	-	9.132.389,80
Temporary differences			
Originating in exercise	2.552.672,21	-	2.552.672,21
Offsetting of negative tax bases from previous years	-	-	-
Tax base (tax result)			(1.882.932,00)

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAX BASE OF THE INCOME TAX			
	31.12.2021		
	Profit and loss accounts		
	Increases	**Decrease**	**Net effect**
Pre-tax income and expenditure balances for the year			42.198,01
Permanent differences	500,00	-	500,00
Temporary differences			
Originating in exercise	108.863,54	-	108.863,54
Offsetting of negative tax bases from previous years	-	-	-
Tax base (tax result)			151.561,55

The increases for temporary differences are primarily due to the impairment of goodwill described in note 7.

The increases for permanent differences are due to impairment losses on interests in group companies described in note 6.

The negative tax bases generated by the Company in 2022, by a criterion of prudence, have not been capitalized, as it is considered that the conditions for this are not met.

According to the legal provisions in force, 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 elapsed. The Company has opened for inspection the last four years for all taxes that are applicable to it. In the opinion of the Company's Directors, as well as their tax advisors, there are no tax contingencies of significant amounts that could arise, in the event of inspection, from possible different interpretations of the tax regulations applicable to the operations carried out by the Company.

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**	**31.12.2022**
Tax base	2.552.672,21	151.561,55
Lien Type	25%	25%
Quota	638.168,05	37.890,39
Offsetting negative tax bases	-	5.085,31
Deductions or incentives for activities	-	(175,00)
Withholdings and deposits on account	-	-
Total	**638.168,05**	**42.800,70**

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	-	638.168,05	638.168,05
Right of deduction	175,00	-	175,00
Claims for losses to be set off	120.815,66	-	120.815,66
Total	**120.990,66**	**638.168,05**	**759.158,71**
Deferred tax liabilities			
Temporary differences (grants)	-	38.070,00	38.070,00
Total	**-**	**38.070,00**	**38.070,00**

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

NOTE 12. FOREIGN CURRENCY

At the end of 2022, the Company had expenses in foreign currency of 20,332.26 dollars equivalent to 20,150.95 euros. As of December 31, 2021, the amount is 6,874.33 dollars, equivalent to 6,249.39 euros. As of December 31, 2022, the credit balances in foreign currency are for an amount of 15,000.00 dollars equivalent to 14,851.48 euros. The total sales in foreign currency made by the Company in 2022 amount to 23,076.64 dollars, equivalent to 22,848.16 euros. As of December 31, 2021, the total sales in foreign currency made by the Company amounted to 4,140.10 dollars, equivalent to 3,418.58 euros.

Positive exchange differences have been recognized in the result of the 2022 financial year, amounting to 460.81 euros (in 2021 the differences were negative amounting to 1,765.52 euros).

NOTE 13. – TRANSACTIONS WITH RELATED PARTIES

	BALANCES					
Related party	**Customers and debtors**		**Financial Investments**		**Credits made**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
KAU MARKETS EAF,S.L. (Related Party)	-	-	-	-	-	-
KAU SITUACIONES ESPECIALES, S.L. (Other related party)	-	50.034,82	-	-	79.934,82	-
SUBSTRATE AL SPAIN, S.L. (Related party)	242.000,00	-	-	-	645.155,21	730.074,80
VALUE ZONE FOUNDATION (Related party)	-	-	-	-	-	-
AIREN AI FOR RENEWVABLE ENERGY, S.L. (Related party)	1.607,10	23.387,10	-	-	323.731,31	136.863,18
SUBSTRATE AI USA INC (Related Party)	11.083,30	11.083,30	-	-	457.385,18	199.381,38
BOALVET AI, SL (Related party)	24.200,00	-	-	-	215.846,64	9.687,12
SUBSTRATE EUROPE UNIPESSOAL. (Other related party)	-	-	-	-	-	69.989,93
CUARTA DIMENSIÓN MÉDICA S.L.	48.400,00	-	-	-	-	-
ZONA VALUE GLOBAL, S.L.	84.700,00	-	-	-	-	-
OTHER RELATED PARTIES	26.504,00	11.000,00	-	-	817,88	
	438.494,40	**95.505,22**	**-**	**-**	**1.722.871,04**	**1.145.996,41**

	BALANCES			
Related party	**Suppliers and Creditors**		**Credits received**	
	2022	**2021**	**2022**	**2021**
KAU MARKETS EAF,S.L. (Related Party)	16.117,35	16.117,35	120.527,78	-
SUBSTRATE AL SPAIN, S.L. (Related party)	30.749,78	-	382.190,50	-
AI SAIVERS LLC (Related Party)	151.630,00	-	19.720,88	19.394,94
BOALVET AI, S.L.	122.341,89	-	-	-
CUARTA DIMENSIÓN MÉDICA S.L.	-	-	403.165,25	-
TOTAL	**316.434,74**	**16.117,35**	**925.604,41**	**19.394,94**

	Services received	**Services provided**	**Fixed Asset Purchases**

Related party	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
KAU MARKETS EAF,S.L. (Related Party)	-	-	-	-	-	-
CUARTA DIMENSIÓN MÉDICA, S.L.	-	-	40.000,00	-	-	-
SUBSTRATE AL SPAIN, S.L. (Related party)	25.413,08	-	200.000,00	20.190,00	-	120.000,00
AIREN AI FOR RENEWVABLE ENERGY, S.L. (Related party)	-	-	-	20.062,89	-	-
ZONA VALUE GLOBAL, S.L.	-	-	70.000,00	-	-	-
AI SAIVERS LLC (Related Party)	151.630,00	-	-	-	-	-
SUBSTRATE EUROPE UNIPESSOAL (Other related party)	-	-	-	60.000,00	-	-
BOALVET AI, SL (Related party)	101.109,00	-	20.000,00	-	-	-
TOTAL	**277.152,08**	-	**330.000,00**	**100.252,89**	**13.120,12**	**133.320,12**

Administrators and senior management

The remuneration accrued by the members of the Board of Directors and senior management of the 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	209.409,72	97.473,60
Option Plans	80.000,00	-
Contributions to pension plans	-	-
Total	**991.294,10**	**248.278,72**

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

The Company maintains an active incentive plan for workers and investors approved by the meeting of March 14, 2022 that, in any case, does not exceed 4% of the company's capital, a limit imposed by the aforementioned shareholders' meeting. The incentive plan accrued as of December 31, 2022 amounts to 260,000 euros, which will be effective before March 31, 2023 with the formula of delivery of 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 Management Board, nor were there any obligations assumed on their behalf as a 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 Law, the directors of the Company have communicated that they do not have situations of conflict with the interest of the Company.

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

Note 14. Income and expenditure

Business segments

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

Net turnover

The composition of this heading of the profit and loss account for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
National Business	1.145.285,33	888.289,57
Intra-community business	462.068,83	434.047,91
Export Business	34.676,90	63.783,39
Total	**1.642.031,06**	**1.386.120,87**

The Company 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 the turnover in the profit and loss account related to the margin obtained in said contract.

Staff costs

The composition of this item of the profit and loss account for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
Wages, salaries and the like	(1.605.988,84)	(400.437,42)
Social security at the expense of the company and other social expenses	(230.645,53)	(121.183,55)
Total	**(1.836.634,37)**	**(521.620,97)**

External services

The composition of this item of the profit and loss account for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
Leases and royalties	(95.138,14)	(6.950,00)
Repairs and maintenance	(12.235,72)	(108,79)
Independent Professional Services	(1.636.352,77)	(366.558,87)
Transport	(897,47)	(867,96)
Insurance premiums	(1.805,41)	(249,91)
Bank fees	(14.233,03)	(2.997,60)
Advertising, propaganda and public relations	(253.963,37)	(266.414,75)
Supplies	(11.705,96)	(4.152,19)
Other operating expenses	(530.051,27)	(216.107,16)
Total	**(2.556.383,14)**	**(864.407,23)**

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 of the year 2022, consulting services and other services of independent professionals (lawyers, auditors, etc.).

NOTE 15. – Post-closing events

Since the end of the year, no relevant facts, circumstances and/or information have been revealed or occurred that require amending the Annual Accounts for the year ended December 31, 2022 and/or including additional breakdowns or explanations, except those described below:

- The Company intends to sell to another company in the group (fleebe) the UGE Summon Press for the registered book amount. Fleebe is a company incorporated in 2023. The net turnover of Summon Press amounts to 619,161 euros at the end of the 2022 financial year.

- Up to the date of formulation, 3 additional tranches of the contract signed with ABO (see note 8) worth 500,000 euros each have been executed: 2 in February and 1 in March, all in 2023 and, likewise, 883,928 equity warrants associated with the convertible bonds have been issued.
- The company held an extraordinary meeting on January 30, 2023 and approved the following points:

  ○ Create a new type of non-voting type B shares with a preferential dividend of 0.01 euros.

  ○ Increase the share capital through the credit compensation modality provided for in article 301 of Royal Legislative Decree 1/2010, which approves the Consolidated Text of the Capital Companies Law 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 concordant of the Capital Companies Law, so that it can agree on one or more increases in share capital within a maximum period of five years and for a maximum total amount of the increase or increases that are agreed not exceeding 20% of the share capital at the time of authorization.

  With these approved points, the company reinforces its capital and constitutes new mechanisms to finance itself and facilitate the achievement of its objectives.

- 176,000 euros of the amount withheld in relation to the R+D+I development contract cited in note 7 of the report have been released.

