substrate AI

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28006 Madrid

BME - GROWTH
Stock Exchange Palace
Plaza de la Lealtad, 1
28014 Madrid

Madrid, April 30, 2024

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

Dear Sirs,

Pursuant to the provisions of Article 17 of Regulation (EU) No 596/2014 on market abuse and Article 227 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services, and related provisions, as well as BME Growth Circular 3/2020 of BME MTF Equity, We hereby inform you of the following information relating to the company **SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.** (hereinafter referred to as "Substrate AI" or "the Company" indistinctly).

I. Audit report on the consolidated financial statements for the year ended December 31, 2023.

II. Consolidated financial statements for the year ended December 31, 2023.

III. Audit report corresponding to the individual annual accounts for the year ended December 31, 2023.

IV. Individual annual accounts for the year ended December 31, 2023.

V. Degree of compliance with the forecasts for the 2023 financial year.

VI. Organizational structure.

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 directors.

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

Kind regards

Lorenzo Serratosa Gallardo

Chairman

I. Audit report on the consolidated financial statements for the year ended December 31, 2023.

II. Consolidated financial statements for the year ended December 31, 2023.

Audit Report on Financial Statements
issued by an Independent Auditor

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2023

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 21)

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

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2023, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2023 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of goodwill and intangible assets

Description

As indicated in notes 4 and 6 of the accompanying consolidated report, the Company has recorded, under the headings "Goodwill" and "Other intangible fixed assets" in the balance sheet as of December 31, 2023, goodwill and other intangible fixed assets with a net book value of 22,534 thousand euros and 8,113 thousand euros, respectively. A valuation adjustment for impairment of goodwill amounting to 2,609 thousand euros has been recorded under the heading "Impairment and profit on disposals of fixed assets" in the consolidated income statement for 2023.

The Company's Management evaluates goodwill, intangible and tangible assets, at least at the end of each financial year, the existence of indications that they may be impaired, and estimates their recoverable amounts based on the present value of the future cash flows generated by the cash-generating units (CGUs) to which it allocates such assets.

We have considered this area as a key audit matter because the determination of the recoverable amount requires the making of complex estimates which have an uncertainty component, which entails the application of judgments in the establishment of the assumptions considered by the management of the Parent Company in relation to such estimates. as well as the relevance of the amounts involved.

The information of the accounting policies applied, the main assumptions considered for the determination of the impairment of the goodwill and the corresponding disclosures are set out in notes 2.3, 3.3, 3.5, 4 and 6 of the annual report.

Our response

In relation to this area, our audit procedures have included, but are not limited to, the following:

- Understanding of the process established by the management of the Parent Company to identify indications of impairment and determine the recoverable amount of goodwill.
- Review of the model used by the management of the parent company to determine the recoverable amount, in collaboration with our valuation specialists, covering, in particular, the mathematical consistency of the model, and the reasonableness of the projected cash flows and the discount and long-term growth rates. In carrying out our review, we have held interviews with those responsible for the development of the model and used recognized external sources and other available information for the comparison of data used.
- Review of the sensitivity analyses carried out by the management of the Parent Company with respect to the estimates made for the determination of the recoverable amount in the event of changes in the relevant assumptions considered.

- Reviewing the disclosures made in the notes to the consolidated financial statement comply with the applicable financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2023 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the management report with the consolidated financial statements based on the knowledge of the Group obtained during the audit, and to assess and report on whether the content and presentation of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2023 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is 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 directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on April 29, 2024.

Term of engagement

The extraordinary general shareholders' meeting held on August 1st, 2022 appointed us as auditors for 3 years, commencing on December 31, 2022.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signature on the original in Spanish)

María Florencia Krauss Padoani
(Registered in the Official Register of Auditors under No. 22706)

April 29, 2024

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023

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SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Consolidated Statement of Financial Position as of 31/12/2023
(Expressed in euros)

ASSETS	Notes	31.12.2023	31.12.2022	01.01.2022
NON-CURRENT ASSETS		**34,393,169**	**20,529,104**	**30,865,734**
Intangible assets		**30,646,626**	**18,699,210**	**29,460,938**
Goodwill	4 , 6	22,534,076	16,333,464	28,204,523
Other intangible fixed assets	6	8,112,550	2,365,746	1,256,415
Property, plant and equipment	**7**	**235,379**	**141,287**	**116,900**
Land & Buildings		3,888	4,309	5,409
Technical Installations & Other Property, Plant & Equipment		231,491	128,707	94,257
Fixed assets under construction and advances		-	8,271	17,234
Right of use	**8**	**551,384**	**522,812**	**-**
Holdings in associated companies		**151,000**	**30,000**	**30,000**
Equity Instruments	10	151,000	30,000	30,000
Non-current financial assets	**10**	**840,073**	**214,194**	**954,347**
Equity Instruments		120	-	800,000
Third-party receivables		221,289	189,986	140,025
Other Financial Assets		618,664	24,208	14,322
Deferred tax assets	**14**	**1,968,707**	**921,601**	**303,549**
CURRENT ASSETS		**10,066,749**	**3,163,041**	**1,315,323**
Stock		**783,787**	**283,668**	**198**
Commercial		781,287	283,668	-
Advances to suppliers		2,500	-	198
Trade receivables and other accounts receivable		**4,794,066**	**1,249,922**	**631,887**
Sales and service customers	10	4,707,027	466,905	241,420
Miscellaneous debtors	10	7,188	6,163	5,207
Personal	10	4,400	500	3,708
Current tax assets	14	1,594	-	15,753
Other credits with public administrations	14	73,857	776,354	365,799
Shareholdings in associated companies 10,1		**-**	**-**	**6,636**
Loans to associated companies		-	-	6,636
Current financial assets	**10**	**34,594**	**14,554**	**407,891**
Loans to companies		12,111	3,000	386,338
Other Financial Assets		22,483	11,554	21,553
Short-term accruals and accruals		**32,959**	**(8,532)**	**1,000**
Cash and cash equivalents		**4,421,343**	**1,623,429**	**267,711**
Treasury		4,4421,343	1,623,429	267,711
TOTAL ASSETS		**44,459,918**	**23,692,145**	**32,181,057**

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SUBSTRATE ARTIFICIAL INTELIGENCE, S,A, AND SUBSIDIARIES

Consolidated Statement of Financial Position as of 31/12/2023

(Expressed in euros)

EQUITY AND LIABILITIES	Notes	31.12.2023	31.12.2022	01.01.2022
EQUITY		**23,861,280**	**18,234,440**	**26,448,960**
EQUITY	**12**	**34,546,710**	**33,233,109**	**28,246,740**
Capital		7,335,246	2,451,023	2,028,977
Issue premium		45,159,547	34,548,124	26,655,923
Reserves		***(1,432,300)***	***(1,357,012)***	***28,445***
Legal & Statutory		600	600	600
Other Bookings		(1,427,443)	(1,357,612)	27,845
Shares and holdings of the parent company		***(1,837,416)***	***(1,116,289)***	***6,000***
Negative results from previous years		***(16,469,079)***	***(1,643,405)***	***(472,605)***
Other Equity Instruments		***1,784,712***	***350,668***	***-***
Profit for the year attributable to the Parent Company		***(8,732,037)***	***(15,081,519)***	***(1,777,571)***
EXTERNAL PARTNERS	**5**	**935,848**	**82,850**	**(20,209)**
CONVERSION DIFFERENCES		**(2,888,698)**	**-**	**-**
NON-CURRENT LIABILITIES		**7,632,195**	**2,937,581**	**608,805**
Long-term provisions	**10,2**	**4,782**	**-**	**-**
Long-term debts	**10,2**	**6,000,228**	**2,646,024**	**429,964**
Debts to credit institutions		483,732	557,180	-
Debts with special characteristics		2,359,483	-	-
Other financial liabilities		2,700,572	1,656,386	429,964
Lease liabilities	**8**	456,441	432,458	-
Deferred tax liabilities	**14**	**1,074,931**	**2,938**	**-**
Income to be distributed over several years	**16**	**552,254**	**288,619**	**178,841**
CURRENT LIABILITIES		**12,966,443**	**2,520,124**	**5,123,292**
Short-term provisions	**10,4**	**264,407**	**357,381**	**-**
Short-term debts	**10,2**	**7,022,205**	**1,373,073**	**4,855,424**
Debts to credit institutions		173,950	93,226	14,869
Lease liabilities	**8**	116,000	81,695	-
Other financial liabilities		6,732,255	1,198,152	4,840,555
Debts to associated companies and joint ventures	**10,2**	**9,300**	-	**1,586**
Trade Creditors and Other Payables		**5,670,531**	**789,670**	**266,282**
Suppliers	10,2	2,438,459	269,320	123,628
Suppliers, group companies and associates	10,2	-	-	500
Miscellaneous creditors	10,2	706,247	79,593	33,641
Staff (unpaid wages)	10,2	119,681	49,368	(285)
Current tax liabilities	**14**	53,914	29,010	235
Other debts owed to the Public Administrations	**14**	2,252,751	344,427	115,093
Customer Advances	**10,2**	99,479	17,952	(6,530)
TOTAL EQUITY AND LIABILITIES		**44,459,918**	**23,692,145**	**32,181,057**

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SUBSTRATE ARTIFICIAL INTELIGENCE, S,A, AND SUBSIDIARIES

Consolidated income statement for the financial year 2023

(Expressed in euros)

Consolidated Income Statement for the year ended December 31, 2023:

	Notes	31.12.2023	31.12.2022
CONTINUED OPERATIONS			
Net turnover	**15,1**	**8,608,797**	**3,135,850**
Sales		5,194,161	993,650
Provision of services		3,414,636	2,142,200
Supplies	**15,2**	**(2,852,102)**	**(486,343)**
Consumption of goods		(2,787,791)	(457,243)
Consumption of raw materials and other consumables		(17,838)	(14,271)
Work carried out by other companies		(46,473)	(14,829)
Other Operating Income		**5,214,123**	**1,580,643**
Ancillary and other revenue under current management		3,454	6,785
Operating subsidies included in profit or loss for the year		9,399	79,279
Other Operating Income	**6**	5,201,270	1,494,579
Personnel costs	**15,2**	**(3,963,276)**	**(3,202,184)**
Wages, salaries and the like		(3,414,142)	(2,770,130)
Social security contributions		(549,134)	(432,054)
Other operating expenses		**(10,708,129)**	**(3,013,859)**
External services	**15,2**	(10,751,799)	(2,775,607)
Taxes		(28,925)	(15,734)
Losses, impairments and changes in provisions for commercial operations		74,054	(89,431)
Other current management costs		(1,459)	(133,087)
Depreciation of fixed assets	**6, 7 and 8**	**(1,122,175)**	**(333,159)**
Allocation of fixed assets subsidies	**16**	**34,085**	**31,877**
Impairment and profit or loss on disposals of fixed assets	**6 and 7**	**(2,608,578)**	**(13,095,146)**
Other results		**(77,862)**	**(8,187)**
INCOME FROM OPERATIONS		**(7,475,117)**	**(15,390,508)**
Financial Income		**7,255**	**1,231**
Negotiable securities and other financial instruments		7,255	1,231
Financial Expenses	**10,2**	**(806,365)**	**(156,017)**
For debts to third parties		(806,365)	(156,017)
Change in fair value in financial instruments		**-**	**(3,145)**
For debts to third parties		-	(3,145)
Exchange Differences	**13**	**(1,952)**	**(1,070)**
Impairment and profit or loss on disposals of financial instruments		**(21,099)**	**(93,584)**
FINANCIAL RESULT		**(822,161)**	**(252,585)**
Hyperinflationary Economy Net Position	**3 , 1**	88,411	
PROFIT BEFORE TAX		**(8,208,867)**	**(15,643,093)**
Income tax		**(256,403)**	**572,264**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(8,465,270)**	**(15,070,829)**
PROFIT FOR THE YEAR		**(8,465,270)**	**(15,070,829)**
Profit attributable to the parent company	12	(8,732,037)	(15,081,519)
Profit attributable to external partners	5	266,767	10,690

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Consolidated comprehensive income for the 2023 financial year
(Expressed in euros)

1. Consolidated comprehensive income statement for the year ended December 31, 2023.

	Notes	31.12.2023	31.12.2022
CONSOLIDATED RESULT FOR THE YEAR		**(8,465,270)**	**(15,070,829)**
Conversion Differences		**(2,888,698)**	-
Tax effect		-	-
Total income and expenses charged directly to equity		**(2,888,698)**	-
Total transfers to the profit and loss account		**(11,353,968)**	**(15,070,829)**
TOTAL CONSOLIDATED INCOME AND EXPENSES RECOGNIZED		**(11,353,968)**	**(15,070,829)**
Total income and expenses attributable to the parent company		(11,087,201)	(15,081,519)
Total income and expenses attributed to external partners		266,767	10,689

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Consolidated Statement of Changes in Equity for 2023
(Expressed in euros)

2. Consolidated Statement of Changes in Equity for the year ended December 31, 2023:

	Deeded capital	Issue premium	Reserves	Own shares and holdings	Other Equity Instruments	Results of previous years	Profit or loss for the year	Other Partner Contributions	Conversion Differences	External Partners	TOTAL
Adjusted balance, beginning of the year 2022	**2,028,977**	**26,655,923**	**28,445**	**6,000**	**-**	**(472,605)**	**(1,777,571)**	**-**	**-**	**(20,209)**	**26,448,960**
Total Recognized Income and Expenses	-	-	-	-	-	-	(15,081,519)	-	-	10,690	(15,070,829)
Capital increases (note 11)	177,906	7,486,344	-	-	-	-	-	-	-	-	7,664,250
Other Changes in Equity	-	-	(711,685)	-		(1,170,800)	1,777,571	-	-	92,369	(12,545)
Conversion of financial liabilities into equity (note 11)	244,140	405,857	-	-	90,668	-	-	-	-	-	740,665
Other transactions (note 16)	-	-	-	-	260,000	-	-	-	-	-	260,000
Transactions in treasury shares (net) (note 11)	-	-	(470,441)	(1,122,289)	-	-	-	-	-	-	(1,592,730)
Other Moves	-	-	(203,331)	-	-	-	-	-	-	-	(203,331)
Year-end balance 2022	**2,451,023**	**34,548,124**	**(1,357,012)**	**(1,116,289)**	**350,668**	**(1,643,405)**	**(15,081,519)**	**-**	**-**	**82,850**	**18,234,440**
Adjustments for errors for the 2022 financial year (Note 2,e)	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the 2023 financial year	**2,451,023**	**34,548,124**	**(1,357,012)**	**(1,116,289)**	**350,668**	**(1,643,405)**	**(15,081,519)**	**-**	**-**	**82,850**	**18,234,440**
Total Recognized Income and Expenses	-	-	-	-	-	-	(8,732,037)	-	-	266,767	(11,353,968)
Capital increases (note 11)	2,838,676	7,512,825	-	-	-	-	-	-	-	267,180	10,618,681
Other Changes in Equity	-	-	(566,969)	-	-	(14,514,550)	15,081,519	-	-		-
Conversion of financial liabilities into equity (note 11)	2,045,547	3,098,598	-	-	434,044	-	-	-	-	-	5,578,190
Other transactions (note 16)	-	-	-	-	1,000,000	-	-	-	-	-	1,000,000
Transactions in treasury shares (net) (note 11)	-	-	(38,355)	(721,127)		-	-	-	-	-	(759,482)
Other Moves	-	-	535,493		-	(311,124)	-	-	(2,888,698)	319,051	543,420
											-
Balance as of 31.2023	**7,335,246**	**45,159,547**	**(1,432,300)**	**(1,837,416)**	**1,784,712**	**(16,469,079)**	**(8,732,037)**	**-**	**(2,888,698)**	**935,848**	**23,861,280**

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Consolidated Statement of Cash Flows for the year ended December 31, 2023,
(Expressed in euros)

STATEMENT OF CASH FLOWS	NOTES	2023	2022
(A) CASH FLOWS FROM OPERATING ACTIVITIES			
1, Profit before tax for the year		**(8,208,867)**	**(15,643,093)**
2, Result Adjustments:		**4,425,854**	**13,856,046**
a) Depreciation of fixed assets (+)	**6, 7 , 8**	1,122,175	333,159
b) Valuation adjustments for impairment (+/-)	**6**	2,615,057	12,979,885
c) Change in provisions (+/-)	**10,4**	(92,974)	217,600
(d) Allocation of subsidies		(34,085)	(42,503)
e) Profit or loss on retirements and disposals of fixed assets (+/-)		(6,480)	115,320
f) Profit or loss on deregistration and disposal of financial instruments (+/-)		(21,099)	93,584
(g) Financial income (-)		(7,255)	(1,231)
(h) Financial expenditure (+)		806,365	156,017
(i) Exchange rate differences (+/-)		1,952	1,070
j) Change in fair value in financial instruments (+/-)		-	3,145
3, Changes in current capital:		**380,764**	**(683,794)**
(a) Stocks (+/-) (*)		(500,119)	(92,473)
(b) Accounts receivable and other accounts receivable (+/-) (*)	**10,1**	(3,544,144)	(355,474)
(c) Other current assets (+/-)	**10,1**	(61,531)	-
(d) Accounts payable and other payables (+/-) (*)	**10,1**	4,890,161	348,640
(e) Other current liabilities (+/-)		(403,603)	(584,487)
4, Other cash flows from operating activities		**(237,541)**	**(154,786)**
a) Interest payments (-)		(244,796)	(156,017)
c) Interest charges (+)		7,255	1,231
5, Cash flows generated from operating activities		**(3,639,790)**	**(2,625,627)**
(B) CASH FLOWS FROM INVESTING ACTIVITIES			
6, Investment payments (-)		**(632,994)**	**(936,690)**
(a) Group companies and associates		-	-
(b) Intangible fixed assets	**6 and 8**	(853,328)	(5,481)
(c) Property, plant and equipment	**7**	(58,364)	(70,683)
(e) Other financial assets		278,698	(860,526)
8, Cash flows from investing activities		**(632,994)**	**(936,690)**
(C) CASH FLOWS FROM FINANCING ACTIVITIES			
9, Collections and payments for equity instruments		**5,144,146**	**2,844,939**
a) Issuance of equity instruments (+)	**11**	5,144,146	2,660,350
c) Acquisition of equity instruments (-)		-	-
e) Grants, donations and bequests received (+)		-	184,589
10, Receipts and payments for financial liability instruments		**1,926,552**	**2,073,096**
a) Issuance:		**2,000,000**	**2,135,006**
2, Debts to credit institutions (+)		-	700,000

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Consolidated Statement of Cash Flows for the year ended December 31, 2023,
(Expressed in euros)

4, Other debts (+)			2,000,000	1,435,006
(b) Repayment and amortization of:			**(73,448)**	**(61,910)**
2, Debts to credit institutions (-)			(73,448)	(58,117)
4, Other debts (-)			-	(3,793)
12, Cash flows from financing activities			**7,070,698**	**4,918,035**
D) Effect of exchange rate changes			-	-
(E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS			**2,797,914**	**1,355,718**
Cash or cash equivalents at the beginning of the financial year			1,623,429	267,711
Cash or cash equivalents at the end of the year			4,421,343	1,623,429

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Table of Contents notes to the Consolidated Financial Statements

1. Establishment of the Group and activity

1.1. Activity

Substrate Artificial Inteligence, S.A., hereinafter "Parent Company", was incorporated as a limited company, for an indefinite period of time on December 9, 2010, with the name "Kau Finanzas, S,L,", with its current registered office at Calle María de Molina n°41 Oficina 503, Madrid.