NOTE 16. – Other information

Average number of employees

The average number of workers by category and sex in 2022 and 2021 was as follows:

	AVERAGE WORKFORCE 31.12.2022		
	MEN	**WOMEN**	**TOTAL**
Analyst	-	1	1
Administrative Assistant	1	5	6
Commercial	3	-	3
Draughtsman	1	-	1
Graphic designer	1	-	1
Marketing Manager	-	1	1
Head of Programming	1	-	1
Project Manager	-	1	1
Computer Engineering	1	-	1
Administration Officer	1	6	7
First Officer	1	-	1
Second Officer	-	1	1
Programmers	1	1	2

Project manager	-	1	1
Telephonist	-	2	2
Graduate	1	-	1
TOTAL	**12**	**19**	**31**

	AVERAGE WORKFORCE 31.12.2021		
	MEN	**WOMEN**	**TOTAL**
Analyst	-	-	-
Administrative Assistant	1	6	7
Commercial	5	2	7
Draughtsman	1	-	1
Graphic designer	-	-	-
Marketing Manager	-	-	-
Head of Programming	-	-	-
Project Manager	-	1	1
Computer Engineering	-	-	-
Administration Officer	1	-	1
First Officer	-	1	1
Second Officer	-	1	1
Programmers	1	-	1
Project manager	-	-	-
Telephonist	-	1	1
Graduate	1	-	1
TOTAL	**10**	**12**	**22**

Template at the end of the period

The number of workers by category and sex in 2022 and 2021 was as follows:

	CLOSING STAFF 31.12.2022		
	MEN	**WOMEN**	**TOTAL**
Analyst	-	1	1
Administrative Assistant	1	7	8
Commercial	-	-	-

Draughtsman	1	-	1
Graphic designer	-	-	-
Marketing Manager	-	1	1
Head of Programming	1	-	1
Project Manager	-	1	1
Computer Engineering	1	-	1
Administration Officer	1	7	8
First Officer	-	-	-
Second Officer	-	1	1
Programmers	1	1	2
Project manager	1	-	1
Telephonist	-	-	-
Graduate	1	-	1
TOTAL	**8**	**19**	**27**

	CLOSING STAFF 31.12.2021		
	MEN	**WOMEN**	**TOTAL**
Analyst	1	1	2
Administrative Assistant	1	8	9
Commercial	4	1	5
Draughtsman	1	-	1
Graphic designer	-	-	-
Marketing Manager	-	-	-
Head of Programming	-	-	-
Project Manager	-	1	1
Computer Engineering	-	-	-
Administration Officer	1	-	1
First Officer	-	2	2
Second Officer	-	1	1
Programmers	1	-	1
Project manager	-	-	-
Telephonist	-	1	1
Graduate	1	-	1
TOTAL	**10**	**15**	**25**

As of December 31, 2022, the Company has a person with a disability of more than 33% on its staff (33% as of December 31, 2022).

The auditors' fees for 2022 and 2021 are as follows:

(Euros)	**2022**	**2021**
By company audit services (individual and consolidated)	52.800,00	20.150,00
By audit services dependent companies	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*

NOTE 17. – Information on the environment

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

The Board of Directors of Substrate Artificial Inteligence, S.A., on March 30, 2023, formulates and signs the Annual Accounts for the year 2022. These Annual Accounts correspond to the annual year ended on December 31, 2022, being issued in 45 sheets (including this one), which precede this document, the Secretary of the Board of Directors stamping all the pages and signing in the latter all the members of the Board of Directors:

1. Balance sheet (pages 1 and 2)
2. Profit and Loss Account (page 3)
3. Statement of changes in equity(pages 4 and 5)
4. Statement of Cash Flows (page 6)
5. Annual Report 2022 (pages 7 to 44)
6. Diligence of formulation of Annual Accounts (page 45)

Mr Lorenzo Serratosa Gallardo

Mr Christopher Nicolas Dembik

Mr Jesús Mota Robledo

Mr José Iván García Braulio

Mr Cyrille François Restier

MANAGEMENT REPORT 31.12.2022

1. EVOLUTION OF THE COMPANY (Pending completion)

At the end of 2022, the Company grew revenues by 86%, reaching total revenues of 3,147 thousand euros, in line with the company's growth plans. This growth was mainly driven by the artificial intelligence consultancy we provide to third parties. Additionally, the Company continues with its development plan during the year 2023 of various AI solutions that we will talk about and expand later.

On the other hand, it is worth mentioning the milestone reached by the company in its listing on BME Growth in May 2022, culminating a long and difficult process carried out with the aim of providing the Company with the necessary weapons to successfully navigate the development of the business we have in hand. We want to thank from here all the support received by our advisors in this process and the support also received by BME and all those who have trusted in our project at the moment of market that we have had to live that is especially difficult and complicated.

With all this, the image of the Company's accounts as of December 31, 2022 and 2021 is as follows:

In euros	2022	2021
Total income	3.147.409,37	1.693.071,51
Operating result	-4.251.433,24	30.021,07
Financial result	-9.316.560,77	12.176,94
Results before taxes	-13.567.994,01	42.198,01
Results of the year	-12.929.825,96	- 602,69

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

At the end of 2022, Substrate AI recorded an impairment of 8,809 thousand euros in the Company's holdings in its different subsidiaries. If the Company continues to comply with its strategic plan, this deterioration in the coming years can be reversed in its entirety.

In addition, the company recorded in the first half of the year an impairment of 2,210 thousand euros of 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 generated damage to the value of goodwill.

These two impairments may or may not have been recorded and only the extreme prudence driven by the fall in stock market value and by the breach of the contract signed with the sellers of Summon, have led us to register them guided by our auditors and the, sometimes, incomprehensible accounting rules.

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 comply with the medium-term plan, make Substrate AI a benchmark in the world of artificial intelligence. A new world that is expected to grow in environments of 30% per year by 2030 and that promises to become, and 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 from the Alpha Blue Ocean (ABO) fund 1,300,000 euros in three provisions in August, October and December, provisions that have been sufficient to finance the cash needs of the year. And we have made available during the month of February and March 2023 an additional 1,500,000 euros. We therefore have the capacity to continue to have this line of financing of 20,000,000 euros 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 the SVB.

2. SIGNIFICANT EVENTS FOR THE COMPANY AFTER THE END OF THE FINANCIAL YEAR

Since the end of the year, no relevant facts, circumstances and/or information have been revealed or occurred that require amending the Annual Accounts for the year ended December 31, 2022 and/or including additional breakdowns or explanations, except those described below:

- The Company intends to sell to another company in the group (fleebe) the UGE Summon Press for the registered book amount. Fleebe is a company incorporated in 2023. The net turnover of Summon Press amounts to 619,161 euros at the end of the 2022 financial year.

- Up to the date of formulation, 3 additional tranches of the contract signed with ABO (see note 8) worth 500,000 euros each have been executed: 2 in February and 1 in March, all in 2023 and, likewise, 883,928 equity warrants associated with the convertible bonds have been issued.
- The company held an extraordinary meeting on January 30, 2023 and approved the following points:

  ○ Create a new type of non-voting type B shares with a preferential dividend of 0.01 euros.

  ○ Increase the share capital through the credit compensation modality provided for in article 301 of Royal Legislative Decree 1/2010, which approves the Consolidated Text of the Capital Companies Law 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 concordant of the Capital Companies Law, so that it can agree on one or more increases in share capital within a maximum period of five years and for a maximum total amount of the increase or increases that are agreed not exceeding 20% of the share capital at the time of authorization.

  With these approved points, the company reinforces its capital and constitutes new mechanisms to finance itself and facilitate the achievement of its objectives.

- 176,000 euros of the amount withheld in relation to the R+D+I development contract cited in note 7 of the report have been released.

3. RESEARCH AND DEVELOPMENT

- The Society has developed for a third party an R+D project called Cannai that aims to create an AI system capable of helping medical cannabis farmers improve the quality and quantity of their crops. It is expected to put this system on sale in the US together with Ornavera throughout 2023 boosting our Agritech vertical.

- The Company has received from RED.ES a grant for the development and implementation of its energy saving system in hotels. The project will be developed in the Poseidon hotel chain in Alicante and is estimated to end in 2024.

- The Society is working on two new R+D projects planned for 2023:

1. The first of these called "the farm of the future" is related to our AI dairy farm management system (MAP) and aims to answer the question of what the farm of the future should look like: fully digitized and automated and focused on drug reduction and animal welfare.
2. The second has to do with AI imaging and aims to apply our technology to animal disease imaging.

4. OWN ACTIONS

- As of December 3, 2022, the Company's own shares amounted to 259,602 shares, representing 1.06% of the share capital. As of December 31, 2021, there was no treasury stock.

5. RISKS AND UNCERTAINTIES

- Credit risk: Credit risk represents the losses that the Company would suffer in the event that a counterparty defaulted on its contractual payment obligations to it. This risk is reduced, due to the method of collection required of its customers.
- Liquidity risk: The liquidity risk in the Company's financial assets would exist in the event that the Company invests in small-cap securities or in financial markets with a small size and limited trading volume, with which investments could be deprived of liquidity. Management regularly monitors the Company's liquidity forecasts based on expected cash flows. The Company is seeking alternative ways to obtain additional sources of funding if necessary (see note 8.1).
- Market risk: Market risk represents the Company'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 the debts and the interest rates of the Company's indebtedness are low, the interest rate risk is minimal.
    - Foreign exchange risk: the Company at closing has no significant financial assets or liabilities in currencies other than the euro, so it is not exposed to risk from exchange rate fluctuations.
    - Share price risk or stock indices: The investment in equity instruments implies that the profitability of the Company could be affected by the volatility of the markets in which it could be invested. As the Company 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

Mr Cyrille François Restier

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND DEPENDENT COMPANIES

Consolidated financial statements for

Annual year ended December 31, 2022

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Consolidated financial statements

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND DEPENDENT COMPANIES

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

ACTIVE	Notes	31/12/2022	31/12/2021 (reexpresed)
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 and buildings		4.308,51	5.408,55
Technical installations and other property, plant and equipment		128.708,13	94.256,68
Fixed assets in progress and advances		8.270,14	17.233,50
Long-term investments in group and associated companies		**30.000,00**	**30.000,00**
Heritage instruments	10.1	30.000,00	30.000,00
Long-term financial investments	**10.1**	**221.468,72**	**954.346,39**
Heritage instruments		-	800.000,00
Credits to third parties		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 receivables		**1.266.184,62**	**638.118,90**
Customers for sales and provision of services	10.1	483.168,23	247.652,28
Sundry debtors	10.1	6.162,72	5.207,41
Personal	10.1	500,00	3.707,52
Current tax assets	13	-	15.752,90
Other credits with Public Administrations	13	776.353,67	365.798,79
Short-term investments in group and associated companies 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
Periodificaciones		**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 DEPENDENT COMPANIES

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

LIABILITIES AND EQUITY	Notes	31/12/2022	31/12/2021 (reexpresed)
EQUITY		**17.587.124,55**	**26.632.474,89**
OWN FUNDS	**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
Share premium		**34.548.123,83**	**26.655.923,20**
Reserves		**(1.352. 337,53)**	**33.119,28**
Legal and statutory		600,00	600,00
Other bookings		(1.352. 937,53)	32.519,28
Own shares and participations of the parent company		**(1.116. 288,60)**	**6.000,00**
Results of previous years		**(1.643.405,05)**	**(472.604,78)**
Other heritage instruments		**350.668,00**	**-**
Profit for the year attributed 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
Leasing creditors		3.795,71	-
Other financial liabilities		1.198.151,74	4.840.555,00
Short-term debts with group companies and associates		**-**	**1.585,73**
Trade creditors and other accounts payable		**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
Sundry creditors	10.2	79.592,90	33.640,84
Staff (unpaid remuneration)	10.2	49.368,12	(286,63)
Current tax liability	13	29.010,36	234,98
Other debts with 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 DEPENDENT COMPANIES

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

PROFIT AND LOSS ACCOUNT	Notes	31/12/2022	31/12/2021 (reexpresed)
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 current management revenue		6.784,62	26.985,37
Operating subsidies incorporated in profit or loss for the financial year		79.279,07	-
Staff costs	**14**	**(3.202.183,96)**	**(1.374.310,23)**
Wages, salaries and similar		(2.770.130,23)	(1.145.923,63)
Social charges		(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)
Taxes		(19.412,70)	(21.602,61)
Losses, impairment 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 subsidies for non-financial fixed assets and others		**42.502,68**	**5.612,00**
Impairment and profit from 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**	**-**
Transferable securities and other financial instruments		900,62	-
Financial expenses	**10.2**	**(138.400,36)**	**(6.206,44)**
For debts with third parties		(138.400,36)	(6.206,44)
Change in fair value in financial instruments		**(3.145,09)**	**106.739,98**
Trading book and others		(3.145,09)	106.739,98
Exchange differences	**12**	**(1.070,46)**	**(7.323,91)**
Impairment and profit 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)**
Result attributed to the parent company	**11**	**(15.950.454,93)**	**(1.777.571,39)**
Profit attributed to external partners	**6**	**11.170,58**	**(20.809,47)**

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND DEPENDENT COMPANIES

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

A)Consolidated statement of recognised income and expenditure for the year ended 31 December 2022 and 2021

	Notes	31/12/2022	31/12/2021 (reexpresed)
Profit and loss account 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 directly charged 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 revenue and expenditure attributed 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 DEPENDENT COMPANIES

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

B)Total statement of changes in consolidated equity for the year
Ended December 31, 2022 and 2021

	Deeded capital	Share premium	Reserves	Own shares and participations	Other heritage instruments	Results of previous years	Result of the financial year attributed to the parent company	Grants, donations and legacies 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 income and expenses recognized	-	-	-	-	-	-	(607.373,81)	178.841,25	-	(428.532,56)
Capital increases (Note 11)	-	-	-	-	-	-	-	-	-	-
Other changes in net worth	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
Final balance for the year 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, start of 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 income and expenses recognized	-	-	-	-	-	-	(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 net worth	-	-	(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 operations (Note 16)	-	-	-	-	260.000,00	-	-	-	-	260.000,00
Transactions in own shares (net) (Note 11)	-	-	(470.444,55)	(1. 122.288,60)	-	-	-	-	-	(1.592.733,15)
Other movements	-	-	(203.327,14)	-	-	-	-	(44.710,29)	-	(248.037,43)
Final balance of the year 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 DEPENDENT COMPANIES

Consolidated Statement of Cash Flows for the Year Ended December 31, 2022 and 2021 (Expressed in euro)

	Notes	31/12/2022	31/12/2021 (reexpresed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		**(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
Impairment valuation adjustments	5 and 7	11.534.072,01	-
Change in provisions		217.600,00	-
Allocation of subsidies		(42.502,68)	(5.612,00)
Results for disposals and disposals of fixed assets		115.319,73	-
Results from deregistrations 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)
Receivables and other receivables (*)		(355.474,15)	(680.612,06)
Other current assets		-	(1.000,00)
Creditors 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)
Collections of Interest		900,62	-
Cash flows from operating activities		**(2.625.627,93)**	**(938.319,75)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments for investments		**(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)
Charges for divestments		**-**	**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 by 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 with group and associated companies	-	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 equivalent at year-end	1.623.428,93	267.711,14

(*) Considering the effect of the integration of the stake acquired in 2022 described in Note 5 of the accompanying consolidated report

Madrid, 30 March 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND DEPENDENT COMPANIES Consolidated report for the financial year Ended December 31, 2022

Note 1. <u>Group constitution and activity</u>

1.1 Activity.

Substrate Artificial Inteligence, S.A., hereinafter "Sociedad Dominante", was incorporated as a limited company, for an indefinite period of time on December 9, 2010, with the name "Kau Finanzas, S.L.", being 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 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 has changed its corporate name to Substrate Artificial Inteligence, S.A.

In May 2022, the parent Company was listed in the BME Growth trading segment of 100% of the Company's shares. This incorporation 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 as their corporate purpose:

- The provision of services of the Information Society 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 culture and instruments that allow interpreting such information through the learning modality called e-learning.

- Acquisition, holding and administration management of securities shares

- Acquisition, possession, marketing, leasing and operation of all types of rural or urban properties -

  Preparation of investment reports and financial analysis.

- Financial mediation services.

- Computer programming activities, Design of structures and content, writing 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, resonances 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 that allows it to address the problems faced by companies in the digitalization and rationalization 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 operational scope 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 prepare the consolidated annual accounts of the Group, in order to present a true and fair view of the financial situation and results of the same and comply with the requirement established by BME Growth.

Note2. Basis for presentation of consolidated financial statements and principles of consolidation

a) True and fair view 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 consolidation perimeter 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 formulation of consolidated accounts, approved by Royal Decree 1159/2010, of 17 September, amended by Royal Decree 602/2016 of 2 December.

c) General Accounting Plan approved by Royal Decree 1514/2007 together with Royal Decree 1159/2010 amending certain aspects of the PGC, modified 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 Accounting Plan.

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

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

The attached consolidated annual accounts have been prepared by the Board of Directors of the parent company and will be submitted for approval by the General Meeting of Shareholders, it being 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 those summarized in Note 3 of the consolidated financial statements. All mandatory accounting principles affecting 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 value 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 goodwill from consolidation and other intangibles (see Notes 5 and 7).

The management body 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 may require 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 by the activity carried out by the Group, differences between projected and actual results could be evident.

Test impairment of consolidation goodwill and other intangible fixed assets

The Directors of the Parent Company, in order to carry out the corresponding impairment test of 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 material future 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 the year 2027. For the purpose of calculating the impairment test, it is considered a terminal value with a discount rate and growth in perpetuity as indicated in notes 5 and 7.
- 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 of its future evolution.
- They include expectations of obtaining new contracts with clients in a reasonable period of time (2 years).
- They include increases in average selling prices.
- Average EBITDA is considered based on estimates and comparables, as there is no historical information for a portion of revenue.

Going concern principle

The directors of the parent company have prepared these consolidated annual accounts, assuming the continuity of the Group's activity, stating that its results are negative as of December 31, 2022, as well as the 2023 budgets, characteristic values 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 prepared by the Group until 2027 is based on the effective application of the artificial intelligence systems developed by the Group.

Based on the above, together with the new financing available described in note 17, the Directors of the parent company have prepared the consolidated annual accounts under the going concern principle.

d) Comparison of information

In accordance with commercial legislation, for comparative 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.

In relation 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 annual accounts of the year 2021. Based on the above, an amortization 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 31 December 2021 are as follows:

(expressed in euro)	**Substrate Group CCAA formulated 2021**	**Substrate Group CCAA reexpresed 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)**
Own funds	27.644.040,69	26.473.843,11	(1.170.197,58)
Profit for the year attributed 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 euro)	**Substrate Group CCAA formulated 2021**	**Substrate Group CCAA reexpresed 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 for the year attributed to the parent company	(607.373,81)	(1.777.571,39)	(1.170.197,58)

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

f) Consolidation perimeter

When preparing the consolidated financial statements, the Group has aggregated the annual accounts of the parent company and its subsidiaries, adding 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 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, leasing and operation of all types of rural or urban properties

- Registered office: Calle Colón, 4-5 Bº, 46004 Valencia (Spain)
- Percentage of effective participation in Parent Company: 100%
- Integration Method: Global Integration
- Unaudited
- Financial information:

(expressed in euro)	Total Assets	Total own funds	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 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: Calle Colón, 4-5 Bº, 46004 Valencia (Spain)
  - Percentage of effective participation in Parent Company: 100%
  - Integration Method: Global Integration
  - Unaudited
  - Financial information:

(expressed in euro)	Total Assets	Total own funds	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 furniture for the realization of the corporate purpose
  - Registered office: Calle Colón, 4-5 Bº, 46004 Valencia (Spain)
  - Percentage of effective participation in Parent Company: 100%
  - Integration Method: Global Integration
  - Company regulated by the CNMV

- Auditada por Capital Auditors and Consultants, S.L. (en 2022 y 2021)
- Financial information:

(expressed in euro)	Total Assets	Total own funds	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 writing the computer code necessary to create and implement programs for systems, and computer applications
  - Registered office: Calle Colón, 4-5 Bº, 46004 Valencia (Spain) ○ Percentage of effective participation in Parent Company: 90% ○ Integration Method: Global Integration ○ Unaudited
  - Financial information:

(expressed in euro)	Total Assets	Total own funds	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 writing the computer code necessary to create and implement programs for systems, and computer applications
  - Registered office: Calle de la plazuela 43, 41370 Sevilla (Spain) ○ Percentage of effective participation in Parent Company: 90% ○ Integration Method: Global Integration ○ Unaudited
  - Financial information:

(expressed in euro)	Total Assets	Total own funds	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
  - Carry out any other lawful activity in connection with, or incidental to, the foregoing.
  - ○ Registered Office: Gunsmoke Dr.Bailey, Colorado, 80421, USA. ○ Percentage of effective participation in Parent Company: 100% ○ Integration Method: Global Integration ○ Unaudited
  - ○ Financial information:

(expressed in euro)	Total Assets	Total own funds	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 ○

Domicilio social: SW 6th Terrace, Miami, FL 33130, EE. UU. ○

Percentage of effective participation in Parent Company: 100% ○

Integration Method: Global Integration ○ Unaudited

  - ○ Financial information:

(expressed in euro)	Total Assets	Total own funds	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, resonances and computed tomography).
  - ○ Registered office: Calle Baronessa Santa Bárbara, 28, 46740 Carcaixent, Valencia (Spain) ○ Percentage of effective participation in Parent Company: 70% ○ Integration Method: Global Integration
  - ○ Auditada by Ernst & Young, S.L. in 2022 (not audited in 2021)
  - ○ Financial information:

(expressed in euro)	Total Assets	Total own funds	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. Homogenisation of items in the individual accounts of the companies included in the consolidation perimeter

The annual exercise of all the companies of the group includes from January 1, 2022 to December 31, 2022, therefore, there is temporal homogeneity and a homogenization has been made in the accounting principles and standards applied. No adjustment or elimination should be applied for its homogenisation, except for 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 andtherefore reciprocal credits and debits, loans of non-commercial credits, development and disposals of fixed assets.

These transactions have been eliminated from the consolidated income statement and the consolidated balance sheet by the amount thereof.

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

3.3. Intangible assets

Computer applications

Purchased software licences are capitalised 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 recognised 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 separately recognised following a business combination.

Goodwill is amortized over a 10-year period, ending 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 the 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 synergies arising from business combinations. CGUs represent the smallest identifiable groups of assets that generate cash flows in favour of the Group and which, for the most part, are independent of the flows generated by other assets or other groups of assets of the Group.

Each CGU or CGUs to which goodwill is allocated:

- It represents the lowest level at which the entity internally manages goodwill.
- It is not larger than a business segment.

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

The recoverable amount of a CSU is equal to the greater of fair value less costs to sell and its value in use. Value in use is calculated as the discounted value of the cash flow projections estimated by the unit's management and is based on the latest available budgets for the coming 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 an CSU exceeds its recoverable amount, the Group recognises an impairment loss; that it is distributed by reducing, first, the carrying amount of goodwill attributed to that unit and, second, and if there are losses to be imputed, by reducing the carrying amount of the remaining assets; allocating the remaining loss in proportion to the carrying amount of each of the assets existing in said CGU. In the event that it had been decided to measure the minority interests 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 development (or from the development phase in an internal project) is recognised 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 available for use or sale.

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

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

(d) How 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, if it is to be used internally, the utility of the asset to 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 disbursement 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 the preparation of the asset for its intended use.

Industrial property

Industrial property rights are valued at their purchase price or production cost. The capitalized development expenses will be accounted for in this concept when the corresponding patent or similar is obtained, including the cost of registration and formalization of industrial property, without prejudice to the amounts that could also be accounted for by reason of acquisition of the corresponding rights from third parties. These include, inter alia, patents for inventions, 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 on 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 may include: administrative concessions, commercial rights, intellectual property or licences.

Subsequent assessment

After its initial recognition, an intangible asset is accounted for at cost less accumulated depreciation and the accumulated amount of impairment losses (see note 3.5).

The Group amortizes its intangible fixed assets using the straight-line method to allocate the difference between cost and its residual values over 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, which are entirely for own use, are recognised at cost less depreciation and corresponding accumulated impairment losses, except for land that is presented net of impairment losses.

The historical cost includes expenses directly attributable to the acquisition of items, as well as any other costs directly related to the commissioning of the asset for its intended use. In the case of components included as technical installations, which require their replacement in a period of time different from that of the main good, they are recorded and depreciated separately according to their specific useful life. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as applicable, 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. All other expenses for repairs and maintenance are charged to the income statement during the period in which it is incurred.

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

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

3.5. Impairment

At the end of each financial year, the Group analyzes whether there are indications of impairment of its assets or cashgenerating units to which goodwill or other intangible assets have been assigned and, if it has verified them through the so-called "impairment test" the possible existence of losses in value that reduce the recoverable value of said assets to an amount lower than their value in 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, reduced by the costs of sale, and the value in use, understood as the present value of the estimated future cash flows. For the calculation of value in use, the assumptions used include discount rates, growth rates and expected changes in sales prices and costs. The Directors of the companies estimate the 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.

Likewise, 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 under "Property, plant and equipment" or "Intangible fixed assets", in each case, the consolidated balance sheet.

Impairment losses recognized on an asset in prior periods are reversed, except for goodwill, when there is a change in estimates of its recoverable amount, increasing the value of the asset by limiting the carrying amount of the asset had it not been written down.

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

3.6. Operating Leases

In operating leasing transactions, ownership of the leased property and substantially all risks and rewards accruing to the property remain with the lessor.

In operating lease contracts, income and expenses will be considered as income and expense of the year in which they accrue, being charged to the profit and loss account. Collections or advance payments for the lease 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 costs of the lease are charged linearly 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 is included in this category, even when admitted to trading on an organised market, if the enterprise maintains the investment for the purpose of collecting cash flows arising from the performance of the contract, and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are only principal and interest charges on the amount of outstanding principal.

In general, this category includes credits for commercial operations and credits for non-commercial operations:

a) Credits for commercial operations: are those financial assets that originate in the sale of goods and the provision of services for traffic operations of the company with deferred collection, and

b) Credits for non-commercial operations: are those financial assets that, not being equity instruments or derivatives, have no commercial origin and whose collections 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 fair value, which, unless otherwise evidenced, shall be the transaction price, which shall be equal to the fair value of the consideration delivered, plus any transaction costs directly attributable to them.

However, claims for commercial transactions with a maturity not exceeding one year and which do not have an explicit contractual interest rate, as well as claims on staff, dividends receivable and required disbursements 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 discounting cash flows is not material.

Subsequent valuation: Financial assets included in this category will be measured at amortised cost. Interest earned shall be entered in the profit and loss account using the effective interest rate method.

However, claims with a maturity not exceeding 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 deteriorated.

Impairment

At least at the end of the financial year, the necessary valuation adjustments shall 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 been impaired as a result of one or more events occurring after its initial recognition and resulting in 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 arising from the enforcement of collateral and personal collateral, which they are estimated to generate, discounted at the effective interest rate calculated at the time of their initial recognition. For variable-rate financial assets, the effective interest rate corresponding to the date of closure of the annual accounts shall be used in accordance with the contractual conditions. Models based on statistical formulas or methods may be used in the calculation of impairment losses for a group of financial assets.

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

However, as a substitute for the present value of future cash flows, the market value of the instrument can be used, provided that it is sufficiently reliable to be considered representative of the value that the enterprise could recover.

2.Financial assets at cost.

Investments in the assets of group, multi-group and associated companies shall initially be measured at cost, which shall be equal to the fair value of the consideration plus the transaction costs directly attributable to them. They shall then be valued at cost, reduced, where appropriate, by the cumulative amount of impairment valuation 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 investments, the estimate of the impairment of this asset class takes into account the equity of the investee entity, adjusted for tacit capital gains existing at the valuation date. Valuation adjustments for impairment and, where applicable, their reversal, are recorded as an expense or 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

Under this heading are cash in cash and banks, demand deposits and other short-term investments of high liquidity that are quickly realizable in cash and that do not have risks of change of 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 with changes in the profit and loss account. In general, debits for commercial operations and debits for non-commercial operations are included in this category.

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

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

Financial liabilities included in this category shall initially be measured at fair value, which, unless otherwise evidenced, 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 not exceeding 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. Interest earned shall be entered in the profit and loss account using the effective interest rate method.

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

Decommissioning of financial assets and liabilities

The Group deregisters 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 a financial asset is written off, the difference between the consideration received net of attributable transaction costs and the carrying amount of the financial asset, plus any accumulated 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 occurs.

The Group writes off a previously recognised financial liability 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 conditions, recognizing the new financial liability that arises; In the same way, there is a substantial modification of the current conditions of a financial liability, as indicated for debt restructurings.

The derecognition 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 written off) and the consideration paid, including attributable transaction costs, and which also includes any assets transferred other than the cash or liabilities assumed, It is recognised in the profit and loss account for the period in which it occurs.

Criteria used in determining revenue or expenditure from different categories of financial instruments:

Interest and dividends on financial assets and liabilities accrued after the time of acquisition have been recognised as income or expenses in the profit and loss account. For the recognition of interests, the method of effective interest has been used. Dividends are recognized when the partner's right to receive them is declared.

3.8. Foreign currency transactions

Transactions carried out in foreign currency are recorded in the functional currency ofeach Group company (generally euros) at the exchange rates in force at the time of the transaction. During the period, differences between the exchange rate recorded and the exchange rate in effect on the date of collection or payment are recorded as financial results in the income statement. The company has not changed in the year the functional currency that is the euro.

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

3.9. Social Capital

Ordinary 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 acquired, and no profit or loss account is recorded on sale or cancellation. Income and expenses derived from transactions in own 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 deduction of any discounts, price reductions or other similar items, and all additional expenses incurred until the goods are located for sale, such as transport, customs duties, insurance and others directly attributable to the acquisition of stock.

Since the Company's inventories do not need a period of time exceeding one year to be in a condition to be sold, no financial expenses are included in the purchase price.

The Group uses weighted average cost for the allocation of 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 comprises the portion relating to current tax expense or income and the portion relating to deferred tax expense or income.

Current tax is the amount that the Group pays as a result of income tax assessments relating to a period. Tax deductions and other tax advantages in the amount of tax, excluding withholdings and payments on account, as well as compensable tax losses from previous years and actually applied in this one, give rise to a lower amount of current tax.