The company is registered in the Mercantile Registry of Madrid, Volume 43321, Book 0, Folio 89, Page M-765355.

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

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

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

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

The main activity of the Substrate 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, human resources and finance, among others, The Group has developed its own technology to address the problems faced by companies in the digitalisation and streamlining of processes. This activity is supported by the study "Integrated Multi-Task Agent Architecture with Affect-Like Guided Behavior", carried out by external collaborators of the Group, presented in the Biologically Inspired Cognitive Architectures and by the patents in progress of development and registration (see note 6).

The Substrate Group's operational geographical scope was mainly Spain, although during 2023 it has extended its presence to countries such as the United Kingdom, the United States and several Latin American countries.

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

These financial statements are presented in euros as this is the functional and presentation currency of the Parent Company.

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

2.1. True image and regulatory framework of reference

The consolidated financial statements have been prepared on the basis of the accounting records of Substrate Artificial Inteligence, S.A. and Subsidiaries. The consolidated financial statements for the year ended December 31, 2023 have been presented for the first time in accordance with International Financial Reporting Standards (IFRS) and interpretations published by the IASB (International Accounting Standards Board) and the IFRS Interpretations Committee, and adopted by the European Commission for application in the European Union (IFRS-EU), In the adoption of IFRS 1, the date of first implementation has been determined as the start of the previous year presented (01 January 2022).

Note 3,16 includes a breakdown of the impacts of the first implementation of the international normative framework, as well as an explanation of the first application.

The Group's Board of Directors estimates that the consolidated financial statements for the year ended December 31, 2023, which were prepared on March 26, 2023, will be approved by the shareholders without any modification.

2.2. Non-Mandatory Accounting Principles Applied

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

2.3. Critical aspects of valuation and estimation of uncertainty

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

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

- The useful life of intangible and tangible assets (see Notes 3,3 and 3,4)
- Recoverable value of consolidation goodwill and other intangibles (see Note 3,5)

The Board of Directors has made these estimates based on the best information available as of December 31, 2023, and it is possible that events that may take place in the future will force them to be modified (upwards or downwards) in future years. Given the predictive nature of any estimate based on future expectations in the current economic environment and the activity carried out by the Group, differences between projected and actual results could become apparent.

Impairment test of consolidation goodwill

Goodwill is subject to impairment review at each year-end and, in addition, when events or circumstances occur that significantly affect the recoverable value, Impairment is recorded as the difference between the recoverable amount and the net book value of the impairment. For the purpose of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units), Impairment losses recorded will not be reversed in future years.

Impairment tests are mainly based on the estimation of the cash flows of the various cash-generating units (value in use) to which the assets under analysis are subject and, therefore, require relevant judgments and estimates by the Group's management.

The Directors of the Parent Company, in order to carry out the corresponding impairment test of the consolidation goodwill, have prepared a financial projection for the coming years based on the current economic context. 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. 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 2028. For the purposes of calculating the impairment test, a terminal value with a discount rate and growth in perpetuity as indicated in note 6 is considered.
- The forecasts are based, among other factors, on the knowledge and expected development of the various verticals in which the Group operates and will operate and on expectations for the future evolution of the Group.
- They include expectations of obtaining new contracts with customers within a reasonable period of time (2 years).
- They include increases in average selling prices.
- Average EBITDA is considered based on estimates and comparables, as historical information is not available for a portion of revenues.

Note 6 details the variables and assumptions used by the Group to determine the cash-generating units.

Going Concern Principle

The directors of the Parent Company have prepared these consolidated financial statements, assuming the continuity of the Group's activity, stating that the results are negative as of December 31, 2023, values characteristic of any startup. In addition, as of December 31, 2023, the Group had a negative working capital of €2,900 thousand (positive fund in 2022 of €643 thousand), although there are short-term liabilities amounting to €6,000 thousand that will be settled in the Parent Company's own shares as a result of the shareholding acquisition agreements made during 2023 (see note 4, 10,2 and 18). On the other hand, the group has €4,421 thousand of cash and cash equivalents (see note 10,1). The Strategic Plan drawn up by the Group until 2028 is based on the effective application of the artificial intelligence systems developed by the Group,

On the basis of the above, together with the new financing available described in note 18, the Directors of the Parent Company have prepared the consolidated financial statements under the going concern principle.

2.4. Comparison of information

In accordance with commercial law, the consolidated income statement, the consolidated comprehensive income statement and the consolidated statement of change in equity, in addition to the figures for the year ended December 31, 2023, are presented for comparison purposes with each of the items in the Statement of Financial Position, in addition to the figures for the year ended December 31, 2023, those corresponding to the previous year.

2.5. Bug fixes

No bug fix adjustment has been made.

2.6. Consolidation Perimeter

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

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

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

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
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Consolidated Annual Report for 2023
(Expressed in euros)

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	1,294,661	(2,356,134)	(2,445,297)	-
31/12/2022	197,400	83,000	7,151	-
01/01/2022	82,367	1,936	(305)	-

- KAU MARKET EAF, S.L.
  - Main activities:
    - Preparation of investment reports and financial analysis,
    - Financial Mediation Services
    - Purchase and sale of real estate and movable property for the realization of the corporate purpose
  - Registered office: Calle Colón, 4-5 B°, 46004 Valencia (Spain)
  - Percentage of effective stake in Parent Company: 100%
  - Integration Method: Global Integration
  - Company regulated by the CNMV
  - Audited by Capital Auditors and Consultants, S,L, (in 2023, 2022 and 2021)
  - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	450,813	207,969	10,417	-
31/12/2022	271,367	197,551	7,904	-
1/1/2022	282,273	189,647	14,653	-

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

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	75,891	(438,962)	(17,350)	-
31/12/2022	75,891	(402,289)	(189,899)	-
1/1/2022	419,881	(205,921)	(208,921)	-

- BOALVET Al, S.L.
    - Main activities:
        - Computer programming activities
        - Design of structures and content, and/or the writing of computer code necessary to create and implement programs for computer systems and applications
    - Registered office: Calle de la plazuela 43, 41370 Seville (Spain)
    - Effective shareholding in Parent Company: 78,76%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	1,736,934	306,042	97,996	-
31/12/2022	252,298	3,000	(45,660)	-
1/1/2022	14,361	3,828	828	-

This Company is also the head of:

- PSVET DAIRYQUALITY, S.L. (integrated for the first time in 2023 - see note 4)
    - Main activities:
        - Veterinary consultation and clinic, training for the food and livestock sector, food hygiene services, trade in medicines for animal use and advice on quality and food safety
    - Registered office: Boqueixon (PI), Deseiro de Arriba 18B, Spain
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	1,014,948	61,366	46,871	-

- SUBSTRATE AI USA INC,
    - Main activities:
        - Businesses, activities or various functions of technological development and AI
        - Engage in any other lawful activity in connection with, or incidental to, the foregoing
    - Domicilio social: Gunsmoke Dr,Bailey, Colorado, 80421, EE. UU.
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	443,298	(146,313)	(29,937)	-
31/12/2022	309,693	(128,440)	(151,864)	-
1/1/2022	67,530	(150,885)	(110,630)	-

- AI SAIVERS LLC
    - Main activities:
        - Various economic activities related to AI
    - Domicilio social: SW 6th Terrace, Miami, FL 33130, EE. UU.
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	196,286	172,279	(112,617)	
31/12/2022	30,016	27,121	(275,413)	-
1/1/2022	24,944	(19,745)	(114,147)	-

- CUARTA DIMENSIÓN MÉDICA, S.L. (integrated for the first time in 2022 - see note 4)
    - Main activities:
        - Marketing and after-sales service of diagnostic imaging machinery (radiology, MRIs and computed tomography)
    - Registered office: Carrer Baronessa Santa Bárbara, 28, 46740 Carcaixent, Valencia (Spain)
    - Percentage of effective shareholding in Parent Company: 64,32%
    - Integration Method: Global Integration
    - Audited by Ernst & Young, S,L, in 2023 and 2022 (not audited in 2021)
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	2,813,714	1,193,423	164,474	-
31/12/2022	1,025,337	409,497	149,458	-

- SAVE THE PLANET (integrated for the first time in 2023 - see note 4)
    - Main activities:
        - Various businesses, activities or functions related to energy efficiency
        - Engage in any other lawful activity in connection with, or incidental to, the foregoing
    - Registered office: Valencia-46002, Calle Correos, number 10, door 7,
    - Unaudited

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	4,183	2,087	(913)	-

- DIAGXIMAG (integrated for the first time in 2023 - see note 4)
    - Main activities:
        - Various businesses, activities or functions, including the sale of diagnostic imaging equipment (mainly X-ray and ultrasound) and SAT of such equipment
    - Registered office: C/ Álava, 24 - 33210 Gijón - Asturias
    - Unaudited

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	2,977,223	53,830	50,575	-

- FLEEBE AI S.L. (This company was incorporated during the 2023 financial year and has acquired a production unit (Summon) managed by the Parent Company)
    - Main activities:
        - Electronic exploitation by third parties related to HR
    - Registered office: Calle Cronista Carreres n°10 bajo, Valencia, Spain
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	366,406	(146,848)	(149,848)	-

- YAMRO HOLDING LIMITED (IFIT Solutions Group) (first integrated in 2023 - see note 4)
    - Main activities:
        - Provision of personnel selection services, mainly with a technical profile for consulting and consulting work
        - Provision of subcontracting services in such a way that the IFIT Group hires personnel with a basically technical profile and makes them available to its clients on a temporary basis
    - Domicilio social: 85 Great Portland Street, First Floor, London, England, W1W 7LT
    - Percentage of effective stake in Parent Company: 100%
    - Integration Method: Global Integration
    - Unaudited
    - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	1,086,557	1,086,557	-	-

This company is the head of a subgroup made up of the following companies with similar activity:

Company Name	Country	%	Total Assets (euros)	Equity (euros)	Net Income (euros)
IFIT Solutions LTD UK (Includes Permanent Establishment Spain)	UK	100,00%	448,437	293,033	5,752 (*)
CRIFIT Solutions SLR (costa rica)	Costa rica	100,00%	312,067	262,904	46,787
IFIT Solutions LLC (EEUU)	USA	100,00%	504,559	351,876	205,829
IFIT Solutions SRLCV (Mexico)	Mexico	99,50%	38,636	2,201	(32,988)

(*) since the date of business combination

- SUBGEN AI LTD (integrated for the first time in 2023 - see note 4)
  - Main activities:
    - Software Development
  - Registered office:
  - Percentage of effective stake in Parent Company: 100%
  - Integration Method: Global Integration
  - Unaudited
  - Financial Information:

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2023	20,990,771	-	-	-

This company is the head of a subgroup made up of the following companies with similar activity:

Company Name	Country	%	Total Assets (euros)	Equity (euros)	Net Income (euros)
SUBSTRATE AI SPAIN SL	Spain	100%	764,185	155,769	(132,753)
BINIT SRL	Argentina	70,00%	1,029,422	651,576	218,532
DELTANOVA SA	Uruguay	70,00%	1,319,629	677,719	378,847
BINIT Brasil Holding LTDA	Brazil	70,00%	49,938	46,741	24,605
DELTANOVA Tech SL	Spain	70,00%	1,003,672	771	1,136

During 2023, the company SUBSTRATE AL SPAIN, S.L., which already belonged to the Group within the SUBGEN AI Subgroup, has been included within the Subgroup, its main data being:

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

(expressed in euros)	Total Assets	Total Equity	Result	Dividends distributed
31/12/2022	1,221,948	185,863	49,109	-
1/1/2022	1,038,071	138,122	(215,940)	

2.7. IFRS standards and interpretations adopted by the Group for the first time in financial year 2023

The accounting policies adopted for the preparation of the financial statements for the year ended December 31, 2023 are the same as those followed for the preparation of the annual consolidated financial statements for the financial year 2022, with the exception of the following new standards and amendments published by the IASB, and adopted by the European Union for application in Europe, which are mandatory for annual fiscal years beginning on or after January 1, 2023.

The application of these amendments in the current period has not had a material impact on these consolidated financial statements. The Group has not had to amend its accounting policies or make retroactive adjustments as a result of the adoption of these new pronouncements.

Amendments to IAS 8 - Definition of Accounting Estimates

In these amendments, the IASB has introduced a new definition of "accounting estimate", which clarifies the difference between accounting estimate changes, changes in accounting policies and corrections of errors.

This amendment has not had any impact on the group's financial statements.

Amendments to IAS 1 and IFRS Practice Document, No, 2 - Disclosures on Accounting Policies

In these amendments, the IASB has included guidance and examples for applying judgment when identifying which accounting policies are material. The amendments replace the criterion of disabling significant accounting policies with material accounting policies. It also provides guidance on how to apply the concept of material to decide which accounting policies are material.

This amendment has not generated significant impacts on the financial statements for the 2023 financial year.

Amendments to IAS 12 - Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction

These amendments mean that the initial recognition exemption does not apply to single transactions, which give rise to the same amount of deductible and taxable temporary differences.

The Group has not had any significant impact from this change.

Amendments to IAS 12 International Tax Reform Second Pillar Model Rules

In May 2023, the IASB issued its amendments to IAS 12 Income Tax by the new tax regulations of the Second Pillar of the OECD Inclusive Framework. These amendments introduce, provisionally, a mandatory temporary exemption for the accounting and itemization of deferred taxes that may arise from such legislation. This amendment also requires additional breakdowns to facilitate the understanding of exposure to such tax regulations.

The amendments relating to the mandatory exemption and to the required breakdowns have already entered into force in the financial year. This amendment has not generated significant impacts on the financial statements for the 2023 financial year.

2.8. Standards and interpretations issued by the IASB, but which are not applicable in this exercise, or are not approved by the EU

Amendments to IAS 1 Presentation of Financial Statements: Classification of Financial Liabilities as Current or Non-Current

In January 2020 and October 2022, the IASB issued its amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to clarify the requirements to be applied in the classification of liabilities as current or non-current. Specifically, these amendments clarify the following concepts:

- Right to defer settlement. If an entity's right to defer settlement depends on future covenants, the entity has the right to defer payment even if it fails to meet those future covenants at the closing date.
- Expected deferrals. The classification of a liability is unchanged by the likelihood that the entity will exercise its right to defer payment for at least 12 months after the end of the financial year.
- Settlement by means of equity instruments. There is an exception to the requirements to settle liabilities through equity instruments that impacts the classification of the liability.

These amendments are effective for periods beginning on or after 1 January 2024 and must be applied retroactively in accordance with IAS 8.

Amendments to IFRS 16: Lease liability on a sale-lease

In September 2022, the IASB issued an amendment to IFRS 16 Leases to specify the requirements that a seller-lessee must use to quantify the lease liability that arises on the sale and subsequent lease. The purpose of this amendment is to ensure that the seller-lessee does not recognize any gain or loss related to the right of use that it retains.

This amendment applies retroactively to annual periods beginning on or after January 1, 2024.

Amendments to IAS 7 and IFRS 7: Supplier Financing Agreements

In May 2023, the IASB issued its amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments; Disclosures to clarify the characteristics of financing arrangements and introduce new disclosures to help users of financial statements understand the effects of these arrangements on liabilities, cash flows and exposure to liquidity risk.

The amendments will take effect for annual periods beginning on January 1, 2024

Amendments to IAS 21 No Convertibility

The amendments clarify how entities should assess whether a currency is convertible and how they should determine the spot exchange rate when there is no convertibility; as well as requiring breakdowns that allow users of financial statements to understand the impact of a currency not being convertible.

The amendments apply to annual periods beginning on January 1, 2025.

3. Accounting Principles and Valuation Criteria

3.1. Consolidation Basis

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2023, Subsidiaries are considered to be those over which the Company exercises control. The Group has control over a subsidiary if, and only if, the Group has at the same time:

- Power of attorney through existing rights that give you the power to direct the relevant activities of the dependent
- Exposure, or rights to variable returns derived from your involvement
- It can influence those returns by exercising its power over the subsidiary

The subsidiaries have been consolidated through the application of the comprehensive integration method from the date of acquisition, which is the date on which the Group acquires control, and continue to consolidate until the date on which such control ceases.

The financial statements of the subsidiaries have the same closing date as those of the Parent Company, except for some companies of the SUBGEN AI LTD subgroup for which the corresponding temporal homogenization has been carried out so that the financial statements of the consolidated companies close the same period. The result of a subsidiary company, as well as other net worth results, is attributed to the external partners, even if it means recording a debit balance with them. A change in the percentage of ownership in a subsidiary, which does not entail a loss of control, is reflected as an equity transaction.

The items in the balance sheet and profit and loss account of companies included in the Consolidated Financial Statements and whose functional currency is different from the presentation currency, are translated into euros by applying the closing exchange rate method according to which the conversion involves:

- All assets, rights and obligations are translated using the exchange rate in effect at the closing date of the Consolidated Financial Statements.
- Items in the profit and loss account are translated using the average exchange rate, provided that such average is a reasonable approximation of the cumulative effect of the rates existing at the dates of the transactions, except for the company present in Argentina whose economy was declared hyperinflationary and therefore, in accordance with IAS 29, its consolidated comprehensive income statement has been translated by applying the closing exchange rate of the exercise.

The difference between the amount of the equity of foreign companies, including the balance of the profit and loss account in accordance with the preceding paragraph, converted at the historical exchange rate, and the net equity position resulting from the conversion of assets, rights and obligations in accordance with the first paragraph above, is recorded with the corresponding negative or positive sign, in the Equity of the Consolidated Balance Sheet under translation differences.

In 2018, Argentina was declared a hyperinflationary economy due, among other causes, to the fact that the cumulative inflation rate of its economy exceeded 100% in a continuous period of 3 years. As a result of the foregoing and the acquisition in 2023 of the Argentine company Binit Srl (see Note 4), the Group applies IAS 29 to the financial statements of this company, i,e,, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and have been translated into the Group's presentation currency, considering the closing exchange rate of the euro with the Argentine peso.

For the restatement of the financial statements to current values, the general price index generally accepted in Argentina has been used. In relation to the conversion to presentation currency, a closing exchange rate of 893,903 Argentine pesos per Euro has been applied.

The impact of the hyperinflation adjustment on the consolidated income statement was €88,411.

There are no other companies in the Group's scope of consolidation, with the exception of those mentioned above, that have been considered hyperinflationary economies.

3.2. Criteria Used in Related-Party Transactions

In general, transactions between group companies are accounted for at their fair value at the initial time, Where appropriate, if the agreed price differs from its fair value, the difference is recorded on the basis of the economic reality of the transaction, The subsequent valuation is carried out in accordance with the provisions of the relevant regulations,

All debit and credit balances and transactions between companies of the Group, as well as results not yet realized with third parties, have been eliminated in the consolidation process,

3.3. Intangible Assets

Intangible assets with finite lives are amortized over the useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are impaired annually, either individually or at the cash-generating unit level. The indefinite life assessment is reviewed annually to determine whether indefinite life is still bearable. Otherwise, the change of useful life from indefinite to finite is carried out prospectively.

i. *Computer Applications*

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

Expenses related to the maintenance of software are recognized as an expense when they are incurred. Costs 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.

ii. *Goodwill*

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

It is initially measured, at the time of acquisition, at cost, which is the excess cost of the business combination with respect to the fair value of the identified assets acquired after deducting the liabilities assumed.

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

Each CGU(s) to which goodwill is assigned:

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

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

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

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

iii. *Development*

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

a) Technically, it is possible to complete the production of the intangible asset so that it can be made available for use or sale
b) Your intent to complete the intangible asset in question, to use or sell it,
c) Your ability to use or sell the intangible asset,
d) The way in which the intangible asset will generate likely economic benefits in the future, Among other things, the entity may demonstrate the existence of a market for the production that generates the intangible asset or for the asset itself, or, in the case that it is to be used internally, the usefulness of the market for the entity
e) The availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset
f) Its ability to reliably value the outlay attributable to the intangible asset during its development

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

iv. *Industrial Property*

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

v. *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. Such elements include: administrative concessions, commercial rights, intellectual property or licenses.

vi. *Subsequent assessment*

After initial recognition, an intangible asset will be accounted for at cost less accumulated depreciation (finite useful life) and the accumulated amount of impairment losses (see note 3,5).

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

(Expressed in euros)

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

3.4. Property, plant and equipment

i. *Initial recognition*

Property, plant and equipment is measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost corresponds to the acquisition price, or in the case of improvements, to the activation of the corresponding costs under the heading "Other operating income".

The value of property, plant and equipment shall be the initial estimate of the present value of the obligations assumed arising from the dismantling or retirement and others associated with the aforementioned asset, such as the costs of rehabilitation of the place on which it is located, provided that these obligations give rise to the recording of provisions in accordance with the provisions of the regulation applicable to them.

ii. *Residual Value*

The residual value is estimated as the amount that the company expects to obtain at any given time from the sale or other forms of disposal, after deducting the costs of sale, taking into account that the asset has reached the age and other conditions that it is expected to have at the end of its useful life.

The Directors consider that the residual value of their property, plant and equipment is not significant.

iii. *Useful life and depreciation*

The depreciation of property, plant and equipment is carried out by distributing their depreciable amount systematically throughout their useful life, For these purposes, the depreciable amount is understood to be the acquisition cost minus its residual value,

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

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

3.5. Impairment of non-financial assets

The Group follows the criterion of assessing the existence of indications that could reveal the potential impairment of non-financial assets subject to amortization or depreciation, in order to verify whether the carrying amount of the aforementioned assets exceeds their recoverable value, understood as the greater of the fair value, lower selling costs and their value in use.

In addition, and regardless of the existence of any indication of impairment, the Group checks, at least on an annual basis, the potential impairment that could affect intangible fixed assets with an indefinite useful life.

For these purposes, goodwill resulting from business combinations is allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination.

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

The recoverable amount should be calculated for an individual asset, unless the asset does not generate cash inflows that are largely independent of those for other assets or groups of assets. If this is the case, the recoverable value is determined for the cash-generating unit (CGU) to which the asset belongs.

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

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

Losses related to the impairment of cash-generating units (CGUs) will be allocated initially to reduce, where appropriate, the value of goodwill assigned to the CGU and then to the other assets of the CGU, prorated according to the carrying amount of each of the assets, with the limit for each of them being the greater of its fair value less disposal costs or disposition by another way, its value in use and zero.

The Group assesses, at each closing date, whether there is any indication that the impairment loss recognized in previous years no longer exists or may have decreased, Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to determine the recoverable value of the asset,

The reversal of the impairment loss is recorded as a credit to profit or loss, however, the reversal of the loss cannot increase the carrying amount of the asset above the carrying amount it would have had, net of depreciation, if the impairment had not been recorded.

For the purposes of deriving recoverability, cash-generating units represent the smallest assets or groups of assets and liabilities which can generate cash flows that are independent of other

CGUs, The Group has proceeded to define the following Cash Generating Units:

- HEXENEBEL / SUMMON: this CGU includes income from financial training courses and income obtained from advertising certain internet portals.

- KAU: This CGU includes income from financial advice.

- IFIT / FLEEBE: This CGU includes revenues from the provision of recruitment services and outsourcing of temporary skilled workers who perform certain jobs for global clients, as well as the application of artificial intelligence to talent management within organizations through tools such as the Fleebe platform.

- SAVE THE PLANET: this CGU includes income from the provision of energy saving and efficiency services.

- PSVET/ BOALVET: this CGU includes revenues from the provision of services to improve the quality and efficiency of the livestock and agricultural industry through the application of artificial intelligence.

- 4D / DIAGXIMAG: this CGU includes revenues from the sale of radiodiagnostic equipment and from the provision of related services in both the human and veterinary fields, as well as the application of artificial intelligence to these areas.

- SUBGEN AI: This CGU includes the income from the provision of computer consulting services and the income generated by the performance of R+D activities.

The assumptions considered to analyse the recoverability of goodwill have been broken down in Note 6.

To assess the impairment of goodwill, the Group will carry out 6 impairment tests, one for the goodwill of each of the business combinations and one for the overall goodwill, CGUs can be assigned to each of the business combinations, with the exception of KAU and SAVE THE PLANET CGUs, which do not have specific significant assets allocated to them.

3.6. Leases

The Panel assesses at the outset of the contract whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a unique recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

All those leases in which there is no asset identified in the lease agreement or where there is a right to replace it will not be recorded in the accounts as leases and will not be recorded in the income statement as an expense under its nature.

i. Right-of-use assets

The Group recognises right-of-use assets on the lease commencement date (i,e, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any depreciation and impairment losses, and adjusted for any new measurement of lease liabilities.

Right-of-use asset cost includes the amount of lease liabilities recognized, upfront direct costs incurred, and payments made on or before the start date minus any lease incentives received. Right-of-use assets are depreciated in a straight line by the lesser of the lease term and the estimated useful life of the assets (which shall reflect the lesser of the lease term and the useful life of the underlying), as follows:

	Amortization Method	Years:
Warehouses	Linear	2 - 10
Machinery	Linear	1
Bureaux	Linear	4-5
Industrial warehouse	Linear	2 - 11
Furniture	Linear	8

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a call option, depreciation is calculated using the estimated useful life of the asset.

To determine the lease term, the Group estimates the reasonable expectation of the period during which the underlying asset will be used.

The IFRS transition date has been determined as January 1, 2022, therefore the main estimates related to the lease term, interest rates, or lease fees are made for the first time on that date, with the exception of the components of the Group acquired in 2023 for which the estimates are made as of the date of the respective business combination.

vii. Lease liabilities

At the lease commencement date, the Group recognises lease liabilities measured at the present value of the lease payments to be made during the lease term. Lease payments also include the exercise price of a call option that will reasonably be exercised by the Group and penalty payments for terminating the lease, if the Group's best estimate on the transition date reflects that the Group will exercise the option to terminate.

Variable lease payments that are not index- or rate-dependent are recognized as expenses in the period in which the event or condition triggering the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental rate of indebtedness on the lease commencement date or on the transition date, whichever is earlier.

After the start date of the lease, the Group applies the amortised cost valuation criterion, In addition, the carrying amount of lease liabilities is reassessed if there is a modification, a change in the lease term, a change in lease payments (e,g,, changes in future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the valuation of an option to purchase the underlying asset.

Short-term and low-value leases

The Group applies the low-value asset lease recognition exemption to printer leases that are considered to be low-value, It has also decided to apply the short-term lease recognition exemption (i,e,, those leases that have a lease term of 12 months or less from the start date and do not contain an option to purchase), although it does not currently have any. Payments for short-term leases and low-value asset leases are recognized as expenses on a straight-line basis over the term of the lease.

3.7. Financial Instruments

Financial Assets

Financial assets are classified, at initial recognition, as amortized cost, fair value through change in other comprehensive income, and fair value through profit or loss.

Financial assets at amortised cost

Included in this category are those financial assets, including those admitted to trading on an organised market, in which the Group maintains the investment with the aim of receiving the cash flows derived from the execution of the contract, and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only collections of principal and interest on the amount of the outstanding principal.

Contractual cash flows that are only principal and interest charges on the outstanding principal amount are inherent in an arrangement that is in the nature of an ordinary or common loan, notwithstanding that the transaction is agreed at zero or below market interest rates.

Included in this category are credits for commercial transactions and credits for non-commercial transactions:

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

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

i. Initial assessment

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

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

ii. Subsequent assessment

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

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

When the contractual cash flows of a financial asset change due to the issuer's financial difficulties, the company considers whether to account for an impairment loss.

iii. Bonds

Deposits provided as a result of lease agreements are valued at face value, as the difference between the amount received and the fair value is not significant.

Financial assets at cost

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

The impairment reversal is limited to the original carrying amount of the investment. Dividends accrued after the time of acquisition are recognized as income in the profit and loss account when the right to receive them is declared.

Cancellation of accounts

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i,e, removed from the Group's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has either transferred its rights to receive cash flows from the asset or assumed an obligation to pay the cash flows received in full and without material delay to a third party under a "pass-through" agreement; and (a) the Group has transferred substantially all of the risks and benefits of the asset, or (b) the Group has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control of the asset

Where the Group has transferred its rights to receive cash flows from an asset or entered into a transfer agreement, it assesses whether, and to what extent, it has retained the risks and rewards of ownership. Where it has not transferred or retained substantially all of the risks and benefits of the asset, or control of the asset, the Group continues to recognise the transferred asset by the extent of its holding. In that case, the Group also recognises an associated liability. The transferred assets and associated liabilities are measured on a basis that reflects the rights and obligations that the Group has retained,

Continued participation in the form of a security interest in the transferred asset is measured at the lesser of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, accounts payable or as derivatives designated as hedging instruments in effective hedging, as applicable. All financial liabilities are initially recognized at fair value and, in the case of loans, debentures and accounts payable, adjusted for transaction costs directly attributable to them.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when liabilities are derecognized as well as through the amortization of the effective interest rate. Amortized cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are integral to the effective interest rate. The amortization of the effective interest rate is included as a financial cost in the income statement.

In general, debits for commercial transactions and debits for non-commercial transactions are included in this category:

a) Debits for commercial operations: these are those financial liabilities that originate in the purchase of goods and services for traffic operations of the company with deferred payment, and
b) Debits for non-commercial transactions: these are financial liabilities that, not being derivative instruments, do not have a commercial origin, but come from loan or credit operations received by the company.

Cancellation of accounts

A financial liability is derecognized when the obligation under the liability is paid, cancelled, or lapses, When an existing financial liability is replaced by another of the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement,

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

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

3.8. Share capital

Common shares are classified as equity.

The incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of tax, of the amounts obtained.

Own shares

Equity instruments that are repurchased (treasury shares) are recognized at cost and deducted from equity. No gain or loss on profit or loss is recognised from the purchase, sale, issuance or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the issue premium.

Convertible Preferred Stock

Convertible preferred stock is separated into liability and equity components under the terms of the contract.

At the time of issuance of convertible preferred shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument, This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished at the time of conversion or redemption,

The remainder of the revenue is allocated to the conversion option that is recognized and included in equity, Transaction costs are deducted from equity, net of associated income tax, The book value of the conversion option is not measured again in subsequent years,

Transaction costs are apportioned among the liability and equity components of the convertible preferred stock, based on the allocation of income to the liability and equity components when the instruments are initially recognized,

Shares entitled to preferential dividend

The initial carrying amount of the issued shares is distributed by assigning to the liability component the fair value of a similar liability that does not have the equity component associated with it, The difference between the initial amount and the value assigned to the liability component is assigned to the equity component, The costs of the transaction are distributed in the same proportion,

3.9. Taxes on profits

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

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

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

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

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

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

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

At each accounting closing, the deferred tax assets recorded are reconsidered, and the appropriate corrections are made to them to the extent that there are doubts about their future recovery.

In addition, deferred tax assets not recorded on the balance sheet are valued at each closing and are recognized to the extent that they are likely to be recovered with future tax benefits.

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

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

3.10. Revenue Recognition

The Group is in the business of creating and developing state-of-the-art artificial intelligence systems and their application in various sectors, such as energy, livestock, health, human resources and finance, among others. The Group recognises income from the ordinary development of its business when there is a transfer of control of the goods or services committed to customers.

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

a) Identify the contract (or contracts) with the client, understood as an agreement between two or more parties that creates enforceable rights and obligations for them.
b) Identify the obligation(s) to be fulfilled in the contract, representative of the commitments to transfer goods or provide services to a customer.
c) Determine the price of the transaction, or consideration of the contract, to which the Group expects to be entitled in exchange for the transfer of goods or the provision of services committed to the client.
d) Assign the price of the transaction to the obligations to be fulfilled, which must be carried out on the basis of the individual sales prices of each different good or service that have been committed in the contract, or, where appropriate, following an estimate of the sale price when it is not independently observable.
e) Recognize income from ordinary activities when the Group fulfills an obligation committed through the transfer of an asset or the provision of a service; Compliance that takes place when the customer obtains control of that good or service, so that the amount of income from ordinary activities recognized will be the amount assigned to the contractual obligation satisfied.

<u>Recognition</u>

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

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

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

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

Fulfilment of the obligation over time

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

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

Indicators of compliance with the obligation at a point in time

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

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

Assessment

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

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

3.11. Grants, donations, or Legacies received

Government grants are recognized when there is reasonable assurance that they will be received and all attached conditions will be met. Where the grant relates to the financing of specific expenditures, it must be recorded as income in a systematic manner in the periods in which the related costs are expended, which are intended to be offset. When the subsidy relates to the financing of an asset, it is recognised as income on the basis of the depreciation of the underlying asset to which it relates.

When the Group receives grants from non-cash assets, the asset and the grant are recorded at nominal amounts and charged to profit or loss over the expected useful life of the asset, based on the depreciation of the underlying asset to which it relates.

3.12. Business Combination

Business combinations are recorded using the acquisition method. The acquisition cost is the sum of the consideration transferred, measured at fair value at the date of acquisition, and the amount of the external shareholders of the acquired company, if any.

Acquisition of control

Acquisitions by the Parent Company (or another Group company) of control of a subsidiary company constitute a business combination that is accounted for in accordance with the acquisition method. This method requires the acquiring company to account, at the acquisition date, for the identifiable assets acquired and liabilities assumed in a business combination, as well as, where applicable, the corresponding goodwill or negative difference. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are excluded from consolidation on the date on which the Group ceases.

Acquisition cost is determined as the sum of the fair values, at the date of acquisition, of the assets delivered, the liabilities incurred or assumed and the equity instruments issued by the acquirer and the fair value of any contingent consideration that depends on future events or the fulfilment of certain conditions, which should be recorded as an asset, a liability or as equity according to its nature.

Expenses related to the issuance of equity instruments or disclosed financial liabilities are not part of the cost of the business combination and are recorded in accordance with the rules applicable to financial instruments.

Fees paid to legal advisors or other professionals involved in the business combination are accounted for as expenses as they are incurred. Nor are the costs of the combination included the expenses generated internally for these items, or those that, if any, the acquired entity would have incurred.

The excess, at the acquisition date, of the cost of the business combination, over the proportionate portion of the value of the identifiable assets acquired less the liabilities assumed representing the equity interest of the acquired company is recognized as goodwill, In the exceptional event that this amount is higher than the cost of the business combination, the excess shall be recorded in the profit and loss account as income.

Consolidation Method

The assets, liabilities, income, expenses, cash flows and other items in the Group's financial statements are included in the Group's consolidated accounts using the global integration method.