Deferred tax income or expense corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that 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 negative tax bases pending set-off and credits for tax deductions not applied for tax purposes. These amounts are recorded by applying to the temporary difference or credit that corresponds to the rate of tax 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 tax result or accounting result and is not a business combination.

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

Likewise, at the consolidated level, the 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 recognised unless, in the case of taxable differences, the investor can control the timing of reversal of the difference and in the case of deductible differences, if the difference is expected to revert in the foreseeable future and the enterprise is likely to have sufficient future tax profits.

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

At each accounting closing, the deferred tax assets recorded are reconsidered, and appropriate corrections are made to the extent that there are doubts about their future recovery. In addition, off-balance-sheet deferred tax assets are valued at each closing and are recognised 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 recognised right to offset current tax assets against current tax liabilities and where deferred tax assets and deferred tax liabilities arise from income tax from the same tax authority, that fall on the same entity or tax subject, or different entities or tax subjects, which 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. Revenue and expenditure

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

For the accounting recording of income, 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 rights and obligations enforceable for them.
b) Identify the obligation or obligations to be fulfilled in the contract, representative of the commitments to transfer goods or provide services to a client.

c) Determine the transaction price, or contract consideration 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 transaction price to the obligations to be fulfilled, which must be made based on the individual sale 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 client 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 revenue derived from a contract when control over the committed goods or services is transferred to the customer (i.e. the obligation(s) to be fulfilled).

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 the full fulfillment of contractual obligations provided that the Group has reliable information to mediate the degree of progress. With regard to income from training courses, being mostly recorded courses, they are recognized at the initial moment regardless of the moment in which they are displayed.

In the case of contractual obligations that are fulfilled at a given time, the revenue derived from their performance is recognised on that date.

Fulfillment 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 develops it.
b) The Group produces or improves an asset that the client controls as the activity develops.
c) The Group prepares a specific asset for the customer without alternative use and the Group has an enforceable right to charge 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 when the client gains control of the asset, the Group considers the following indicators:

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

Assessment

Revenue from the sale of goods and services is measured by the monetary amount or, where applicable, the fair value of the consideration received or expected to be received. The counterparty is the agreed price for the assets to be transferred to the client, minus: the amount of any discount, price rebate 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, income is recorded with the transfer of control and expenses are recorded when they occur, regardless of the date of their collection or payment. In general, the Group 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 client.

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 valuation is carried out in accordance with the provisions of the general accounting rules. Additionally, transfer pricing is adequately supported, so the Board of Directors considers that there are no significant risks in this aspect from which significant liabilities may arise in the future. The Group carries out all its operations with related to market values.

3.14. Grants, donations or legacies received

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

Grants, gifts and legacies of a monetary nature shall be valued at the fair value of the amount awarded.

The imputation to results of subsidies, donations and legacies that have the character of non-refundable will be made according to their purpose.

For the purposes of their entry in the profit and loss account, a distinction must be made between the following types of grants, gifts and legacies:

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

(b) Where they are granted to finance specific expenditure: they shall be charged as revenue in the same financial year in which the expenditure they are financing is accrued.

c) When granted to acquire assets or cancel liabilities, the following cases can be distinguished:

- Intangible fixed assets, tangible assets and real estate investments: they will be imputed as income for the year in proportion to the allocation to the amortization made in that period for the aforementioned items or, where appropriate, when their disposal occurs, valuation adjustment for impairment or deregistration in the balance sheet.
- Inventories that are not obtained as a result of a commercial rappel: they will be imputed as income of the year in which their disposal occurs, valuation adjustment for impairment or deregistration in the balance sheet.
- Financial assets: they will be imputed as income for the year in which they are disposed of, valuation adjustment for impairment or de-balance.
- Cancellation of debts: they will be charged as income for the year in which such cancellation occurs, 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 income for the period in which they are recognised.

3.15. Business combination

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

The cost of the business combination is determined at the date of acquisition 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 satisfaction of certain conditions in exchange for control of the acquired business.

The cost of the business combination excludes any outlays that are not part of the exchange for the acquired business. Acquisition-related costs are known as an expense as they are incurred.

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

Income and 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 annual accounts of consolidated companies or as consolidation goodwill, whether the acquisition has been made in the consolidated financial statements.

External partners

External partners in subsidiaries acquired as of the transition date are recorded on the acquisition date by the percentage of participation in the fair value of identifiable net assets. External shareholders are presented in equity on the consolidated balance sheet separately from equity attributable to the parent company. The share of external partners in profits or losses for the period is also presented separately in the consolidated income statement.

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

The results and income and expenses recognized in equity of subsidiaries are allocated to the equity attributable to the parent company and external partners in proportion to their participation, even if this implies a debit balance of external partners. Agreements between the Group and external partners are recognized as a separate transaction.

3.16. Provisions and contingencies

Liabilities that are undetermined 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 statute, contract or implied or implied obligation), arising as a result of past events, which is considered likely to involve an outflow of resources for liquidation and which is quantifiable.

Provisions are valued at the present value of the best possible estimate of the amount needed to cancel or transfer the obligation to a third party, with adjustments arising from the provision being updated 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 carried out. Provisions are revised at the closing date of each balance sheet and adjusted to reflect the current best estimate of the corresponding liability at any given time.

Compensation to be received from a third party at the time of settlement of provisions is recognised as an asset, without reducing the amount of the provision, provided that there is no doubt that such reimbursement will be received, and without exceeding the amount of the obligation recorded. When there is a legal or contractual link of externalization of the risk, by virtue of which the Group is not obliged to respond to it, the amount of said compensation is deducted from the amount of the provision.

On the other hand, contingent liabilities are those possible obligations, arising as a result of past events, whose materialization is conditional on the occurrence of future events that are not entirely within the control of the Group and those present obligations, arising as a result of past events, for which it is not likely that there will be an outflow of resources for settlement or that cannot be valued with sufficient reliability. These liabilities are not subject to accounting record, detailing them in memory, except when the output of resources is remote.

3.17. Heritage elements of an environmental nature

Expenses related to the activities of decontamination and restoration of contaminated sites, waste disposal and other expenses derived from compliance with environmental legislation are recorded as expenses of 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 in a lasting manner, in which case they are accounted for in the corresponding items under the heading "Property, plant and equipment", being amortized with 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 of their acquisition 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 rendered and the increase in equity are measured at the fair value of the equity instruments transferred, referred to the date of the concession agreement. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognized at the fair value of the latter, referred to the date on which the requirements for recognition are met.

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

Assets and liabilities are presented in the consolidated balance sheet classified 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, realised or liquidated within one year.

Note 4. Consolidation of subsidiaries

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

Note 5. Consolidation Goodwill

Acquisition of Zona Value Global, S.L., Substrate AI Spain, S.L. y Substrate AI USA Inc.

The consolidation goodwill arises from the acquisition of the subsidiaries Zona Value Global, S.L. and Substrate Al Spain, S.L. and Substrate AI USA Inc. for an amount of 23,800,000.00 euros, giving rise to a provisional consolidation goodwill for an amount of 23,483,951.58 euros as a result of the difference between the consideration transferred and the acquired assets 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 conditioned, everything has been considered as a single business combination. There is no variable or contingent price in the amount of such a transaction.

The date of taking control 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 amortization that has been considered the date of acquisition (restating the comparative figures for the year 2021 as indicated in note 2-e) of the attached report), January 1, 2021 was considered the acquisition date.

After the 12-month period to adjust values indicated in the lower point based on the accounting regulations applicable to business combinations, goodwill is as follows as of December 3, 2022:

(Euros)	
Consideration for the acquisition (contribution other than cash – 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 combination cost over 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 significantly from their carrying values.

Acquisition of Kau Market EAF, S.L. y AI Saivers LLC

The companies Kau Market EAF, S.L. and AI Saivers LLC, were acquired at the end of 2021 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 they are operations other than the one described above and have revalued that the value of the net assets acquired is higher than the cost of the transaction, producing an advantageous purchase.

Acquisition of Cuarta Dimensión Médica, S.L.

On February 25, 2022, the parent company has acquired 70% of Cuarto Dimensión Médica, S.L. for an amount of 1,400,000.00 euros, of which 300,000.00 euros have been via non-monetary contribution, delivering shares of the parent company. However, since transactions between that date and 30 April 2022 were not considered significant, for accounting purposes, 30 April 2022 has been considered as the acquisition date. There is no variable or contingent price in 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 significantly from their carrying 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 goodwill recognised to differ significantly.

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

(Euros)	
Consideration for the 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 combination cost over fair value of net assets acquired) (A-B)	1.182.930,01

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

(expressed in euro)	Notes	30.04.2022
Current asset:		
Stock		190.995,99
Trade receivables and other receivables		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 accounts payable		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**

The total sales and profit before taxes contributed to the consolidated from the date of first integration until December 31, 2022 was 1,029,185.77 and 199,277.20 euros, respectively. Throughout the year 2022, the sales and profit before taxes generated by said subsidiary company have been 1,432,426.59 and 255,963.59 euros, respectively.

Based on the above, the movement of the year 2022 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 footnote 2(e).

During the financial year 2022, there has been a progressive deterioration in general economic conditions as a result of persistently high inflation rates over time, which have led to a progressive increase in interest rates, tensions in the supply chain and the increase in energy costs, circumstances in many cases derived from the war in Ukraine, that seems to be prolonged in 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. Dismiss 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 the years 2022 and 2023 based solely on this organic growth as a result of the development of current businesses, having also reevaluated the estimates for the following years.

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

For this reason, the parent company decided to impair the goodwill arising from these corporate operations by 9,324 thousand euros. This decision will reduce by approximately 920 thousand euros the amount of goodwill that needs to be amortized annually and, therefore, will have an impact on a greater 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 have been the following:

Hypothesis	Goodwill from 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 projections	5 years	5 years
Discount rate	12-20%	10-15%
Perpetual growth rate	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 use licenses, i.e. they are ultimately subscription businesses. Some businesses will be developed by the Group and others through the sale of licenses, which facilitates the acquisition of 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 industry-specific risk. This is the benchmark used by management to evaluate operational development and future investment proposals.