This method requires the following:

1. Temporal homogenization. The consolidated financial statements are set up on the same date and period as the financial statements of the company obliged to consolidate. The inclusion of companies whose year-end is different from that year is done by means of interim accounts referring to the same date and period as the consolidated accounts.

2. Value homogenization. Assets and liabilities, income and expenses and other items in the financial statements of the Group companies have been measured in accordance with standard methods. Those items of assets or liabilities, or those items of income or expenditure that would have been measured according to criteria that are not uniform with respect to those applied in consolidation have been revalued, with the necessary adjustments being made, for the sole purpose of consolidation.

3. Aggregation. The different items of the previously homogenized individual financial statements are aggregated according to their nature.

4. Elimination of investment-equity. The carrying amounts representing the equity instruments of the subsidiary held, directly or indirectly, by the parent company are offset against the proportionate part of the equity items of the subsidiary attributable to those holdings, generally on the basis of the values resulting from the application of the acquisition method described above, In consolidations subsequent to the year in which control was acquired. the excess or deficiency of the equity generated by the subsidiary company from the date of acquisition that is attributable to the parent company is presented in the consolidated balance sheet under the items of reserves or adjustments for changes in value, depending on their nature. The portion attributable to external partners is included under the heading "External partners".

5. Involvement of external partners. The valuation of external shareholders is carried out on the basis of their effective share of the equity of the subsidiary company once the above adjustments have been incorporated. Consolidation goodwill is not attributed to external partners. The excess between the losses attributable to the external shareholders of a subsidiary company and the proportionate share of equity corresponding to them is attributed to them, even if this implies a debit balance in that item.

6. Eliminations of intra-group items. Receivables and debts, income and expenses and cash flows between Group companies are eliminated in their entirety. Likewise, all the results produced by internal operations are eliminated and deferred until they are realized against third parties outside the Group.

Modification of participation without loss of control

Once control over a subsidiary has been obtained, subsequent transactions that result in a change in the parent company's shareholding in the subsidiary, without any loss of control over the subsidiary, are considered, in the consolidated financial statements, as a transaction with equity securities, the following rules applying:

a) The amount of goodwill or negative difference recognized, or that of other recognized assets and liabilities, remains unchanged.

b) The profit or loss that would have been recognized in the individual financial statements is eliminated, in consolidation, with the corresponding adjustment to the reserves of the company whose interest is reduced.

c) The amounts of the "adjustments for changes in value" are adjusted to reflect the participation in the capital of the subsidiary held by the companies of the Group.

d) The shareholding of the external shareholders in the equity of the subsidiary will be shown according to the percentage of shareholding that third parties outside the Group hold in the subsidiary, once the transaction has been carried out, which includes the percentage of shareholding in the goodwill recorded in the consolidated accounts associated with the change that has occurred.

e) The necessary adjustment resulting from points (a), (b) and (c) above shall be recorded in reserves.

Loss of control

When control of a subsidiary company is lost the following rules apply:

a) The gain or loss recognized in the individual financial statements is adjusted for the purposes of consolidation.

b) If the subsidiary is classified as a multi-group or associate, the equity method is consolidated and initially applied, considering the fair value of the retained shareholding on that date for the purposes of its initial valuation.

c) The interest in the equity of the subsidiary that is retained after the loss of control and that does not belong to the consolidation perimeter will be measured in accordance with the criteria applicable to financial assets, considering as an initial valuation the fair value on the date on which it ceases to belong to the aforementioned perimeter.

d) An adjustment is recognized in the consolidated income statement to show the share of the external partners in the income and expenses generated by the subsidiary in the year up to the date of loss of control, and in the transfer to the profit and loss account of the income and expenses recorded directly in equity.

3.13. Provisions and contingencies

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

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

Compensation receivable 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 repayment will be received, and does not exceed the amount of the obligation recorded. Where there is a legal or contractual relationship for the externalisation of risk, by virtue of which the Group is not obliged to be liable for it, the amount of such compensation is deducted from the amount of the provision.

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

3.14. Transactions with payments based on equity instruments

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

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

3.15. Fair Value Measurement

Fair value is the price that would be received for the sale of an asset or paid to transfer or cancel a liability through an orderly transaction between market participants on the valuation date, Fair value shall be determined without any deduction for transaction costs that may be incurred by reason of disposal or disposition by other means. In no case does it have the character of fair value if it is the result of a forced, urgent transaction or as a result of a situation of involuntary liquidation.

Fair value is estimated for a certain date and, because market conditions may vary over time, that value may be inappropriate for another date. In addition, when estimating fair value, the company takes into account the conditions of the asset or liability that market participants would take into account when pricing the asset or liability at the valuation date.

In general, fair value is calculated by reference to a reliable market value. For those items for which there is an active market, fair value is obtained, where appropriate, through the application of valuation models and techniques. Valuation models and techniques include the use of references to recent transactions under conditions of mutual independence between interested and duly informed parties, if available, as well as references to the fair value of other assets that are substantially the same, discounting methods of estimated future cash flows, and models generally used to value options.

In any case, the valuation techniques used are consistent with the methodologies accepted and used by the market for pricing, using, if any, the one that has been shown to obtain the most realistic estimates of prices. They also take into account the use of observable market data and other factors that their participants would consider when setting the price, limiting as much as possible the use of subjective considerations and unobservable or verifiable data.

The Group evaluates the effectiveness of the valuation techniques it uses on a regular basis, using as a reference the observable prices of recent transactions in the same asset being valued or using prices based on available and applicable observable market data or indices.

In this way, a hierarchy is deduced in the variables used in the determination of fair value and a fair value hierarchy is established that allows the estimates to be classified into three levels:

- Level 1: Estimates using unadjusted quoted prices in active markets for identical assets or liabilities, which the company can access at the valuation date.
- Level 2: estimates using prices quoted in active markets for similar instruments or other valuation methodologies in which all significant variables are based on directly or indirectly observable market data.

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- Level 3: Estimates in which some significant variable is not based on observable market data.

A fair value estimate is classified at the same level of the fair value hierarchy as the lower-level variable that is significant to the outcome of the valuation. For these purposes, a significant variable is one that has a decisive influence on the result of the estimation, In assessing the importance of a particular variable for the estimation, the specific conditions of the asset or liability being measured are taken into account.

3.16. First adoption of IFRS

These financial statements. for the year ended December 31, 2023, are the first to be prepared by the Group in accordance with IFRS. The Group prepared its consolidated financial statements for the year ended December 31, 2022, in accordance with generally accepted local accounting principles, in accordance with the General Chart of Accounts (PGC in spanish) approved in Royal Decree 1514/3007 and the Consolidated Financial Statements Standards (NOFCAC in spanish) approved in RD 1159/2010.

Accordingly, the Group has prepared its IFRS-compliant financial statements applicable as of December 31, 2023, together with comparative period data for the year ended December 31, 2022, as described in the summary of significant accounting policies.

The opening financial statements are presented as of January 1, 2022, this being the date of transition to the international regulatory framework. On the other hand, IFRS has been considered to allow certain exemptions in the presentation of opening financial statements under IFRS. The main application options (exemptions) will be developed in the following sections of the document:

- The Group has determined the cost of tangible and intangible fixed assets under IFRS, as of its first application date, in accordance with the preceding carrying amount of the previous regulatory framework (General Chart of Accounts).

- The Group has not chosen to apply IFRS 3 to obtain External Partners at fair value, it has chosen to consider the sole criterion allowed in the Recording and Valuation Standard (NVR) 19 of the General Chart of Accounts (PGC) and Royal Decree 1159/2010 consisting of the application of the percentage of participation over the fair value of net assets.

- Lease liabilities were measured at the present value of remaining lease payments, discounted using the tenant's incremental rate of indebtedness as of January 1, 2022. Right-of-use assets were measured at the same amount as lease liabilities, adjusted for the amount of any accrued prepayments or lease payments related to that lease recognized in the statement of financial position immediately prior to January 1, 2022.

Reconciliation of the Group's Balance Sheet as of January 1, 2022 (IFRS transition date)

	Note	Balance according to FS 01/01/2022	Settings	IFRS balance at 01/01/2022
ASSETS				
Intangible fixed assets	to,	29,460,938	-	29,460,938
Property, plant and equipment		116,899	-	116,899
Rights of Use		-	-	-
Long-term investments in group companies and associates		30,000	-	30,000
Long-term financial investments		954,346	-	954,346
Deferred tax assets	d,	301,991	1,558	303,549
Total non-current assets		**30,864,174**	**1,558**	**30,865,732**
Stock		198	-	198
Trade receivables and other accounts receivable	b,	638,119	(6,233)	631,886
Short-term investments in group companies and associates		6,636	-	6,636
Short-term financial investments		407,890	-	407,890
Short-term accruals and accruals		1,000	-	1,000

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Cash and cash equivalents		267,711	-	267,711
Total current assets		**1,321,555**	**(6,233)**	**1,315,322**
Total Assets		**32,185,729**	**(6,233)**	**32,181,054**
LIABILITIES AND EQUITY				
Equity				
Capital		2,028,977	-	2,028,977
Issue premium		26,655,923	-	26,655,923
Legal and statutory reserve		600	-	600
Other Bookings	b,,d,	32,519	(4,675)	27,845
Own shares		6,000	-	6,000
Negative results from previous years		(472,605)	-	(472,605)
Other Equity Instruments		-	-	-
Profit or loss for the year attributable to the parent company	a,	(1,777,571)	-	(1,777,571)
Grants, Donations and Bequests Received	c,	178,841	(178,841)	0
External Partners		(20,209)	-	(20,209)
Total Net Worth		**26,632,475**	**1,182,263**	**27,814,738**
Debts to credit institutions		-	-	-
Other financial liabilities		429,964	-	429,964
Lease liabilities		-	-	-
Deferred tax liabilities		-	-	-
Income to be distributed over several years	c,	-	178,841	178,841
Total non-current liabilities		**429,964**	**178,841**	**608,805**
Short-term provisions		-	-	-
Debts to credit institutions		14,869	-	14,869
Lease liabilities		-	-	-
Other financial liabilities		4,840,555	-	4,840,555
Short-term debts to group companies and associates		1,586	-	1,586
Suppliers		123,628	-	123,628
Suppliers, group companies and associates		500	-	500
Miscellaneous creditors		33,641	-	33,641
Staff (unpaid wages)		(287)	-	(287)
Current tax liabilities		235	-	235
Other debts owed to the Public Administrations		115,093	-	115,093
Customer Advances		(6,530)	-	(6,530)
Total current liabilities		**5,123,290**	**-**	**5,123,290**
Total liabilities		**5,553,254**	**178,841**	**5,732,095**
Total Equity and Liabilities		**32,185,729**	**(4,675)**	**32,181,054**

Reconciliation of the Group's Balance Sheet as of December 31, 2022

	Note	Balance according to FS 31/12/2022	Settings	IFRS balance at 31/12/2022
ASSETS				
Intangible fixed assets	a,	17,820,052	879,159	18,699,210
Property, plant and equipment		141,287	-	141,287
Rights of Use	and,	-	522,812	522,812
Long-term investments in group companies and associates		30,000	-	30,000
Long-term financial investments	and,	221,469	(7,275)	214,194
Deferred tax assets	d,	916,365	5,237	921,601
Total non-current assets		**19,129,172**	**1,399,932**	**20,529,104**
Stock		283,668	-	283,668
Trade receivables and other accounts receivable	b,	1,266,185	(16,264)	1,249,921
Short-term investments in group companies and associates		-	-	-
Short-term financial investments		14,554	-	14,554
Short-term accruals and accruals	and,	1,000	(9,532)	(8,532)
Cash and cash equivalents		1,623,429	-	1,623,429
Total current assets		**3,188,835**	**(25,796)**	**3,163,039**
Total Assets		**22,318,007**	**1,374,136**	**23,692,144**
LIABILITIES AND EQUITY				
Equity				
Capital		2,451,023	-	2,451,023

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Issue premium		34,548,124	-	34,548,124
Legal and statutory reserve		600	-	600
Other Bookings	b,,d,	(1,352,938)	(4,675)	(1,357,612)
Own shares		(1,116,289)	-	(1,116,289)
Negative results from previous years		(1,643,405)	-	(1,643,405)
Other Equity Instruments		350,668	-	350,668
Profit or loss for the year attributable to the parent company	a,,b,, d,e	(15,950,455)	868,936	(15,081,519)
Grants, Donations and Bequests Received	c,	216,464	(216,464)	-
External Partners		83,332	(482)	82,850
Total Net Worth		**17,587,124**	**647,316**	**18,234,440**
Debts to credit institutions		557,180	-	557,180
Other financial liabilities		1,656,386	-	1,656,386
Lease liabilities	and,	-	432,458	432,458
Deferred tax liabilities	c,	75,092	(72,155)	2,938
Income to be distributed over several years	c,	-	288,619	288,619
Total non-current liabilities		**2,288,658**	**648,922**	**2,937,579**
Short-term provisions		357,381	-	357,381
Debts to credit institutions		93,226	-	93,226
Lease liabilities	and,	3,796	77,899	81,695
Other financial liabilities		1,198,152	-	1,198,152
Short-term debts to group companies and associates		-	-	-
Suppliers		269,320	-	269,320
Suppliers, group companies and associates		-	-	-
Miscellaneous creditors		79,593	-	79,593
Staff (unpaid wages)		49,368	-	49,368
Current tax liabilities		29,010	-	29,010
Other debts owed to the Public Administrations		344,427	-	344,427
Customer Advances		17,952	-	17,952
Total current liabilities		**2,442,225**	**77,899**	**2,520,124**
Total liabilities		**4,730,883**	**726,821**	**5,457,704**
Total Equity and Liabilities		**22,318,007**	**1,374,137**	**23,692,144**

Group Profit and Loss Reconciliation as of December 31, 2022

Consolidated Profit and Loss Statement	Note	Balance according to FS 31/12/2022	Settings	IFRS balance at 31/12/2022
Net turnover		3,135,850	-	3,135,850
Other Operating Income		1,494,579	-	1,494,579
Supplies		(486,343)	-	(486,343)
Other income from		86,064	-	86,064
Personnel costs		(3,202,184)	-	(3,202,184)
Other operating expenses	B,, D, and E,	(3,062,346)	48,487	(3,013,859)
Depreciation of fixed assets	A, and E,	(2,616,166)	2,283,008	(333,158)
Allocation of subsidies		42,503	(10,626)	31,877
Impairment and profit or loss on disposals of fixed assets	A, and C,	(11,649,392)	(1,445,754)	(13,095,146)
Other results		(8,187)	-	(8,187)
Operating Result		**(16,265,623)**	**875,115**	**(15,390,508)**
Financial Income	and,	901	331	1,231
Financial Expenses	and,	(138,400)	(17,617)	(156,018)
Change in fair value in financial instruments		(3,145)	-	(3,145)
Exchange Differences		(1,070)	-	(1,070)
Impairment and profit or loss on disposals of financial instruments		(93,584)	-	(93,584)

(Expressed in euros)

Financial result		**(235,300)**	**(17,287)**	**(252,586)**
Profit before tax		**(16,500,922)**	**857,829**	**(15,643,093)**
Income tax	c,	**561,638**	**10,626**	**572,264**
Consolidated profit for the year		**(15,939,284)**	**868,455**	**(15,070,830)**
Profit attributable to the parent company		**(15,950,455)**	**868,936**	**(15,081,519)**
Profit attributable to external partners	and,	**11,171**	**(482)**	**10,689**

Notes to the reconciliation of the balance sheet as of January 1, 2022, as of December 31, 2022 and the profit and loss account for the year ended December 31, 2022:

a. Intangible

In accordance with the provisions of IAS 38, intangible assets with an indefinite useful life are not subject to depreciation, instead an assessment of the potential existence of impairment should be carried out whenever there are indications and at least at the end of the year.

The impact of not recording depreciation and adjusting the amount to be impaired considering the new net book value without depreciation generated a net impact of €879,159 as of December 31, 2022.

b. Impairment of trade and other accounts receivable

IFRS 9 establishes an impairment model for financial instruments based on the expected loss approach rather than the incurred loss model that governs the application of local regulations, IFRS 9 provides for a simplified model for accounts receivable from business operations, customer contract assets and lease receivables.

To calculate the expected loss, the Group calculates an expected loss rate, obtained on the basis of the impairment loss history. The approach is based on obtaining an expected loss rate based on the impairment history observed in previous years and adjusting this rate to current and future conditions to the extent that the cost of obtaining the information is not disproportionate to the benefit that the information brings to the users of the financial information.

The impact of the determination of the expected credit loss is equivalent to an impairment of receivables of €16,264 for 1 January 2022 and €10,031 for 31 December 2022,

c. Grants

IAS 20 provides for the recognition of capital grants as income to be deferred over several periods or as a lesser amount of the asset they finance. This is different from local regulations, which establish the recognition of these subsidies under the heading of "Adjustments for changes in value" of equity.

The first option chosen by the group was the first option, in accordance with the provisions of note *3,11 Grants, donations or bequests of capital*. Therefore, an impact equivalent to €178,841 as of 1 January 2022 and €216,464 as of 31 December 2022 has been generated by the recognition of the subsidies as income to be deferred over several years.

Likewise, a fiscal impact is generated due to the fact that under local regulations subsidies are presented net of the tax effect, appearing under the heading "Deferred tax liabilities", while under IAS 20, the subsidy is presented by its gross amount. The impact of this tax effect amounts to €10,626 as of December 31, 2022.

(Expressed in euros)

d. Fiscal Effect of Adjustments

The Group has obtained the tax impact of the process of first application of the international regulatory framework, which in certain cases has materialized through temporary differences when it is expected that they can be offset in future years between accounting and tax criteria.

The offset net impact of the recognised temporary differences amounted to an increase of €1,558 in deferred tax assets as of 1 January 2022 and €5,237 as of 31 December 2022.

e. Leases

The Group is in the position of lessee in various lease agreements for commercial premises, machinery, offices, industrial warehouses and furniture. Under the international regulatory framework, the lessee applies a single recognition and measurement approach for all leases, and recognises lease liabilities to make payments and right-of-use assets that represent the right to use the underlying assets.

Since the transition date has been set to January 1, 2022, all estimates of leases that have commenced prior to the transition date would be made on the transition date. No leases prior to the transition date have been identified, so no adjustments were made for this period.

On the IFRS transition date, it measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental interest rate at the transition date. Right-of-use assets were measured at an amount equal to lease liabilities adjusted by the amount of prepaid lease fees.

As a result, the Group recognised an increase in liabilities of €510,357 as at 31 December 2022, The net impact on the income statement due to amortization and the financial effect amounted to €4,352 as of December 31, 2022.

4. Business Combinations

Acquisitions as of January 1, 2022

On 30/6/2021 the Group acquired 100% of 3 companies: Zona Value Global, S.L. Substrate AI Spain, S.L., Substrate AI USA.

This acquisition generated goodwill, which, after the 12-month valuation period to retroactively adjust the provisional amounts recognized at the date of the business combination, is valued as follows:

Description	Amount (euros)
Consideration for Acquisition (A)	23,800,000
Fair Value of Identified Net Assets Acquired (B)	396,048
Goodwill (A-B)	**23,403,952**

The date of acquisition was June 30, 2021, however, since 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 acquisition date, January 1, 2021 was considered as the acquisition date.

At the end of the 2021 financial year, the companies Kau Market EAFI, S.L. and AI Saivers LLC were acquired for an amount of €80,000 and €16,731.41 respectively, resulting in a negative consolidation difference arising from this sale, which has been charged to the Profit and Loss account for the year ended December 31, 2021 for an amount of €166,664.59.

(Expressed in euros)

Additionally, during 2021, the Group, through its parent company, acquired two production units: Hexenebel and Summon Press. The Hexenebel production unit allows the development of services through INTEFI BUSINESS SCHOOL - dedicated to online financial training - and the Summon Press production unit allows the development of web projects based on content writing, organic positioning and their materialization through advertising.

The acquisition of these production units generated goodwill of €5,500,000 and €600,000 respectively (total of €6,100,000)

Goodwill Acquisition Hexenebel (euros)	600,000
Goodwill Acquisition Summon (euros)	5,500,000
Total Goodwill	**6,100,000**

These acquisitions are considered two independent business combinations, with the fair value of net assets at the time of acquisition being close to zero, and the transaction price having been determined based on future cash flows that could be generated by customers and the web domains already held by these production units.

There were no variable or quota prices in the amounts of the above-mentioned transactions.

Acquisitions as of December 31, 2022

On February 25, 2022, 70% of Cuarta Dimensión Médica, S.L. was acquired, which has its headquarters in Valencia, Spain and has as its corporate purpose the purchase, sale, import, export, representation, mediation, wholesale or retail management of all types of devices, equipment and systems related to health care and for medical and veterinary diagnosis, electronic and X-ray systems, their spare parts and components, accessories and consumables related to them, as well as their installation, repair and maintenance.

The cost of the business combination was €1,400,000,00, of which €300,000,00 was paid via a non-monetary contribution.

However, since transactions between that date and April 30, 2022 were not considered significant for accounting purposes, April 30, 2022 has been considered as the acquisition date. There is no variable or contingent price on the amount of such a transaction.

This acquisition generated goodwill, which, after the 12-month valuation period to retroactively adjust the provisional amounts recognized at the date of the business combination, is valued as follows:

Fair value Registered in The Acquisition

(Expressed in euros)

	(euros) 04/30/2022
ASSETS	
Non-current assets:	**84,887**
Property, plant and equipment	60,042
Long-term financial investments	24,845
Current Assets:	**811,016**
Stock	190,996
Trade receivables and other accounts receivable	272,592
Short-term financial investments	107,954
Cash and cash equivalents	239,474
TOTAL ASSETS	**895,903**
LIABILITIES	
Non-current liabilities:	**6,433**
Long-term debts	3,796
Deferred tax liabilities	2,637
Current Liabilities:	**579,370**
Short-term provisions	399,781
Short-term debts	4,839
Trade Creditors and Other Payables	174,750
TOTAL LIABILITIES	**585,803**
Total fair value of identifiable net assets acquired	**310,100**
External Partners at Fair Value	93,030
Goodwill from the acquisition	1,182,930
Consideration transferred	**1,400,000**

Acquisitions as of December 31, 2023

IFIT Group

On July 31, 2023, the Group's parent company, Substrate Artificial Inteligence, S.A. acquired all the shares of the company domiciled in London, United Kingdom, called Yamro Holding Limited. This company is the head of a group of companies (IFIT Group) with a presence in the United Kingdom, the United States, Spain, Mexico and Costa Rica whose activity consists, fundamentally, of:

- Provision of personnel selection services, mainly with a technical profile for consulting and consulting work

- Provision of subcontracting services in such a way that the IFIT Group hires personnel with a basically technical profile and makes them available to its clients on a temporary basis

These services are mostly provided to clients in the USA and the UK.

The cost of the business combination was 4,602,573 US, dollars (US$), recorded at the exchange rate on the day of the transaction for 4,175,427 euros, which must be paid as follows:

- US$290,573 through the issuance of Class A shares (with voting rights) of the purchaser, Substrate Artificial Inteligence S.A. and
- US$4,312,000 through the issuance of Class A and B shares (non-voting) in such proportion as may be determined by the purchaser.

The purchased shares of Yamro Holding Limited are equivalent to 100 ordinary shares at £1 each, representing the entire share capital of the company, Purchased shares have collateral.

If the total sum received by the seller YARO INVESTMENT HOLDING LTD is less than US$4,312,000, the seller may:

- Elect to recover a portion of the shares sold (the 100 common shares of Yamro Holding Limited) to cover the missing value; or
- Demand immediate payment from Substrate Artificial Inteligence, S.A. in cash of the missing amount

The IFIT Group acquired by Substrate was composed of the following companies:

Parent company

- Yamro Holding Limited (located in England)

Subsidiaries

- IFIT Solutions Limited (located in England) (100% owned by the parent company)
- CRIFIT Solutions (located in Costa Rica) (100% owned by the parent company)
- IFIT Solutions SRL de CV (located in Mexico) (99,5% owned by the parent company)
- IFIT Solutions LLC (located in the USA) (100% owned by CRIFIT Solutions)
- IFIT Solutions LTD (Spain) (permanent establishment of Ifit Solutions LTD located in Spain) (100% owned by IFIT Solutions Ltd)

The scope of transaction of the IFIT Group includes: IFIT Solutions LLC, IFIT Solutions LTD and its permanent establishment in Spain, IFIT Solutions S.R.L.C.V. and CRIFIT Solutions SRL. The IFIT group does not prepare consolidated financial statements for the scope of transaction.

For the purpose of the business combination, the Group's management has prepared a consolidated balance sheet and income statement in U.S. dollars, aggregating the individual financial statements from the transaction perimeter and eliminating the balance sheets and intercompany transactions. Individual financial statements are reported in their local currency, so management converted them into the income statement at the average rate of each fiscal year and the balance sheet at the closing rate.

The fair value of the identifiable assets and liabilities of the IFIT Group at the acquisition date was:

	Fair value Registered in The Acquisition	Fair value Registered in The Acquisition

	(US dollars)	(euros)
	31/07/2023	**31/07/2023**
ASSETS		
Non-current assets:	**5,973,09**	**5,420,23**
Property, plant and equipment	4,195,98	3,807,61
Intangible fixed assets	-	-
Long-term financial investments	1,777,11	1,612,62
Current Assets:	**1,639,870,00**	**1,202,336.66**
Trade receivables and other accounts receivable	571,428,17	605,229.74
Short-term financial investments	7,911,31	7,179.05
Cash and cash equivalents	1,060,530,52	589,927.88
TOTAL ASSETS	**1,645,843,09**	**1,207,756.89**
LIABILITIES		
Non-current liabilities:	**20,385,95**	18,499,04
Current Liabilities:	**454,709,40**	**10,704.60**
Short-term provisions	-	-
Short-term debts to group companies	39,685,74	36,012.47
Trade Creditors and Other Payables	415,023,66	- 25,307.87
TOTAL LIABILITIES	**475,095,35**	**29,203.65**
Total fair value of identifiable net assets acquired	**1,170,747,75**	**1,178,553.24**
External Partners at Fair Value		
Goodwill from the acquisition	3,431,825,25	2,996,873.76
Consideration transferred	**4,602,573,00**	**4,175,427.00**

The net turnover and the attributable result to the combination from the acquisition date until December 31, 2023 has amounted to 2,005 and 259 thousand euros (4,811 and 621 thousand euros if it had been acquired from December 1 January 2023).

PSVET DAIRYQUALITY

On August 2, 2023, the company of the Boalvet Al, S.L. Unipersonal Group acquired all the shares of the Spanish company PSVET DAIRYQUALITY, S.L., whose corporate purpose is veterinary consultation and clinic, training for the food and livestock sector, food hygiene services, trade in medicines for animal use and advice on quality and food safety matters.

The cost of the business combination was €1,250,000, which must be paid as follows:

- 250,000 euros are paid through the delivery of shares of Boalvet Al, S,L, Unipersonal representing 12,5% of the capital of said Company.

- €750,000 generates a credit to be offset in shares through a capital increase of the parent company Substrate Artificial Inteligence, S.A.

(Expressed in euros)

- The remaining €250,000 will be paid 18 months after the contract is signed, subject to reaching the average annual turnover (€270,000) during the twelve months following the sale and which, therefore, may be reduced by the actual turnover during that period if it is lower than the average, by applying the ratio of 5 times the actual turnover of those twelve months.

The fair value of the identifiable assets and liabilities of PSVET DAIRYQUALITY, S,L,, on the acquisition date was:

	Fair value Registered in The (Euros) 08/02/2023
ASSETS	
Non-current assets:	**95,194,36**
Property, plant and equipment	73,231,65
Intangible fixed assets	20,547,52
Long-term financial investments	1,415,19
Current Assets:	**222,372,78**
Trade receivables and other accounts receivable	131,376,72
Short-term financial investments	
Cash and cash equivalents	90,996,06
TOTAL ASSETS	**317,567,14**
LIABILITIES	
Non-current liabilities:	**253,478,00**
Current Liabilities:	**49,594,05**
Short-term provisions	
Short-term debts	
Trade Creditors and Other Payables	49,594,05
TOTAL LIABILITIES	**303,072,05**
Total fair value of identifiable net assets acquired	**14,495,09**
External Partners at Fair Value	
Goodwill from the acquisition	1,235,504,91
Consideration transferred	**1,250,000,00**

The net turnover and the attributable result to the combination from the acquisition date until December 31, 2023 has amounted to 285 and 47 thousand euros (683 and 112 thousand euros if it had been acquired from December 1 January 2023).

DIAGXIMAG

On May 10, 2023, Substrate AI SL acquired 100% of the shares of Diagximag, S.L. for an amount of 3,300 euros.

Diagximag's services are the acquisition and sale, as well as the intermediation in the purchase and sale of hospital equipment.

The cost of the business combination amounts to €3,300, with the net assets acquired being equal to that amount.

Hospital Equipment Production Unit

On August 1, 2023, the Group, through the subsidiary Diaximag, S.L. mentioned above, acquired a Production Unit called Hospital Equipment dedicated to the distribution, marketing, repair, rental of equipment and diagnostic imaging (Ultrasound Specialization), made up of a series of elements of a material and immaterial nature.

The cost of the business combination is made up of the following:

- A fixed part for an amount of 2,600,000 euros, of which 600,000 are paid through the delivery of shares of Cuarta Dimensión Médica equivalent to 8% of the share capital of this Company, and the rest generates a credit that is offset in shares through a capital increase of the parent company Substrate Artificial Inteligence, S.A.; and

- A variable part that will be the result of multiplying by five the net profit resulting from the Master-Dealer agreement with Samsung, included in the Productive Unit, during its first year of validity, and which can be reduced by a scale of different amounts if the net amount of the turnover of the acquired Productive Unit does not reach one million euros in the 2024 financial year.

In the end, the cost of the business combination amounts to €2,687,500, with the value of the integrated assets corresponding to the inventories of the business being €487,875, generating goodwill of €2,199,625.

The net turnover and the attributable result to the combination from the acquisition date until December 31, 2023 has amounted to 697 and 51 thousand euros (1,672 and 121 thousand euros if it had been acquired from December 1 January 2023).

Shot SRL y Deltanova SA

On October 31, 2023, the Group acquired 70% of the shares in Binit Srl and Deltanova, S.A.

The Subgroup includes 5 legal entities located in different countries: Binit Holding (Deltanova, S.A.), Binit S.R.L (Argentina), Binit Brasil Holding, Ltda. (Brazil) (a company to which CIBIT Tecnologia Ltda belongs) and Deltanova Tech, S.L. (Spain)).

The services of Binit Srl and the sub-group Deltanova SA are:

- Consulting services and custom software development, provided to both private companies and government entities.

- Their core business is carried out by using IGNITE, a high-quality development code, to create the platforms and software they offer to their clients.

- CIBIT is the only company in the BINIT group with a different activity, CIBIT provides services to companies in the animal protein production sector, offering a customized management platform to optimize this protein production

The transaction perimeter of the BINIT Group includes: BINIT SRL and Deltanova SA, which in turn is the holding company of BINIT Brasil Holding Ltda (a company that in turn has a stake in CIBIT Tecnologia Ltda) and Deltanova Tech, S.L.., This group of companies does not prepare consolidated financial statements for the transaction perimeter, although consolidated financial statements of the Deltanova SA group as of 10/31/2023 have been prepared in U.S. dollars, aggregating the individual financial statements of the transaction perimeter and taking into consideration the percentages of participation in each company (100% in all except CIBIT Brazil, 32,66%).

The consideration paid was €5,400,000 for 70% of the shares of BINIT, S.R.L. (Argentina), equivalent to 1,998,864 thousand Argentine pesos at the date of acquisition and €600,000 for 70% of the shares of Deltanova, S.A. (Uruguay) equivalent to 637,200 USD at the date of acquisition, totaling €6,000,000.

The fair value of Binit SRL's identifiable assets and liabilities at the acquisition date was:

	Fair Value Registered in Pesos	**Fair Value Registered in Euros**
	(miles of Pesos)	**(miles of Euros)**
	31/10/2023	**31/10/2023**
ACTIVOS		
Activos No Corrientes:	**497,019.00**	**1,342.71**
Inmovilizado material	9.545,00	25.79
Inmovilizado intangible	486,146.00	1,313.34
Inversiones financieras a largo plazo	1,328.00	3.59
Activos Corrientes:	**87,818.00**	**237.24**
Deudores comerciales y otras cuentas a cobrar	36,000.00	97.26
Inversiones financieras a corto plazo	13,891.00	37.53
Efectivo y otros activos líquidos equivalentes	37,927.00	102.46
TOTAL ACTIVOS	**584,837.00**	**1,579.96**
PASIVOS		
Pasivos No Corrientes:	**201.00**	**0.54**
Pasivos Corrientes:	**311,504.00**	**841.54**
Provisiones a corto plazo		
Deudas a corto plazo	212.606,00	574,36
Acreedores comerciales y otras cuentas a pagar	98.898,00	267,18
TOTAL PASIVOS	**311.705,00**	**842,08**
Total valor razonable de activos netos identificables adquiridos (70%)	**191.192,40**	**516,51**
Socios externos al valor razonable		
Fondo de comercio derivado de la adquisición	1.807.671,60	4.883,49
Contraprestación transferida	**1.998.864,00**	**5.400,00**

(Expressed in euros)

The net turnover and the attributable result to the combination from the acquisition date until December 31, 2023 has amounted to 436 and 218 thousand euros (1,047 and 524 thousand euros if it had been acquired from December 1 January 2023).

On the other hand, the fair value of the identifiable assets and liabilities of Grupo Deltanova SA at the date of acquisition was:

	Fair Value Registered in (EEUU dolars) 31/10/2023	**Fair Value Registered in (Euros) 31/10/2023**
ACTIVOS		
Activos No Corrientes:	**5,185.00**	**4,882.30**
Inmovilizado material	4,537.00	4,272.13
Inmovilizado intangible	-	-
Inversiones financieras a largo plazo	648.00	610.17
Activos Corrientes:	**344,739.00**	**324.612.99**
Deudores comerciales y otras cuentas a cobrar	216,031.00	203,419.02
Inversiones financieras a corto plazo		-
Efectivo y otros activos líquidos equivalentes	128,708.00	121,193.97
TOTAL ACTIVOS	**349,924.00**	**329,495.29**
PASIVOS		
Pasivos No Corrientes:		
Pasivos Corrientes:	**21,258.00**	**20,016.95**
Provisiones a corto plazo		
Deudas a corto plazo a empresas del grupo		
Acreedores comerciales y otras cuentas a pagar	21,258.00	20,016.95
TOTAL PASIVOS	**21,258.00**	**20,016.95**
Total valor razonable de activos netos identificables adquiridos (70%)	**230,066.20**	**216,634.84**
Socios externos al valor razonable		
Fondo de comercio derivado de la adquisición	407,133.80	383,365.16
Contraprestación transferida	**637,200.00**	**600,000.00**

The net turnover and the attributable result to the combination from the acquisition date until December 31, 2023 has amounted to 1,465 and 386 thousand euros (3,515 and 926 thousand euros if it had been acquired from December 1 January 2023).

SUBGEN AI, LTD

Subsequently, on December 29, 2023, the Company set up the company Subgen AI, LTD with registered office at Avebury Boulevard nº 100, Milton Keynes (United Kingdom), a company to which on December 30, 2023, Substrate Ai Sl transferred the participants it had in Binit SRL, Deltanova SA (and its subgroup) and Substrate AI Spain, S.L., forming the SUBGEN AI Subgroup.

(Expressed in euros)

These transactions have no impact on the consolidated financial statements.

PROVISIONAL ACCOUNTING

At the end of the year, the company had not completed the valuation process of the assets and liabilities acquired in the 2023 business combinations mentioned above, so the values reported are provisional.