Based on these estimates made and considering the assumptions of both economic and financial developments and the forecasts of future cash flows, they would allow the recovery of the resulting net book value of goodwill as of December 31, 2022.

Note 6. External partners

The balance of external partners as of December 31, 2022 and 2021 corresponds to the percentage of real participation of the same that amounts to 10% of the net assets 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
Starting balance	(20.209,47)	-
Business combination effect (footnote 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 attached balance sheet is as follows:

(Euros)	Balance initial	Tickets	Outputs	Balance final
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 fixed assets	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 fixed assets	(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)	Starting balance	Tickets	Outputs	Ending 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 fixed assets	-	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 fixed assets	-	(4.177,59)	-	(4.177,59)
Total amortization	**(23.568,36)**	**(284.855,64)**	**-**	**(308.424,00)**
NET VALUE	**534.403,64**			**7.147.184,17**

There have been no investments outside Spanish territory during the year 2022. During 2022, one of the Group's companies received a RED.ES subsidy relating to intangible fixed assets amounting to €600,000, recording €114,210 in equity, net of tax, 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 2022, acquisitions of intangible fixed assets amounted to €1,622,918.30, of which €1,494,578.71 correspond to work carried out by Group 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 amounting to 5,500,000 and 600,000 euros respectively, with a liability for these acquisitions as of December 31, 2021 of 4,500,000 euros. As of December 31, 2022, the outstanding liability for these acquisitions amounts to €120 thousand, being recorded under the heading "other current liabilities" of the accompanying consolidated balance sheet.

These acquisitions are considered two independent business combinations between them, with the fair value of net assets at the time of acquisition being close to zero, having determined the price of the transaction based on future cash flows that could be generated by customers and web domains that already had these productive units. These goodwill have begun to be amortized since September 30, 2021, at 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 business performance and has decided:

- Recorded an impairment of 2,210 thousand euros in line with the performance of the business acquired from Summon Press.
    - In relation to this impairment, the company Summon press SL has been requested to partially dissolve the legal purchase business carried out in 2021 due to the repeated breach of the agreements reached in the purchase operation and its impact on the Group's goodwill. The amount claimed amounts to €2,210 thousand.

- Not to record any impairment to goodwill arising from the acquisition of the Hexenebel production unit that has successfully passed the impairment test.

The main hypotheses considered when determining the recoverable value have been the following:

Hypothesis	**Hexenebel production unit (intangible of 600,000.00 euros)**	**Production unit Summon Press (intangible of 5,500,000.00 euros)**
Duration of projections	5 years	5 years
Discount rate	8 - 12%	8 - 12%
Perpetual growth rate	0,5 - 2%	0,5 - 2%

According to the estimates made, considering conservative economic and financial evolution assumptions, the forecasts of future cash flows allow the net book value of said 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 the following: **2022**

2022

Title	Case status
METHODS AND APPARATUS TO AUTOMATE THE MANAGEMENT OF MILK PRODUCING LIVESTOCK IN AN INTENSIVE REGIME TO PRODUCE A PERSONALIZED PRODUCT BASED ON THE END USE USING LEARNING	Application prepared and under review.
AUTOMATIC METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE FEED MIXING AND MEDICATION SELECTION THROUGH LEARNING AUTOMATIC TO OPTIMIZE THE REPRODUCTION RATE OF ANIMALS METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE THE MIXTURE OF FEED AND MEDICINE SELECTION THROUGH MACHINE LEARNING TO OPTIMIZE MILK PRODUCTION AND ANIMAL HEALTH	Application prepared and under review.
SYSTEMS AND METHODS TO EFFICIENTLY IMPLEMENT HIERARCHICAL STATES IN MACHINE LEARNING MODELS USING REINFORCEMENT LEARNING	Application prepared and under review.
METHODS FOR AUTOMATICALLY TUNING REINFORCEMENT LEARNING HYPERPARAMETERS USING HYPERPARAMETER MODELS THAT USE THE SHARPE RATIO REWARD SIGNAL TO OPTIMIZE THE AGENT'S RISK-ADJUSTED PERFORMANCES OVER TIME	Application prepared and under review.
METHOD FOR LEARNING THE REPERTOIRE OF THE BEHAVIOR OF THE REINFORCEMENT LEARNING AGENT USING OPTIONS	Application in preparation
APPARATUS AND METHODS FOR A MULTI-MODEL STRATEGY LEARNING AGENT ARCHITECTURE INTEGRATED WITH GUIDED BEHAVIOR FOR THE AFFECTION	Provisionally expired*
METHOD TO PRE-TRAIN THE LEARNING AGENT BY REINFORCEMENT BASED ON TABULAR DATA AND EXAMPLES OF IMPERFECT ACTIONS OF EXPERTS WHEN THE SIMULATED ENVIRONMENT IS NOT AVAILABLE	Application prepared and under review.
METHOD TO CREATE A LEARNING IMAGINATION SYSTEM BY REINFORCEMENT THROUGH SYNTHETIC STATE-ACTION TRANSITIONS AND THEIR ASSOCIATED REWARD SIGNALS AND FACILITATE AGENT PLANNING AND CREATION OF OPTION CANDIDATES	Application in preparation
METHOD TO DETECT AND AUTOMATICALLY ADJUST THE BEHAVIOR OF THE REINFORCEMENT LEARNING AGENT BASED ON A MULTIPLE OBJECTIVE SIGNAL THAT INCLUDES THE VALUE OF THE BIAS SIGNAL	Application in preparation
METHOD FOR EXTRACTING OPTIONS FROM THE DEMONSTRATION EXPERIENCE AND INITIALIZING AGENTS WITH THE LEARNED OPTIONS TO SUPPORT DEMONSTRATION TRANSFER LEARNING	Application in preparation
METHOD TO REDUCE MODEL DATA FOR INCLUSION IN THE DON APPROXIMATOR BY CONSTRUCTING AN ESTIMATE	Application in preparation
STATISTICS OF EMPTY VALUES METHOD TO PRE-TRAIN A LEARNING AGENT BY REINFORCEMENT BASED ON TABULAR DATA AND EXAMPLES OF ACTIONS BY IMPERFEC EXPERTS WHEN A SIMULATED ENVIRONMENT IS NOT AVAILABLE	Application in preparation
APPARATUS AND METHOD FOR MANAGING DATABASES OF MACHINE LEARNING MODELS	Prepared provisional application

*Despite being expired, it is recoverable in the future

Note 8. Property, plant and equipment. The movement in this chapter of the attached balance sheet is as follows:

(Euros)	Initial Balance	Additions	Retreats	Perimeter Variation	Balance final
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 Process Equipment	34.858,09	6.308,78	(1.390,83)	1.114,88	40.890,92
Other fixed assets	3.450,50	-	-	111.420,37	114.870,87
Fixed assets in progress **Total**	17.233,50	-	(8.963,36)	-	8.270,14
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 Process Equipment	(19.213,28)	(6.485,51)	15.230,25	(752,87)	(11.221,41)
Other fixed assets	(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 VALUE	**116.898,73**				**141.286,78**
			-		
			(25.070,86)		

(Euros)	Starting balance	Additions	Retreats	Ending 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 Process Equipment	23.277,46	13.340,49	(1.759,86)	34.858,09
Other fixed assets	566,95	2.883,55	-	3.450,50
Fixed assets in progress	-	17.233,50 17.233,50		
Total cost	**141.782,76**	**45.066,61 161.778,51**		
		(12,83)		
		(19.435,96)		
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 Process Equipment	(13.258,74)	(6.285,47)	330,93	(19.213,28)
Other fixed assets		(566,95) -		
(579,78)				
Total amortization		**(38.957,54) 13.513.72**		**(44.879,78)**
NET VALUE	**102.825,22**			**116.898,73**

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

In 2022, no acquisitions of property, plant and equipment were made between group companies (13,320.12 euros in 2021).

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

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

The companies of the group do not have fully amortized property, plant and equipment as of December 31, 2022 and 2021.

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 amount of leases of the group amounts to € 48,201.19.

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

(euros)	1 year	From 1 to 5 years	+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, being the intention of the company and the lessors to renew said 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 Public Treasury are not included):

(Euros) Tuition	Long-term financial instruments		Short-term financial instruments	
Categories	Heritage instrument	Credits, derivatives and others	Credits, derivatives and others	Total
31.12.2022				
Financial assets at amortized cost	-	221.468,72	504.384,95	725.853,67

		-		
		221.468,72		
Financial assets at cost 30.000,00 -	30.000,00			
Total		**30.000,00 504.384,95**		**755.853,67**
		-		
		154.346,39		
31.12.2021				
Financial assets at amortized cost	-	154.346,39	671.093,72	825.440,11
Financial assets at cost 830.000,00		830.000,00 -		
Total		**830.000,00 671.093,72**		**1.655.440,11**

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

	31.12.2022		31.12.2021	
(Euros)	**Not current**	**Stream**	**Not current**	**Stream**
Loans disbursed	189.985,72	3.000,00	140.024,75	392.973,77
Customers for sales and provision of services	-	483.168,23	-	247.652,28
Sundry debtors	-	6.162,72	-	5.207,41
Personal	-	500,00	-	3.707,52
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 are due in 2024. The credits delivered mature in 2026 in the non-current part.

There are no credits of which their collection is doubted.

The financial assets at cost as of December 31, 2021 correspond to the foundational endowment contributedto the constitution of the Zona Value Foundation for an amount of 30,000 euros and the purchase of 10% of the Company Assistacasa S.L. for an amount of 3,600,000 euros, of which 2,800,000 euros were pending payment as of December 31, 2021, part of which has been offset in the capital increase in 2022 (see Note 11). In 2022, the purchase contract described above has been terminated, generating a loss of 323,160.80 euros, being recorded under the heading "Impairment and result from disposals of financial instruments" of the consolidated income statement as of December 3, 1, 2022. Likewise, this heading records a financial income from the sale of shares to third parties amounting to 330,566.43 euros.