5. External Partners

The balance of External Partners as of December 31, 2023 corresponds to the effective percentage of their participation, which amounts to:

- 30% of the equity of Deltanova, S.A and Binit S.R.L.A
- 10% de Airen Ai For Renewable Energy, S.L
- 21,24 % de Boalvet Al, S,
- 35,68% of Cuarta Dimensión Médica, S,L

In turn, the balance for January 1, 2022 and December 31, 2022 corresponds to the equity participation of the external partners of 10% of Airen Ai For Renewable Energy, S.L. and Boalvet Al, S.L. and 30% of Cuarta Dimensión Médica, S.L.

The movement of external partners is as follows:

(Euros)	31/12/2023	31/12/2022	1/1/2022
Opening Balance	82,850	(20,209)	-
Business combination effect (note 5)	586,231	92,370	600
Results for the period attributable to external partners	266,767	10,690	(20,809)
Ending Balance	**935,847**	**82,850**	**(20,209)**

6. Intangible Assets

The composition and movement in the accounts included in intangible assets were as follows for the years 2023 and 2022:

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(Euros)	Opening Balance	Business combination (note 4)	Tickets	Outputs	Ending Balance
1/1/2022					
Cost					
Development	379,294	-	457,769	-	837,063
Industrial property	44,396	-	157,782	-	202,178
Goodwill	-	28,210,419	-	-	28,210,519
Computer Applications	134,283	-	98,797	(229)	232,851
Other Immobilized	-	-	83,518	-	83,518
Total Cost	**557,973**	**29,210,419**	**797,866**	**(229)**	**29,566,029**
Accumulated amortization					
Development	-	-	(8,358)	-	(8,358)
Industrial property	-	-	(11,087)		(11,087)
Computer Applications	(23,568)	-	(57,900)	-	(81,468)
Other Immobilized	-	-	(4,178)	-	(4,178)
Total amortization	**(23,568)**	**-**	**(81,523)**	**-**	**(105,091)**
NET WORTH	**534,405**				**29,460,938**

2022 financial year:

(Euros)	Opening Balance	Business combination (note 4)	Tickets	Outputs	Ending Balance
31/12/2022					
Cost					
Development	837,063	-	1,108,437	(8,109)	1,937,391
Industrial property	202,178	-	5,481	(44,396)	163,263
Goodwill	28,210,419	1,182,930	-	(80,000)	29,313,349
Computer Applications	232,851	-	-	(118,277)	114,574
Other Immobilized	83,518	-	509,000	(83,517)	509,001
Total Cost	**29,455,029**	**1,182,930**	**1,622,918**	**(334,299)**	**32,037,578**
Accumulated amortization					
Development	(8,358)	-	(217,965)	13,366	(212,957)
Industrial property	(11,087)	-	(22,370)	5,920	(27,537)
Goodwill	(1,373,533)	-	-	-	(1,373,533)
Computer Applications	(81,468)	-	(30,589)	3,035	(109,022)
Other Immobilized	(4,178)	-	(4,789)		(8,967)
Total amortization	**(1,478,624)**	**-**	**(275,713)**	**22,321**	**(1,732,016)**
Total impairment	**-**	**-**	**(12,979,885)**	**-**	**(12,979,885)**
NET WORTH	**29,460,938**				**18,699,210**

(Expressed in euros)

2023 financial year:

(Euros)	Opening Balance	Business combination (note 4)	Entires	Outputs	Other Movim,	Ending Balance
31/12/2023						
Cost						
Development	1,937,391	1,927,201	240,953	(80,000)	(261,567)	3,763,977
Industrial property	163,263	-	-	-	-	163,263
Goodwill	30,686,882	11,691,851	-	-	(2,876,182)	39,502,551
Computer Applications	114,574	187,914	1,486	(5,085)		298,889
Other Immobilized	509,001	-	5,236,027		(254,340)	5,490,688
Total Cost	**33,411,111**	**13,806,965**	**5,478,466**	**(85,085)**	**(3,392,089)**	**49,219,369**
Accumulated amortization						
Development	(212,957)	(608,015)	(529,889)	23,058	71,849	(1,255,955)
Industrial property	(27,537)	-	(16,309)	-		(43,846)
Goodwill	(1,373,533)	-	-	-		(1,373,533)
Computer Applications	(109,022)	(166,203)	(25,359)	5,085		(295,500)
Other Immobilized	(8,967)	-	-	-		(8,967)
Total amortization	**(1,732,016)**	**(774,219)**	**(571,557)**	**28,143**	**71,849**	**(2,977,800)**
Total impairment	**(12,979,885)**	**(2,615,057)**	**-**	-	**-**	**(15,594,942)**
NET WORTH	**18,699,210**					**30,646,626**

The balances broken down in the "Business combination" column for 2021 and 2022 come from the acquisitions made in 2021 and the acquisition of Cuarta Dimensión Médica, S.L. carried out on February 25, 2022 (See note 4). The balances for 2023 correspond to the balances made up of the acquisition of: IFIT Group, the production unit Equipos Hospitalarios, PSVET DAIRYQUALITY, S.L. and the Binit/Deltanova Group. (see note 4)

Other Movements includes the impact of the conversion of goodwill into foreign companies at the closing exchange rate in foreign companies amounting to €2,876,182.

The investments outside Spanish territory during the financial year 2023 correspond to the entry into the perimeter of the company Argentina Binit Srl (see note 4), contributing developments amounting to €1,402,839 at year-end exchange rates. During the 2023 financial year, various projects were capitalized for an amount of 5,236,027 euros, the main ones being the project for the Design and development of a new artificial intelligence system for dairy farms for an amount of 1,041,546 euros carried out as part of the AIE Mogor Investigations, the AI Hotels Project for the energy management of hotels for an amount of 304,511 euros (a project that comes from the subsidy received by the parent company by the Public Entity Business RED.ES., equivalent to €600,000 (see note 15) and the Medical Science project amounting to €3,868,413 carried out as part of the IEA Trinity 2023.

Goodwill

Management reviews the recoverability of goodwill based on the Group's activities. To do this. it carries out an analysis. considering the following situations as an indication of this:

- Generation of negative results for several consecutive periods.

- Significant deviations from the established budget.

- Cessation of commercial activity with significant clients whose impact may be relevant on the activity of said CGU.

- Changes in the macroeconomic environment that significantly adversely affect the Cash Generating Unit.

During the 2022 financial year. there was a progressive deterioration in general economic conditions as a result of persistently high inflation rates. which led to a progressive increase in interest rates. supply chain tensions and rising energy costs. circumstances in many cases resulting from the war in Ukraine. generating a scenario of uncertainty in the world economy

In this context, the Board of Directors of Substrate Artificial Inteligence, S.A., following a principle of extreme prudence, approved during 2022 new projections for the years 2023 and 2024 based solely on 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 on the holdings held by the Parent Company in its different subsidiaries, the Group proceeded to update the financial projections of the businesses, using the discounted cash flow method. For this reason, it decided to impair its intangible assets by €12,979,885, of which €2,210,000 correspond to Summon's business. During the 2023 financial year, an additional impairment of Summon's business of €2,615,057 was recorded.

During the 2023 financial year, some of the aforementioned uncertainties have been smoothed out, however, the Group remains conservative in its business plan estimates and expects to meet its strategic plan in the future, In general terms, the main assumptions considered by the Company for the calculation of the present value of the expected cash flows for the period 2024 - 2028 have been the following:

(Expressed in euros)

	2023	**2024**
Duration of screenings	5 years	5 years
Discount Rate	11-13%	10-20%
Growth rate in perpetuity	1-3%	1-3%

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

- Do not contemplate new corporate acquisitions.
- Sales/Market Share: SaaS businesses are cumulative businesses, one year's sales generate revenue every other year through monthly usage licenses, i.e., they are ultimately subscription businesses. Some businesses will be developed by the Company and others through the sale of licenses, which makes it easier to obtain customers quickly. In all businesses, it is projected to achieve very low market shares
- EBITDA: EBITDA margins are expected to be achieved in the medium term in line with the SaaS services sector
- Discount rate: Discount rates reflect management's estimate of sector-specific risk. This is the benchmark used by management to evaluate operational development and future investment proposals

Regarding the impairment of goodwill due to the purchase of the Productive Unit of Summon press SL, recorded in 2022, this was determined based on the claim filed by the Group for the partial dissolution of the legal purchase business carried out in 2021, due to the repeated failure to comply with the agreements reached in the purchase operation and its impact on the Group's goodwill. The negative consequences of this process on Summon press SL's business have forced an additional impairment in 2023 of €2,615,057.

Apart from the aforementioned impairment of Summon press, S.L., in accordance with the estimates made, considering the conservative economic and financial evolution assumptions, the forecasts of future cash flows allow the net book value of the resulting goodwill to be recovered as of December 31, 2023.

The patents in progress, which are pending registration as of December 31, 2023 and 2022, are as follows:

2023

Title	Case Status
METHODS AND APPARATUS TO AUTOMATE THE MANAGEMENT OF INTENSIVELY MANAGED MILK PRODUCING LIVESTOCK TO PRODUCE CUSTOMIZED PRODUCT DEPENDING ON END-USE USING MACHINE LEARNING	Application filed. Awaiting examination.
METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE FEED BLEND AND MEDICINAL SELECTION USING MACHINE LEARNING TO OPTIMIZE ANIMAL REPRODUCTION RATE	Application filed. Awaiting examination.
METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE FEED BLEND AND MEDICINAL SELECTION USING MACHINE LEARNING TO OPTIMIZE ANIMAL MILK PRODUCTION AND HEALTH	Continuation of 17/488,706. Pay USPTO fees / prepare claims by Mar. 3, 2024 (extendable to Aug. 3, 2024).
SYSTEMS AND METHODS FOR EFFICIENTLY IMPLEMENTING HIERARCHIAL STATES IN MACHING LEARNING MODELS USING REINFORCEMENT LEARNING	Application filed. Awaiting examination.
METHODS AND APPARATUS TO AUTOMATICALLY TUNE REINFORCEMENT LEARNING HYPERPARAMETERS ASSOCIATED WITH AGENT BEHAVIOR	Application filed. Awaiting examination.
METHOD TO LEARN REPERTOIRE OF BEHAVIOR FOR REINFORCEMENT LEARNING AGENT USING OPTIONS	Cooley to discuss details with B. Worth prior to preparing
APPARATUS AND METHODS TO PROVIDE A LEARNING AGENT WITH IMPROVED COMPUTATIONAL APPLICATIONS IN COMPLEX REAL-WORLD ENVIRONMENTS USING MACHINE LEARNING	Application filed. Awaiting examination.
METHOD TO PRETRAIN REINFORCEMENT LEARNING AGENT FROM TABULAR DATA AND IMPERFECT EXPERT ACTION EXAMPLES WHEN SIMULATED ENVIRONMENT IS NOT AVAILABLE	Cooley to discuss details with B. Worth prior to preparing application.
METHOD TO CREATE REINFORCEMENT LEARNING IMAGINATION SYSTEM THROUGH SYNTHETIC STATE-ACTION TRANSITIONS AND THEIR ASSOCIATED REWARD SIGNALS AND FACILITATE AGENT PLANNING AND CREATION OF OPTION CANDIDATES	Cooley to discuss details with B. Worth prior to preparing application.
METHOD TO DETECT AND AUTOMATICALLY ADJUST REINFORCEMENT LEARNING AGENT BEHAVIOR BASED ON MULTIPLE OBJECTIVE SIGNAL THAT INCLUDES BIAS SIGNAL VALUE	Cooley to discuss details with B. Worth prior to preparing application.
METHOD TO EXTRACT OPTIONS FROM DEMONSTRATION EXPERIENCE AND INITIALIZE AGENTS WITH LEARNED OPTIONS TO SUPPORT TRANSFER LEARNING FROM DEMONSTRATOR	Cooley to discuss details with B. Worth prior to preparing application.
METHOD TO REDUCE MODEL DATA FOR INCLUSION INTO DQN APPROXIMATOR BY BUILDING EMPTY VALUE STATISTICS ESTIMATION	Cooley to discuss details with B. Worth prior to preparing application.
APPARATUS AND METHOD FOR DATABASE MANAGEMENT OF MACHINE LEARNING MODELS	Prioritized application filed. Awaiting examination.

2022

Title	Case Status
METHODS AND APPARATUS FOR AUTOMATING THE MANAGEMENT OF INTENSIVE DAIRY CATTLE TO PRODUCE A CUSTOMIZED PRODUCT BASED ON THE END USE USING MACHINE LEARNING	Application prepared and under review
METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE FEED MIXING AND DRUG SELECTION USING MACHINE LEARNING TO OPTIMIZE ANIMAL REPRODUCTION RATE	Application prepared and under review
METHODS AND APPARATUS TO ADAPTIVELY OPTIMIZE FEED MIXING AND DRUG SELECTION USING MACHINE LEARNING TO OPTIMIZE MILK PRODUCTION AND ANIMAL HEALTH	Application prepared and under review
SYSTEMS AND METHODS FOR EFFICIENTLY IMPLEMENTING 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 AGENT-ADJUSTED RISK-ADJUSTED RETURNS OVER TIME	Application prepared and under review
METHOD FOR LEARNING THE REPERTOIRE OF REINFORCEMENT LEARNING AGENT BEHAVIOR USING OPTIONS	Application in preparation
APPARATUS AND METHODS FOR AN INTEGRATED MULTI-MODEL STRATEGY LEARNING AGENT ARCHITECTURE WITH AFFECT-GUIDED BEHAVIOR	Provisional expired (*)
METHOD FOR PRE-TRAINING THE REINFORCEMENT LEARNING AGENT FROM TABULAR DATA AND EXAMPLES OF IMPERFECT EXPERT ACTIONS WHEN THE SIMULATED ENVIRONMENT IS NOT AVAILABLE	Application in preparation
METHOD FOR CREATING A REINFORCEMENT LEARNING IMAGINATION SYSTEM THROUGH SYNTHETIC STATE-ACTION TRANSITIONS AND THEIR ASSOCIATED REWARD CUES AND FACILITATING AGENT PLANNING AND CREATION OF OPTION CANDIDATES	Application in preparation
METHOD FOR AUTOMATICALLY DETECTING AND ADJUSTING THE BEHAVIOR OF THE REINFORCEMENT LEARNING AGENT BASED ON A MULTIPLE OBJECTIVE SIGNAL INCLUDING THE VALUE OF THE BIAS SIGNAL	Application in preparation
METHOD FOR EXTRACTING OPTIONS FROM THE DEMO EXPERIENCE AND INITIALIZING AGENTS WITH LEARNED OPTIONS TO SUPPORT DEMONSTRATOR TRANSFER LEARNING	Application in preparation
METHOD FOR REDUCING MODEL DATA FOR INCLUSION IN THE DON APPROXIMATOR BY CONSTRUCTING A STATISTICAL ESTIMATE OF EMPTY VALUES	Application in preparation
METHOD FOR PRE-TRAINING A REINFORCEMENT LEARNING AGENT FROM 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

7. Property, plant and equipment

The composition and movement in the accounts included in property, plant and equipment were as follows for the years to 2023 and 2022:

2022 financial year:

(Expressed in euros)

(Euros)	Opening Balance	Business combination (note 4)	Tickets	Outputs	Ending Balance
01/12/2022					
Cost					
Constructions	-	-	5,500	-	5,500
Machinery	1,152	-	-	-	1,152
Other Facilities	90,291	-	-	-	90,291
Furniture	26,495	-	6,109	(23,311)	9,293
Information Processing Equipment	23,277	-	13,340	(1,760)	34,858
Other Immobilized	567	-	2,884	-	3,451
Fixed assets in progress	-	-	17,234	-	17,234
Total Cost	**141,782**	**-**	**45,067**	**(25,071)**	**161,778**
Accumulated amortization					
Constructions	-	-	(91)	-	(91)
Machinery	(477)	-	(173)	-	(651)
Other Facilities	(10,666)	-	(12,292)	-	(22,957)
Furniture	(13,989)	-	(581)	13,183	(1,387)
Information Processing Equipment	(13,259)	-	(6,285)	332	(19,212)
Other Immobilized	(567)	-	(13)	-	(580)
Total amortization	**(38,958)**	**-**	**(19,435)**	**13,515**	**(44,878)**
NET WORTH	**102,824**				**116,900**

(Euros)	Opening Balance	Business combination (note 4)	Tickets	Outputs	Ending Balance
31/12/2022					
Cost					
Constructions	5,500	-	-	-	5,500
Machinery	1,152	7,205	-	-	8,357
Other Facilities	90,291	-	54,649	(97,989)	46,951
Furniture	9,293	1,747	9,724	-	20,764
Information Processing Equipment	34,857	1,115	6,309	(1,391)	40,891
Other Immobilized	3,451	111,420	-	-	114,871
Fixed assets in progress	17,234	-	-	(8,963)	8,271
Total Cost	**161,778**	**121,487**	**70,682**	**(108,343)**	**245,604**

(Expressed in euros)

Accumulated amortization					
Constructions	(91)	-	(1,100)	-	(1,191)
Machinery	(651)	(504)	(1,038)	-	(2,192)
Other Facilities	(22,957)	-	(9,674)	12,938	(19,694)
Furniture	(1,387)	(1,659)	(3,326)	-	(6,372)
Information Processing Equipment	(19,213)	(753)	(6,486)	15,230	(11,221)
Other Immobilized	(580)	(58,529)	(4,538)	-	(63,647)
Total amortization	**(44,878)**	**(61,445)**	**(26,162)**	**28,168**	**(104,317)**
NET WORTH	**116,899**				**141,287**

2023 financial year:

(Euros)	Opening Balance	Business combination (note 4)	Tickets	Outputs	Ending Balance
31/12/2023					
Cost					
Constructions	5,500	-	-	-	5,500
Machinery	8,357	-	4,850	-	13,207
Other Facilities	46,951	14,582	26,519	-	88,052
Furniture	20,764	18,924	4,347	(1,257)	42,778
Information Processing Equipment	40,890	136,740	4,073	(3,026)	178,677
Other Immobilized	114,871	113,868	14,292	-	243,031
Fixed assets in progress	8,271	-	-	-	8,271
Total Cost	**245,604**	**284,114**	**54,081**	**(4,283)**	**579,516**
Accumulated depreciation					
Constructions	(1,191)	-	(1,100)	-	(2,291)
Machinery	(2,192)	-	(1,388)	-	(3,580)
Other Facilities	(19,694)	(7,413)	(7,739)	-	(34,846)
Furniture	(6,372)	(10,495)	(3,269)	909	(19,227)
Information Processing Equipment	(11,221)	(110,832)	(7,195)	3,068	(126,180)
Other Immobilized	(63,647)	(77,172)	(17,193)	-	(158,012)
Total amortization	**(104317)**	**(205,912)**	**(37,883)**	**3,977**	**(344,136)**
NET WORTH	**141,287**				**235,380**

The acquisitions for business combinations in 2022 come from the assets incorporated at fair value in the business combination that took place on February 25, 2022 for the acquisition of Cuarta Dimensión Médica, S.L. On the other hand, the additions in 2023 correspond to different business combinations, the most significant being the acquisition of PS VET with a net acquisition of €60,588 and the acquisition of Binit Srl with a net acquisition of €14,727 (see Note 4).