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

10.2 Categories of financial liabilities

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

(Euros)	**Financial instruments**					
Tuition	**Long-term financial instruments**		**Short-term financial instruments**		**TOTAL**	
Categories	**Derivatives others**	**Debts to credit financial institutions**	**Derivatives and others**	**Debts to credit and financial institutions and**	**Derivatives and others**	**Debts to credit 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						
	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**

Financial liabilities at amortised cost

In 2022, the parent company has formalized 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%. This loan is not subject to compliance with financial ratios. The maturity by years is as follows:

(Euros)	**2023**	**2024**	**2025**	**2026**	**2027 and beyond**	**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 2022, the Group has formalized a loan with a participatory financing platform, maturing in 2026 and at an interest rate of 6.60%. Such loan is notsubject to compliance with financial ratios. This loan is recorded under "other financial liabilities" in the consolidated balance sheet.

(Euros)	**2023**	**2024**	**2025**	**2026**	**2027 et seq.**	**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)	**Not current**	**Stream**	**Not current**	**Stream**
Deposits received for capital increases	-	-	-	-
Credits received	1.208.665,70	1.198.151,74	429.964,00	4.642,140,73
Grants received (Note 7)	447.720,00	-	-	200.000,00
Financial leases	-	3.795,71	-	-
Suppliers for purchases and provision of services	-	269.319,82	-	124.127,87
Other sundry creditors	-	79.592,90	-	33.640,84
Personal	-	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 bond contract for bonds that can be converted into shares for a period of one year, of up to 20 million euros, 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 ensure the achievement of the objectives set in the company's business plan whose numbers for 2022 and 2023 were published as a relevant fact in June 2022.

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

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 can be exercised or not by the fund in a period of 3 years. The bonds issued are recorded as debt instruments at amortized cost for 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 bonds. 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 into equity as share capital and issue premium. During the 2022 financial year, three tranches of bonds have been issued for an amount of 500,000 euros, 300,000 euros and 500,000 euros, totaling 1,300,000 euros. At the end of 2022, ABO has converted the first tranche in its entirety by increasing the share capital and the issue premium by 178,922.70 and 321,074.14 euros, respectively. Part of the second tranche has also been converted by increasing the share capital by 65,217.30 euros and the issue premium by 84,782.49 euros (See note 11).

Likewise, during 2022, 612,433 warrants associated with these convertible bonds have been issued with exercise prices between 0.21 and 1.89 euros per share.

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

Financial expenses arising from financial liabilities in the 12-month period ended 3 1 December 2022 amounted to €138,400.36 (€6,206.44 as of 3 December 1, 2021).

There are other non-financial liabilities that are accounted for under the heading "short-term provisions" that refer to the provisions for equipment guarantees associated with Cuarta Dimensión Médica, S.L. In the 12-month period ended December 31, 2022, they amounted to 357,380.84 euros. In 2021 there was no amount since 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 it. This risk is reduced, due to the method of collection required of its customers.

- Liquidity risk: The 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, with which investments could be deprived of liquidity. Management regularly monitors the Group's liquidity forecasts based on expected cash flows. The Group is seeking alternative ways to obtain additional sources of funding if necessary (see note 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 the debts and the interest rates of the group's indebtedness are low, the interest rate risk is minimal.

- Exchange rate risk: the group at closing has no significant financial assets or liabilities in currencies other than the euro, so it is not exposed to risk from exchange rate fluctuations.
- Share price risk or stock market indices: The investment 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 July 5

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

	31.12.2022	31.12.2021
	Days	**Days**
Average period of payment to suppliers	31	11
Ratio of paid trades	30	11
Ratio of outstanding transactions	39	12
	Imports (euros)	**Imports (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 year 2022 in a period lower than the maximum established is 3,316,659.48 euros (87% of the total), corresponding to 98% of the total invoices, amounting 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 €2,40. 510. 228 shares with a nominal value of 0.1 euros 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 nominal value of €0.1 each). All shares are of the same class, grant the same rights and are subject to trading on the BME Growth.

During 2021, 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. Of the capitalization of debts, a large part was from the acquisition described in Note 5. These increases represented a total increase of 2,025,526.80 euros in capital and 25,656,223.20 euros in share premium.

In March 2022, prior to the IPO, the shareholders of the parent company have carried out a capital increase of 177,906.00 euros, with an issue premium of 7,486,344.00 euros, of which 5,004,000.00 euros have been for compensation of credits (see notes 10.1 and 10.2) and the rest, 2,660,250.00 euros of monetary contribution.

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

In relation to the contract with ABO described in note 10. 2 of the attached consolidated report, at the end of 2022, ABO has converted the first tranche in its entirety by increasing the share capital and the issue premium by 178,922.70 and 321,074.14 euros, respectively. Part of the second tranche has also been converted by increasing the share capital by 65,217.30 euros and the issue premium by 84,782.49 euros.

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 holds 259,602shares for an amount of 1,116,288.60 euros, which represents 1.06% of the share capital, thus complying with the 10% limit established in the revised text of the Capital Companies Law. 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 of own shares produced in the year 2022 is as follows:

Operation performed	2022
Number of shares at the beginning of the year	**-**
Purchase of own shares	150.000
Delivers shares to theliquidity provider	(69.800)
Delivery of own shares for the purchase of a dependent company	(69.765)
Increase in treasury shares due to the termination of a purchase agreement (Note 10.1)	565.544
Delivers own shares to shareholders	(316.377)
Number of shares at year-end	**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
Subsidiaries' reserves	(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 in 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)**	**-**

The item Negative results of previous years amounting to 1,643,405.05 euros (negative at 472,604.78 euros as of December 31, 2021), corresponds to the losses attributable to the parent company of previous years.

According to the Consolidated Text of the Capital Companies Law, a figure equal to 10% of the profit of 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 indicated limit, may only be used for the compensation of losses in the event that there are no other reserves available sufficient 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 attributed 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 footnote 2(e).

Note 12. Foreign currency

At the end of 2022, 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 dollars, equivalent to 165,788.81 euros. As of December 31, 2022, the credit balances in foreign currency are in the amount of 20,481.05dollars equivalent to 20,278.27 euros. The total sales in foreign currency made by the Group in 2022 amount to 23,076.64 dollars, equivalent to 22,848.16 euros. As of December 31, 2021, the total sales in foreign currency made by the Group amounted to 4,140.10 dollars, equivalent to 3,418.58 euros.

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

Note 13. Tax situation

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

	31.12.2022		31.12.2021	
(Euros)	Not current	Stream	Not current	Stream
Deferred tax assets	916.364,93	-	301.990,61	-
Current tax assets	-	-	-	15.752,90
Other credits with 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 with the Public Administrations	-	344.427,09	-	115.093,38
Total	**75.092,18**	**373.437,45**	**-**	**115.328,36**

The balance reflected as "other credits with general government" 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 with the Public Administrations" of the 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 tax base of the income tax is as follows:

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAX BASE OF THE INCOME TAX			
	31.12.2022		
	Profit and loss accounts		
	Increases	**Decrease**	**Net effect**
Pre-tax income and expenditure balances for the year			(16.500.922,30)
Permanent differences	9.152.522,70	-	9.152.522,70
Temporary differences			
Originating in exercise	2.560.556,23	-	2.560.556,23
Offsetting of negative tax bases from previous years	-	98.632,60	(98.632,60)
Tax base (tax result)			(4.886.475,97)

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAX BASE OF THE INCOME TAX			
	31.12.2021 (*)		
	Profit and loss accounts		
	Increases	**Decrease**	**Net effect**
Pre-tax period income and expense balances			(1.889.084,16)
Permanent differences	1.171.402,07	-	1.171.402,07
Temporary differences			
Originating in exercise	108.863,54	-	108.863,54
Offsetting of negative tax bases from previous years	-	50.681,99	(50.681,99)
Tax base (tax result)			(659.500,54)

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

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

The temporary differences relate primarily to the impairment of goodwill of Summon Press 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
Tax base (*)	(2.339.888,51)	(608.818,55)
Lien Type	25%	25%
Quota	(584.972,13)	(152.204,64)
Offsetting negative tax bases	24.658,15	12.670,50

Deductions or incentives for activities	(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 previous aggregate tax base of all subsidiaries that present tax settlement at the 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
Claims for losses to be set off	193.990,61	84.031,27	278.021,88
Total	**301.990,61**	**614.374,32**	**916.364,93**
Deferred tax liabilities			
Temporary differences (grants)	-	75.092,18	75.092,18
Total	**-**	**75.092,18**	**75.092,18**

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

The negative tax bases generated by the parent company in 2022, by a criterion of prudence, have not been capitalized, considering that the conditions for this are not met.

According to the legal provisions in force, 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 elapsed. The companies of the Group have opened for inspection the last four years for all 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 case of inspection, from possible different interpretations of the tax regulations applicable to the operations carried out by the Group.

Note 14. Income and expenditure

Business segments

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

Net turnover

The composition of this heading of the consolidated profit and loss account for the twelve-month period ended December 31, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
National Business	2.613.069,22	1.079.542,84

Intra-community business	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.

Staff costs

The composition of this heading of the consolidated income statementfor 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 at the expense of the company and other social expenses	432.053,73	228.386,60
Total	**3.202.183,96**	**1.374.310,23**

External services

The composition of this heading of the consolidated income statement for the twelve-month period ended 3December 1, 2022 is as follows:

(Euros)	31.12.2022	31.12.2021
Leases and royalties	120.431,17	48.645,48
Repairs and 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, propaganda and 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 of the year 2022, consulting services and other services of independent professionals (lawyers, auditors, etc.).

Note 15. Grants, donations and bequests

The Group received subsidies during the financial year 2022 amounting to EUR 184 589.31 granted by the Institute of Foreign Trade. Additionally, they have 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 the 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 amortization criterion of the associated asset when the project endsin 2024. The amount at 31 December 2022 amounts to €216,463.95 (€178,841.25 as of December 31, 2021).