(Expressed in euros)

There have been no significant investments outside Spanish territory during the 2023 and 2022 financial years. There were no subsidies related to property, plant and equipment in 2023 and 2022.

In 2023, there were no acquisitions of property, plant and equipment between the group companies.

In 2023 and 2022, no impairment adjustment for property, plant and equipment has been recognised or reversed.

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

In addition, it should be noted that there are no items of property, plant and equipment subject to collateral in loan agreements.

8. Leases

Group as Tenant

The Group has leases mainly for commercial premises, offices, industrial warehouses, furniture and machinery. Leases of commercial premises and industrial buildings typically have lease terms of between 2 and 10 years, while offices generally have lease terms of between 4 and 5 years and other equipment between 1 and 8 years. The Group's obligations in relation to its leases are secured by the lessor's title to the leased assets. There are several leases that include renewal and termination options and variable payments.

The Group is also in the position of lessee in low-value leases. This exemption from recognition has been applied only to furniture for a printer.

The net carrying amounts of the right-of-use assets recognised and the movements made during the periods 2023 and 2022 are detailed below:

2022 financial year:

Euros	Balance as of 01.01.2022	High	Balance as of 31.12.2022
Cost			
Warehouses	-	18,062	18,062
Machinery	-	-	-
Bureaux	-	363,905	363,905
Industrial warehouse	-	182,752	182,752
Furniture	-	-	-
Total Cost	-	564,719	564,719
Depreciation and impairment			
Warehouses	-	(6,946)	(6,946)
Machinery	-	-	-
Bureaux	-	(25,198)	(25,198)

(Expressed in euros)

Industrial warehouse	-	(9,763)	(9,763)
Furniture	-	-	-
Total amortization	-	(41,907)	(41,907)
NET WORTH	-		522,812

2023 financial year:

Euros	Balance as of 31.12.2022	High	Balance as of 31.12.2023
Cost			
Warehouses	18,062	42,814	60,876
Machinery	-	404,715	404,715
Bureaux	363,905	42,526	406,431
Industrial warehouse	182,752	13,627	196,379
Furniture	-	37,624	37,624
Total Cost	564,719	541,306	1,106,025
Depreciation and impairment			
Warehouses	(6,946)	(9,850)	(16,796)
Machinery	-	(403,594)	(403,594)
Bureaux	(25,198)	(78,283)	(103,481)
Industrial warehouse	(9,763)	(19,063)	(28,826)
Furniture	-	(1,944)	(1,944)
Total amortization	-	(512,734)	(554,641)
NET WORTH	522,880		551,384

The net carrying amounts of lease liabilities (including loans and receivables bearing interest on leases) and movements during the period are as follows:

Euros	2023	2022
As of January 1	514,153	-
Additions	548,137	551,446
Interest Earned	57,612	17,617
Exchange Differences	951	-
Conversion Differences	42	-
Payments	-548,454	-54,910
As of December 31	**572,441**	**514,153**
Non-Current Portion	456,441	432,458
Runaway portion	116,000	81,695

(Expressed in euros)

The maturity per year of the long-term lease liability is as follows:

2022 financial year:

Minimum Payments 2022			
Type of Contract	**Up to 1 year**	**Ages 1 to 4**	**More than 4 years**
Warehouses	6,956	(22,501)	25,654
Machinery	-	-	-
Bureaux	63,981	207,546	62,226
Industrial warehouse	10,758	33,653	125,880
Furniture	-	(24,912)	24,912
Total	**81,695**	**193,786**	**238,672**

2023 financial year:

Minimum Payments 2023			
Type of Contract	**Up to 1 year**	**Ages 1 to 4**	**More than 4 years**
Warehouses	5,738	20,574	18,907
Machinery	-	-	-
Bureaux	82,330	228,071	7,236
Industrial warehouse	18,434	44,276	110,872
Furniture	3,394	12,044	20,565
Total	**109,896**	**304,965**	**157,580**

The following are the amounts recognized in profit or loss:

Euros	2023	2022
Right-of-use asset depreciation expense	512,734	41,907
Interest expense on lease liabilities	57,607	17,616
Variable Lease Payments	-	-
Total amount recognised in profit or loss	**570,341**	**59,523**

The Group had total cash outflows from leases of €548,455 in 2023 (€54,839 in 2022).

(Expressed in euros)

The Group has several lease agreements that include extension and early termination options. These options are negotiated by management to provide flexibility in the management of the portfolio of leased assets and align with the Group's business needs. Management exercises meaningful judgment in determining whether it is reasonably certain that these extension and termination options will be exercised (see footnote
3,6,)

9. Operating Segments

The Group has organized itself into strategic business units that offer different products and services, thus determining six operating segments on which it must report. These segments are detailed below:

- The FINTECH segment, which includes activities related to financial training courses, advertising on internet portals and financial advice.
- The HUMAN RESOURCES segment, which includes activities related to recruitment services and outsourcing of temporary skilled workers who perform certain jobs for global clients.
- The ENERGY segment, which includes activities related to the provision of energy saving and efficiency services.
- The AGRITECH segment, which includes activities related to the provision of services to improve the quality and efficiency of the livestock and agricultural industry through the application of artificial intelligence.
- The HEALTH segment, which includes activities related to the sale of radiodiagnostic equipment and the provision of services related to both the human and veterinary fields.
- The ARTIFICIAL INTELLIGENCE TECHNOLOGY segment, which includes activities related to the provision of computer consulting services carried out by the SUBGEN AI Group, and the performance of R+D activities, mainly executed by the company Holding Substrate.

No operation segments have been aggregated to form the aforementioned segments.

The segment's performance is evaluated based on the income statement, and is measured consistently with the consolidated income statement.

Fiscal year 2022

31.12.2022 Euros	FINTECH	HUMAN RESOURCES	ENERGY	AGRITECH	HEALTH	TECNOLOGY AI	MATRIX	Total segments	Adjustments and deletions	Consolidated
Revenue										
Clients	589,593.3			205,040.3	1,029,185.8		1,312,031.1	3,135,850.5		3,135,850.5
Between segments							330,000.0	330,000.0	-330,000.0	0.0
Total Reveneu	**589,593.3**	**0.0**	**0.0**	**205,040.3**	**1,029,185.8**	**0.0**	**1,642,031.1**	**3,465,850.5**	**-330,000.0**	**3,135,850.5**
Income/ (expenses)										0.0
Work carried out by the company for its asset										
Supplies				-49,576.9	-435,892.4		-873.4	-486,342.7		-486,342.7
Other Operating Income	2,074.4		77,589.1		2,270.4	1,748.2	1,496,960.6	1,580,642.7		1,580,642.7
Personnel Expenditure										
Depreciation and amortization								0.0		0.0
External services	-436,372.1		-13,092.6	-85,616.0	-89,903.0	-366,769.1	-2,540,431.5	-3,532,184.3	330,000.0	-3,202,184.3
Depreciation of fixed assets	-2,934.9		-523.0	-246.5	-18,049.4	-114,551.9	-196,853.6	-333,159.2		-333,159.2
Allocation of non-financial fixed assets and other subsidies						31,876.9	0.0	31,876.9		31,876.9
Impairment and profit or loss on disposals of fixed assets	-214.3					-115,105.4	-12,979,826.0	-13,095,145.7		-13,095,145.7
Others results	-1,484.1		964.6	-970.7	-6,697.3			-8,187.5		-8,187.5
Financial Income					6,324.9		55,659.4	61,984.3	-61,083.7	900.6
Financial Expenses	-14,759.4		-2,339.9	-756.4	-3,148.7	-26,756.2	-138,415.2	-186,175.7	47,775.3	-138,400.4
Exchange Differences	8.0					-1,539.3	460.8	-1,070.5		-1,070.5
Impairment and profit or loss on disposals of financial instruments						725,057.8	-424,150.7	300,907.1	-394,491.4	-93,584.3
Hyperinflation Adjustment										0.0
Income tax										
Segment Notes Input	**135,910.8**	**0.0**	**62,598.3**	**67,873.9**	**484,090.2**	**133,961.1**	**-13,085,438.4**	**-12,201,004.1**	**-407,799.7**	**-12,608,803.8**
Total assets	**802,999.7**		**75,890.6**	**129,956.4**	**1,025,337.4**	**1,221,948.3**	**36,944,606.8**	**40,200,739.1**	**-16,508,593.8**	**23,692,145.4**
Total liabilities	**623,079.9**		**478,179.6**	**273,020.3**	**575,087.9**	**933,831.0**	**5,682,346.2**	**8,565,544.9**	**-3,107,840.1**	**5,457,704.8**

(Expressed in euros)

Fiscal year 2023

31.12.2023 Euros	FINTECH	HUMAN RESOURCES	ENERGY	AGRITECH	HEALTH	TECNOLOGY AI	MATRIX	Total segments	Adjustments and deletions	Consolidated
Revenue										
Clients	762,945	2,115,561		1,062,254	2,132,837	549,597	1,985,604	8,608,797		8,608,797
Between segments	409,134	1,167,819		514,533	1,054,041	1,436,373	804,981	5,386,881	-5,386,881	0
Total Reveneu	**1,172,079**	**3,283,380**	**0**	**1,576,787**	**3,286,877**	**1,985,970**	**2,790,585**	**13,995,678**	**-5,386,881**	**8,608,797**
Income/ (expenses)										
Work carried out by the company for its asset							165,615	165,615	-165,615	0
Supplies	-3,000	-18,058		-121,703	-1,343,403	-1,048,294	-317,644	-2,852,102		-2,852,102
Other Operating Income	72			9,399	2,702		5,301,950	5,314,123	-100,000	5,214,123
Personnel Expenditure	-888,895	-285,051		-222,122	-463,566	-160,470	-1,943,171	-3,963,276		-3,963,276
Depreciation and amortization				0				0		0
External services	-349,987	-2,468,508	-885	-1,035,466	-1,093,385	-136,246	-11,110,532	-16,195,010	5,486,881	-10,708,129
Depreciation of fixed assets	-152,900	-294,087		-22,234	-113,126	-166,473	-373,355	-1,122,174		-1,122,174
Allocation of non-financial fixed assets and other subsidies				0	0	34,085		34,085		34,085
Impairment and profit or loss on disposals of fixed assets	-2,615,057	6,480		0			0	-2,608,578		-2,608,578
Others results	-18,998			250	5,797	-64,874	-37	-77,862		-77,862
Financial Income	1,229	167		0	16,644	11,953	142,281	172,274	-165,019	7,255
Financial Expenses	-64,468	-21,405	-17,378	-26,129	-26,316	-53,968	-765,961	-975,625	169,260	-806,365
Exchange Differences	-486	-952		2	1	69	-585	-1,952		-1,952
Impairment and profit or loss on disposals of financial instruments		1,885		0			-9	1,877		1,877
Hyperinflation Adjustment						88,411		88,411		88,411
Income tax	-3,472	-96,835		-15,748	-72,911	-28,827	-38,610	-256,404		-256,404
Segment Notes Input	**-2,923,884**	**107,016**	**-18,263**	**143,035**	**199,314**	**461,334**	**-6,149,473**	**-8,280,921**	**-161,373**	**-8,442,294**
Total assets	**2,162,961**	**3,548,315**	**80,074**	**2,751,882**	**5,790,937**	**25,480,376**	**54,485,466**	**94,300,011**	**-49,648,363**	**44,651,648**
Total liabilities	**4,285,160**	**1,305,958**	**516,948**	**2,384,475**	**4,543,684**	**23,995,311**	**19,671,505**	**56,703,042**	**-35,935,652**	**20,767,390**

10. Financial Instruments

10.1. Categories of financial assets

The breakdown of current and non-current financial assets as of December 31, 2023 and 2022, classified by category and maturities, is as follows (loans with the Treasury are not included):

(Euros) **Tuition**	**Long-term financial instruments**		**Short-term financial instruments**	
Categories	**Equity Instruments**	**Credits, derivatives and others**	**Credits, derivatives and others**	**Total**
1/1/2022				
Financial assets at amortised cost	-	154,346	664,862	819,208
Financial assets at cost	830,000	-	-	830,000
Total	**830,000**	**154,346**	**664,862**	**1,649,208**
31/12/2022				
Financial assets at amortised cost	-	214,194	488,122	702,316
Financial assets at cost	30,000	-	-	30,000
Total	**30,000**	**214,194**	**488,122**	**732,316**
31/12/2023				
Financial assets at amortised cost	-	839,953	4,639,362	5,593,162
Financial assets at cost	151,120	-	-	151,120
Total	**151,120**	**839,953**	**4,639,362**	**5,744,282**

(Expressed in euros)

The financial assets at cost as of 1 January 2022 correspond to the foundation endowment provided for the constitution of the Zona Valué Foundation in the amount of 30,000 euros and the purchase of 10% of the company Assistacasa S,L, for 3,600,000 euros, of which 2,800,000 euros were outstanding as of 1 January 2022, part of which was offset in the capital increase in 2022 (see Note 11).

In 2022, the purchase agreement for the purchase described above was terminated, generating a loss of €323,160.80, which was recorded under the heading "Impairment and profit on disposals of financial instruments" in the consolidated income statement as of December 31, 2022, Likewise, in this last heading, a financial income from the sale of shares to third parties amounting to 330,566 euros is recorded, In the 2023 financial year, the investment in the company DIGITAL LAWYER CICERO, S,L,, corresponding to 11,76% of its capital, is included as a financial asset at cost.

As of December 31, 2023, the stake in the company DIGITAL LAWYER CICERO, S,L,, corresponding to 11,76% of its capital, is included in the financial assets at cost.

Financial assets at amortised cost are mainly trade loans.

There are no credits that are doubtful about their collection.

10.2. Categories of financial liabilities

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

(Euros) Tuition	Long-term financial instruments		Short-term financial instruments		TOTAL	
Categories	Derivatives & Others	Debts to credit institutions and financial institutions	Derivatives & Others	Debts to credit institutions and financial institutions	Derivatives & Others	Debts to credit institutions and financial institutions
1/1/2022						
Financial liabilities at amortised cost	429,964	-	4,993,093	14,869	5,423,057	14,869
Total	**429,964**	**-**	**4,993,093**	**14,869**	**5,423,057**	**14,869**
31/12/2022						
Financial liabilities at amortised cost	2,088,844	557,180	1,696,080	93,226	3,784,924	650,406
Total	**2,088,844**	**557,180**	**1,696,080**	**93,226**	**3,784,924**	**650,406**
31/12/2023						
Financial liabilities at amortised cost	5,516,496	483,732	10,221,421	173,950	15,737,917	657,682
Total	**5,516,496**	**483,732**	**10,221,421**	**173,950**	**15,737,917**	**657,682**

The main loans with credit institutions correspond to a loan with a financial institution for an amount of 700,000 euros, maturing in 2029 and at an interest rate of 12 months Euribor + 3,25%, and a credit policy for an amount of 300,000 euros, with an annual nominal interest of 2,50%, with the financial institution Banco Sabadell, S.A. The expiration of such a policy is September 1, 2024, Such loans are not subject to compliance with financial ratios.

(Expressed in euros)

As of 31,12,2022, the maturity per year is as follows:

(Euros)	2023	2024	2025	2026	2027 and onwards	Total
Debts to credit institutions	84,703	90,154	96,294	102,851	267,880	641,882
Other debts owed to credit institutions	8,524					8,524
Total	**93,227**	**90,154**	**96,294**	**102,851**	**267,880**	**650,406**

As of December 31, 2023, the maturity per year of the loan is as follows:

(Euros)	2024	2025	2026	2027	2028 and onwards	Total
Debts to credit institutions	170,879	103,869	110,618	103,507	165,738	654,611
Other debts owed to credit institutions	3,071					3,071
Total	**173,950**	**103,869**	**110,618**	**103,507**	**165,738**	**657,682**

The class of derivatives and others presents the following detail:

	01.01.2022		**31.12.2022**		**31.12.2023**	
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**	**Non-current**	**Stream**
Deposits received for capital increases	-	-	-	-	2,000,000	-
Credits received	429,964	4,840,555	1,656,386	1,198,152	3,060,055	6,732,255
Debts to group companies and associates	-	1,586	-	-	-	9,300
Finance Leases	-	-	432,458	81,695	456,441	116,000
Suppliers for purchases and provision of services	-	124,128	-	269,320	-	2,438,459
Other miscellaneous creditors	-	33,641	-	79,593	-	706,217
Personal	- -	287	-	49,368	-	119,680
Customer Advances	- -	6,530	-	17,952	-	99,480
	429,964	**4,993,093**	**2,088,844**	**1,696,080**	**5,516,496**	**10,221,421**

The receivables received reflected in current liabilities at the end of the 2023 financial year correspond mainly to debts for the acquisition of shareholdings during 2023 that will be settled through capital increases amounting to 6,000,000 thousand in 2024 (see note 4 and 18). On the other hand, the receivables received, which are reflected in non-current liabilities, correspond mainly to the liability component linked to the B shares issued during 2023, amounting to €2,359,483.23 (see note 12)

(Expressed in euros)

Likewise, also in relation to the loans received, in 2022 the Group formalized a loan with a crowdfunding platform, maturing in 2026 and at an interest rate of 6,60%. Such a loan is not subject to compliance with financial ratios. This loan is accounted for under the heading "other financial liabilities" of the consolidated balance sheet, with maturity in 2022:

(Euros)	2023	2024	2025	2026	2027 and onwards	Total
Other Debts	47,202	50,368	53,746	52,428	-	203,743

2023:

(Euros)	2024	2025	2026	2026	2028 and onwards	Total
Other Debts	50,368	53,746	52,428	-	-	156,542

Finally, in relation to the loans received, in 2022 the Company signed a three-year contract for bonds compulsorily convertible into shares within a period of one year, for up to €20 million, signed with the Alpha Blue Ocean (ABO) fund, which ensures the company the necessary financing for the development of its business plan. This point is key to ensuring the achievement of the objectives set out in the Group's business plan.