Note 16. Related parties

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

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

(Euros)	**DEBIT BALANCES**			
	Heritage instrument	**Credits awarded**	**Clients**	**Capital increase credit**
31.12.2022				
FUNDACIÓN ZONA VALUE (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				
FUNDACIÓN ZONA VALUE (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)	**CREDITS**			
	Heritage instrument	**Credits received**	**Suppliers**	**Capital increase credit**
31.12.2022				
FUNDACIÓN ZONA VALUE (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				
FUNDACIÓN ZONA VALUE (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 details of the remuneration accrued by the members of the Board of Directors and senior management of the parent company are 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 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 meeting of March 14, 2022 that, in any case, does not exceed 4% of the capital of the parent company, a limit imposed by the aforementioned shareholders' meeting. The incentive plan accrued as of December 31, 2022 amounts to 260,000 euros, which will be effective before March 31, 2023 with the formula of delivery of 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 Management Board, nor were there any obligations assumed on their behalf as a 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 Law, 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 directors' salaries includes both the remuneration for the position they hold in the administrative body and their remuneration for their employment relationship.

Note 17. Post-closing events

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

- Up to the date of formulation, 3 additional tranches of the contract signed with ABO (see note 10.2) worth €500,000 each have been executed: 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 points:
    - Create a new type of non-voting type B shares with a preferential dividend of 0.01 euros.
    - Increase the share capital in B shares without voting rights through the credit compensation modality provided for in article 301 of Royal Legislative Decree 1/2010, which approves the Revised Text of the Capital Companies Law 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 concordant of the Capital Companies Law, so that it can agree on one or more increases in share capital within a

maximum period of five years and for a maximum total amount of the increase or increases that are agreed not exceeding 20% of the share capital at the time of authorization.

With these approved points, the Parent Company reinforces its capital and constitutes new mechanisms to finance itself and facilitate the achievement of its objectives.

- 176,000 euros of the amount withheld in relation to the R+D+I development contract mentioned in point 10 of the report have been released.

Note 18. Other information

Average number of employees

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

	AVERAGE WORKFORCE 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 Engineering	1	-	1
Administration Officer	3	10	13
First Officer	2	-	2
Second Officer	-	1	1
Programmers	2	2	4
Project manager	-	1	1
Telephone operator	-	6	6
Graduate	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 Engineering	1	-	1
Administration Officer	1	-	1
First Officer	1	2	3
Second Officer	-	1	1
Programmers	2	1	3
Project manager	-	1	1
Telephone operator	-	1	1
Graduate	1	-	1
TOTAL	**17**	**17**	**34**

As described in note 5 of the accompanying consolidated report, 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 has increased significantly .

Template at the end of the period

	CLOSING STAFF 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 Engineering	1	-	1
Administration Officer	4	10	14
First Officer	3	-	3
Second Officer	-	1	1
Programmers	1	1	2
Project manager	1	-	1
Telephone operator	-	2	2
Graduate	2	-	2
TOTAL	**31**	**26**	**57**

	CLOSING STAFF 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 Engineering	1	-	1

Administration Officer	1	1	2
First Officer	1	3	4
Second Officer	-	1	1
Programmers	2	1	3
Project manager	-	1	1
Telephone operator	-	1	1
Graduate	1	-	1
TOTAL	**17**	**22**	**39**

As of December 31, 2022, the Group has in its workforce a person with a disability greater than 33% (33% as of December 31, 2022).

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

(Euros)	**2022**	**2021**
By audit services parent company (individual and consolidated)	52.800,00	20.150,00
By audit services dependent companies	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, the fees for audit services of subsidiaries other than the lead auditor amounted to €1,427.00 (1. 650.00 euros in the financial year 2021).

Note 19. Environmental Information

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

Madrid, 30 March 2023

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Mr Lorenzo Serratosa Gallardo Mr Christopher Nicolas Dembik

Mr Jesús Mota Robledo

Mr José Iván García Braulio

Mr 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 the 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 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 a technology that makes a difference, was the hardest. And it was not completed because we decided in advance, but because of those things that fate reserves for you without you knowing or scheduling it. One day we met Bren Worth, a great professional and 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 in development with a view to 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 in their sectors products and services based on this technology 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 leave their skin 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.

Cheers. 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 not only has many years of experience in his sector, but with a family link with it. Together with Cuarto 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 wide portfolio of clients to sell this solution, which greatly reduces the risk and time spent in the "go to market" that we expect to occur at the end of 2023. This is the most important project of Cuarta Dimensión Médica SL but there are others that we will tell as they begin to be a reality.

Agritech. In the Agritech sector, 2022 has served to complete all developments related to PAM and Cannai solutions. PAM is an AI system for early detection of diseases in dairy farms that today is already enjoyed by many farmers in our country and that is marketed through Boalvet, a start up directed by Alvaro Fernandez Blanco, a person with extensive experience in the sector and with a very particular way of understanding how problems derived from animal health should be faced. For its part, 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.

HR. In the Human Resources sector, 2022 has served to continue with 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 satisfaction at work of the whole society by getting us to access those positions in which we feel more committed to the challenges we face.

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

To collect all the operations of the Group in the sector we have created the company Fleebe AI and included 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 and enhancing thanks to the effort of the entire team that makes it up and especially of 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 ecosystem of Zona Value Global SL forming a group of companies around financial training and advice with all the wickers 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 something else that I cannot make public today and that we will launch during this 2023.

Energy. In the energy sector, we continue to work on two projects. The first is the completion of the development of our solution energy saving in buildings applied to hotels. We are working on this thanks to a grant of 600,000 euros in red.es and thanks to the invaluable collaboration of Poseidon Hotels that have opted without hesitation for innovation and sustainability in their sector and for working with us to rationalize energy expenditure in large hotel infrastructures.

The second project is related to solar plants and is, as in almost all projects, to seek new efficiencies that improve business profitability, in this case solar plants. For this we have faced the problem of maintaining the inverters and we have created a predictive maintenance solution that is now sold through the Azure marketplace.

Finally we must talk about our consulting services led by our project director 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 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 allow us to exceed the expected income once again in 2023.

With all this work we closed 2022 with a revenue growth of 133%, 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 available to our customers artificial intelligence solutions 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 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%
Personnel 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 figure for total revenues and EBITDA includes the heading "Work carried out by the company for its assets" amounting to 1,495 thousand euros in 2022 and 408 thousand euros in 2021.

But despite all the work done for the approach 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 shares get the reward they are looking for but it is not always up to us. What does depend on what we do, take care that the business we are raising has more value every day, 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 comply with the medium-term plan, make Substrate AI a benchmark in the world of artificial intelligence. A new world that is expected to grow in environments of 30% per year by 2030 and that promises to become, and 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 from the Alpha Blue Ocean (ABO) fund 1,300,000 euros in three provisions in August, October and December, provisions that have been sufficient to finance the cash needs of the year. And we have arranged during the month of February and March 2023 of 1. An additional EUR 500,000. We therefore have the capacity to continue to have this line of financing of 20,000,000 euros 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 the SVB.

It is true that with these provisions we make capital increases that dilute the participation of each 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 it is according to the destination 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 contrary, these funds are destined to investments that create value, a value greater than the money obtained and are a source of future cash flows then, despite having involved dilution, it 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.

<u>The assets of Substrate AI</u>

What are these assets that we are 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 all large and small companies on the planet that thrive today have them and they have become 84% of the assets of 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, faa bricas, machinery, etc., as it happened in the industrial age when GM or Alcoa were the big ones of the SP500

The problem with these assets is their valuation. Orthe valuation of a factory or an office building is not a mystery, nor is its depreciation or impairment as an asset. The same does not happen with intangible assets. Herewe move in terrain of greater uncertainty

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

The recoverable amount of a CSU is equal to the greater of the fair value (quoted value, if applicable) less costs to sell and its value in use. Value in use is calculated as the discounted value of the cash flow projections estimated by the unit's management and is based on the latest available budgets for the coming years.

You will agree with us that neither of these criteria has a sufficient basis to determine the fair value of an intangible asset. Obviously the price of the shares 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 fall, something that we all understand 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 noone is morequalified than any manager to know whatwill happen to the company in 2027. However, this is used as an important criterion when determining facts such as the impairment of assets.

But so are the accounting rules, those rules that Warren Buffett criticizes so much and that make for example Berkshire Hathaway has published 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 the shares listed in portfolio that it will not sell.

Impairments recorded in 2022

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

In addition to this, the companyalso recorded in the first half of the year an impairment of 2,210 thousand euros of goodwill generated by the purchase of the business unit of Summon Press in line with the claims opened against the selling company, Summon Press SL whose breach of contract has generated 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, which prepares us to generate net profit once the events develop as planned and EBITDA is positive.

In euros	2022	2021	Variation
Total revenue	4.758.996	2.040.617	133%
Personnel 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, we must point out that the Group had 405,964 treasury shares at the end of 2022, which represents 1.65%, thus complying with the legal limit of 10% maximum.

Some post-closing events

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

- Up to the date of formulation, 3 additional tranches of the contract signed with ABO (see note 10.2) worth €500,000 each have been executed: 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 points:
  - Create a new type of non-voting type B shares with a preferential dividend of 0.01 euros.
  - Increase the share capital in B shares without voting rights through the credit compensation modality provided for in article 301 of Royal Legislative Decree 1/2010, which approves the Revised Text of the Capital Companies Law 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 concordant of the Capital Companies Law, so that it can agree on one or more increases in share capital within a maximum period of five years and for a maximum total amount of the increase or increases that are agreed not exceeding 20% of the share capital at the time of authorization.

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

Irrigation

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

- 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 it. This risk is reduced, due to the method of collection required of its customers.

- Liquidity risk: The 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, with which investments could be deprived of liquidity. Management regularly monitors the Group's liquidity forecasts based on expected cash flows. The Group is seeking alternative ways to obtain additional sources of funding if necessary (see note 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 the debts and the interest rates of the group's indebtedness are low, the interest rate risk is minimal.

- Exchange rate risk: the group at closing has no significant financial assets or liabilities in currencies other than the euro, so it is not exposed to risk from exchange rate fluctuations.
- Share price risk or stock market indices: The investment 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

Mr Cyrille François Restier