The bonds are associated with a certain number of equity warrants that are determined according to the price of the Company's shares and that may or may not be exercised by the fund over a period of 3 years. The bonds issued are recorded as debt instruments at amortized cost by the difference between the amount received for the issuance of the different tranches and the fair value of the warrants issued together with the convertible debentures. The amount of the warrants is recorded in an equity account, Within one year, the fund can convert this debt at any time and if the bonds have not been converted within that period, they become compulsorily convertible, At the time of conversion, the liabilities generated will be reclassified as equity as share capital and share premium. During the 2023 financial year, nine tranches of bonds were issued for an amount of €500,000 each, totalling €4,500,000 (during the 2022 financial year, three tranches of bonds were issued for an amount of €500,000, €300,000 and €500,000 totalling €1,300,000). At the end of the 2023 financial year, ABO has converted all tranches up to 12, increasing the share capital and the share premium (see note 12), with no outstanding debt on the balance sheet as of December 31, 2023.

Likewise, during the 2023 financial year, 2,715,894 warrants associated with these convertible bonds were issued with exercise prices ranging from €0,26 to €0,39 per share (612,433 warrants in 2022 with exercise prices between €0,21 and €1,89), totalling 3,328,327 warrants at the end of the year.

The deposits received in non-current liabilities correspond mainly to a deposit of 2,000,000 received from the company IMPULSE TECHNO-LOGY TRANSFER MANAGEMENT TEAM, S,L, for a capital increase of that amount (see note 18).

Financial expenses from financial liabilities in the 12-month period ended December 31, 2023 amounted to €806,365 (€156,017 at December 31, 2022).

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

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

	2023	2022
(Days)		
Average Payment Period to Suppliers	32	31
Ratio of Paid Trades	75%	30%
Ratio of outstanding transactions	25%	39%
(Thousands of euros)		
Total payments made	4,715,583,00	3,349,269
Total Outstanding Payments	1,560,044,00	628,875
Monetary volume of invoices paid in a period less than the maximum established in the late payment regulations	4,394,098,00	3,316,659
Percentage of payments below this maximum in the total payments made	95%	87%
(Number of invoices)		
Invoices paid in a period less than the maximum established in the late payment regulations	572	3234
Percentage of total invoices	47%	98%

10.4. Provisions

The breakdown of provisions as of December 31 is as follows:

(Euros)	Long-term	Short-term	Total
Fiscal year 2023			
Provision for collateral	-	254,316	254,316
Provision for maintenance and others	-	-	-
Other provisions	4,782	10,091	14,873
	4,782	**264,407**	**269,189**
Fiscal year 2022			
Provision for collateral	-	319,908	319,908
Provision for maintenance and others	-	37,473	37,473
Other provisions	-	-	-
	-	**357,381**	**357,381**

(Expressed in euros)

The movements under these headings are as follows:

(Euros)	Opening Balance	Camb, Perimeter	Endowments	Reversals	Applications	Ending Balance
Fiscal year 2023						
Provision for collateral	319,908	-	-	(65,592)	-	254,316
Provision for maintenance and others	37,473	-	-	(37,473)	-	0
Other provisions	-	10,091	4,782	-	-	14,873
	357,381		**14,873**	**(103,065)**	**-**	**269,189**
Fiscal year 2022						
Provision for collateral	-	319,908	-	-	-	319,908
Provision for maintenance and others	-	37,473	-	-	-	37,473
Other provisions	-	-	-	-	-	-
	-	**357,381**	**-**	**-**	**-**	**357,381**

The amounts included in the change of perimeter in 2022 correspond to the entry into the Group of the company Cuarta Dimensión Médica SL, while in 2023 they correspond to the entry into the Group of the companies Binir Srl (Argentina) and CRIFIT Solutions SLR (Costa Rica) (See note 4)

Provision for collateral

The products sold by the Company are subject to a two-year warranty period, so a provision is made annually for guarantees for the costs estimated to be incurred for projects and products with a guarantee in force at the end of the financial year. The calculation of this provision is determined on the basis of the available historical information on the guarantee costs incurred and their relationship to the volume of sales subject to guarantees.

11. Information on the nature and level of risk arising from financial instruments.

Credit risk: Credit risk represents the losses that the group would suffer in the event that a counterparty defaulted on its contractual payment obligations to the group. This risk is reduced, due to the collection method required of its customers.

The Group carries out periodic checks of its portfolio of outstanding invoices, having a high degree of certainty to consider the correct collection of the invoices registered under this heading. In those invoices in which there are well-founded reasons to doubt the customer's payment, this asset is reclassified and the corresponding provision for expenses is made, recording it as losses due to impairment of trade receivables. In addition, the Group makes provisions for receivables based on the age of the credit and the expected credit loss in accordance with the simplified method.

Liquidity risk: Liquidity risk in the Group's financial assets would exist in the event that the Group invests in small-cap securities or in financial markets with a small size and limited trading volume, which could result in investments being deprived of liquidity. Management regularly monitors the Group's liquidity forecasts based on expected cash flows. The Group is looking for alternative ways to obtain additional sources of funding should it become necessary.

(Expressed in euros)

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:

1- Interest rate risk: Because both debts and interest rates on group borrowing are low, interest rate risk is minimal

2- Exchange rate risk: the group at closing, except for goodwill, has no significant financial assets or liabilities in currencies other than the euro and is therefore not exposed to risk from exchange rate fluctuations

3- Price risk of shares or stock market indices: Investing in equity instruments means that the group's profitability could be affected by the volatility of the markets in which it could be invested, As the Group does not invest significantly in listed equity instruments, it is not exposed to this price risk

12. Consolidated equity and equity

Subscribed capital

Date	Class of Action	Number of shares	Nominal value (Euros)	Description	Paid-up capital (Euros)
01/01/2022	A	20,289,768	0,1	Ordinary	2,028,977
31/12/2022	A	24,510,228	0,1	Ordinary	2,451,023
31/12/2023	A	71,966,074	0,1	Ordinary	7,196,607
	B	138,638,460	0,001	Preferred	138,638

(*) The closing share price on the BME Growth (formerly MAB) for Class A Shares as of December 31, 2023 was €0,2270/share and as of December 31, 2022 it was €0,2860/share,

(*) The closing share price on the BME Growth (formerly MAB) for Class B Shares as of December 31, 2023 was €0,246/share,

The share capital of the Parent company as of December 31, 2023 was €7,335,245, divided into 71,966,074 fully subscribed and paid-up class A shares with a par value of €0,1 each, and 138,638,460 non-voting class B shares with a par value of €0,001, As of December 31, 2022, the Company's share capital amounted to €2,451,022.80 (24,510,228 shares with a par value of €0,1 each). All shares are listed on the BME Growth and the London Aquis market.

During the 2021 financial year, the Parent Company carried out several capital increases through the monetary contribution and capitalization of debts for amounts of 500,000 euros and 27,181,750 euros, respectively. A large part of the debt capitalization was due to the acquisition described in Note 4, Business combinations. These increases represented a total increase of €2,025,527 in capital and €25,656,223 in share premium.

In March 2022, prior to the IPO, the shareholders of the Parent Company carried out a capital increase of €177,906, with an issue premium of €7,486,344, of which €5,004,000 was for offsetting loans and the rest, €2,660,250 in monetary contributions.

On January 30, 2023, the Company's Extraordinary General Meeting approved the amendment to the bylaws in order to incorporate the legal regime of non-voting shares (B shares). Holders of non-voting shares will enjoy the rights recognised by Royal Legislative Decree 1/2010, which approves the Revised Text of the Capital Companies Act, and will be entitled to receive a minimum annual dividend of 0,01 euros for each non-voting share.

At the same Extraordinary Meeting, the issuance of 96,316,100 new non-voting shares of series B with a par value of €0,001 each and an issue premium of €0,009 was approved, which would amount to a total par value of €96,316 and a premium of €866,844.90. Increase of share capital through the modality of compensation of credits.

On the other hand, at the Extraordinary General Meeting held on September 19, 2023, the issuance of 27,000,365 new shares with voting rights of series A, of equal par value and content of rights, with a par value of 0,10 euros each and an issue premium of 0,10 euros, was approved, amounting to an overall nominal value of EUR 2,700,036.50 and an overall issue premium of EUR 2,700,036.50, and 42,322,360 new non-voting Series B shares of equal par value and rights content each with a par value of EUR 0,001 and an issue premium of EUR 0,149, which would amount to an overall nominal value of €42,322,36 and a global issue premium of €6,306,031.64.

In relation to the non-voting preferred shares approved at the two aforementioned Shareholders' Meetings, the company has distributed the initial carrying amount of the issued shares, assigning a value of €2,359,483.23 to the liability component and the difference to the equity component, always recording the capital by its nominal amount of the issued shares.

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

In relation to the contract with ABO, at the end of the 2022 financial year, ABO has converted the first tranche in its entirety, increasing the share capital and the share premium by 178,923 and 321,074, respectively. Part of the second tranche has also been converted, increasing the share capital by €65,217 and the share premium by €84,782. At the end of the 2023 financial year, ABO has converted tranches 2 to 12 in full, increasing the share capital and share premium in 2023 by €2,045,548.1 and €3,098,598.35, respectively.

Issue premium

(in euros)	Opening Balance	Capital increase	Ending Balance
31/12/2022			
Issue premium	26,655,923	7,892,201	34,548,124
31/12/2023			
Issue premium	34,548,124	10,611,423	45,159,547

Taking into account the capital increases described above, the share premium amounts to €45,159,547 (€34,548,124 as of December 31, 2022 and €26,655,923 as of January 1, 2022).

Own shares

The breakdown of the Group's own shares as of December 31, 2023 and December 31, 2022 is as follows:

	31.12.2023			31.12.2022		
	Euros			Euros		
	Nº of shares	Acquisition price	Market Value	Nº of shares	Acquisition price	Market Value
Ordinary	266,438	1,629,804.68	60,481.43	633,546	1,122,288.60	181,194.15
No Vote	704,922	207,611.34	173,410.81	-	-	-
Total	971,360	1,837,416.02	233,892.24	633,546	1,122,288.60	181,194.15

Subsidiaries and other reserves

The composition of the reserves is as follows:

(In euros)	31.12.2023	31.12.2022	01.01.2022
Legal reserve of the Parent Company	600	600	600
Other reserves of the Parent Company	(1,061,563)	(743,959)	27,845
Reserves of Subsidiaries	(365,880)	(613,653)	-
TOTAL	**(1,426,843)**	**(1,357,012)**	**28,445**

The composition of the reserves of subsidiaries is as follows:

(In euros)	31.12.2023	31.12.2022	01.01.2022
Airen AI for Renewable Energy, S,L,	(382,150)	(188,029)	-
Substrate AL Spain, S,L,	(142,231)	(215,940)	-
AI Saivers, LLC	(163,145)	(114,147)	-
Substrate AI USA, Inc,	(153,954)	(110,630)	-
Zona Value Global, S,L,	84,249	(305)	-
Kau Markets EAF, S,L,	111,551	14,653	-
Fourth Medical Dimension	443,890	-	-
Boalvet AI, S,L	161,063	745	-
Binit Srl	(304,833)	-	-
Other companies	(20,320)		
TOTAL	**(365,880)**	**(613,653)**	**-**

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

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

As of December 31, 2023, the Parent Company's legal reserve is not fully constituted in accordance with the preceding paragraph.

Profit by company

The contribution of each company that has been included in the scope of consolidation to the profit attributable to the parent company is as shown below:

(Euros)	31.12.2023	31.12.2022	01.01.2022
Substrate Artificial Inteligence, S,A,	(6,778,538)	(14,511,974)	(1,163,919)
Airen AI for renewable energy, S,L	(15,615)	(170,909)	(188,029)
Substrate AL Spain, S,L,	(132,753)	49,109	(215,940)
AI Saivers, LLC	(112,617)	(275,413)	(114,147)
Substrate AI USA, Inc	(29,937)	(151,865)	(110,630)
Zona Value Global, S,L,	(2,450,458)	5,153	(304)
Kau Markets EAF, S,L	10,417	2,484	14,653
Boalvet AI, S,L	67,145	(132,169)	745
P,S, VET	44,623	-	-
Fleebe AI	(149,848)	-	-
Diagximag	50,602	-	-
Save the Planet	(913)	-	-
Group Jamro Holdigon Limited (IFIT)	239,688	-	-
Binit srl	152,973	-	-
2019 Deltamova Sa, All Rights Reserved,	270,032	-	-
Cuarta Dimensión Médica, S,L	103,162	104,064	-
Total	**(8,732,038)**	**(15,081,519)**	**(1,777,571)**

Previous year's results

(Euros)	Opening Balance	Distribution of results for the previous year	Ending Balance
Annual year ended 31/12/2022			
Negative results for previous years	(472,605)	(1,170,800)	(1,643,405)
Annual year ended 31/12/2023			
Negative results for previous years	(1,643,405)	(14,825,674)	(16,469,079)

Negative results for previous years amounting to -16,469,079 euros (-1,643,405 euros at 31/12/2022 and -472,605 euros at 01 January 2021), corresponds to losses attributable to the Parent Company in previous years.

Earnings Per Share

The following table includes income and stock data used for basic and diluted earnings per share calculations:

(Thousands of euros)	2023	2022

Profit attributable to the ordinary shareholders of the Parent Company:	(8,726,580)	(15,081,519)
Weighted average number of shares of common stock outstanding	32,125,785	21,729,016
Less: average number of own shares	449,991	633,546
Average number of shares to determine basic earnings per share	31,675,794	21,095,470
Basic and diluted earnings per share (euros per share)	**(0,28)**	**(0,71)**

Diluted earnings per share are calculated by dividing the net income attributable to the common shareholders of the Parent Company (after adjusting for interest on potentially dilutive shares and share-based payment remuneration expense) by the weighted average number of additional common shares that would have been outstanding if all potential dilutive common shares had been converted into common stock, For this purpose, such dilution is deemed to take place at the beginning of the period or at the time of issuance of the potential ordinary shares, if they have been put into circulation during the period itself.

(Thousands of euros)	2023	2022
Profit attributable to the ordinary shareholders of the Parent Company:	(8,726,580)	**(15,950,455)**
More: Interest on convertible debentures net of tax effect	563,045	70,442
Profit attributable to the ordinary shareholders of the Parent Company:	**(8,163,535)**	**(15,880,013)**
Weighted average number of shares of common stock outstanding	32,125,785	21,729,016
Less: average number of own shares	449,991	633,546
More: Average number of shares for convertible debentures	12,669,041	2,441,400
Average number of shares to determine basic earnings per share	**44,344,835**	**23,536,870**
Basic and diluted earnings per share (euros per share)	**(0,18)**	**(0,67)**

-The company has carried out several capital increases in 2023 in ordinary A shares and B shares with preferential dividends (see Note 12).

13. Foreign currency

Sales and expense amounts in foreign currency in December 2023 amount to:

31/12/2023	USD	BGP	Pesos MXN	ARG Weight
Net turnover (Euros)	5,189,564.64	581,045.88	94,840.10	442,146.69
Total	**5,189,564.64**	**581,045.88**	**94,840.10**	**-**
Expense	92,175.57	124,028.71	-	312,024.88
Total	**92,175.57**	**124,028.71**	**-**	**-**

31/12/2023

(Expressed in euros)

Net turnover (Mon, Local)	5,734,468.93	504,928.87	1,773,509.95	395,236,251.11
Total	**5,734,468.93**	**504,928.87**	**1,773,509.95**	**-**
Expense	101,854.00	107,780.95	-	278,919,973.05
Total	**101,854.00**	**107,780.95**	-	-

The amounts of credit balances in foreign currency in December 2023 amount to:

	USD	GBP	ARG Weight	UYU	With the CRC	Mxn Weight
Euro Equivalents	**Amount 2023**	**Amount 2023**	**Amount 2023**	**Amount 2023**	**Amount 2023**	**Amount 2023**
Passive						
Trade Creditors and Other Payables	250,506	158,322	407	4,202	142	38,076
Total	250,506	158,322	407	4,202	142	38,076

	USD	GBP	ARG Weight	UYU	With the CRC	Mxn Weight
Mon, Foreigner	**Amount 2023**	**Amount 2023**	**Amount 2023**	**Amount 2023**	**Amount 2023**	**Amount 2023**
31/12/2023						
Passive						
Trade Creditors and Other Payables	276,809	137,582	364,028	181,495	81,326	712,023
Total	276,809	137,582	364,028	181,495	81,326	712,023

As of December 31, 2022, Group A's foreign currency expenses amount to $303,156, equivalent to €305,034. The Group's total foreign currency sales amounted to $23,077, equivalent to €22,848, and credit balances in foreign currency amounted to $20,481, equivalent to €20,278.

Negative exchange differences have been recognised in the profit for the 2023 financial year, amounting to €1,952, In the 2022 financial year, the negative exchange differences amounted to €1,070.

14. Tax Situation

Balances with general government

The general government balances as of December 31, 2023, 2022 and January 1, 2022 are as follows:

(Expressed in euros)

	01.01.2022		31.12.2022		31.12.2023	
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**	**Non-current**	**Stream**
Deferred tax assets	303,549	-	921,601	-	1,968,707	-
Current tax assets	-	15,753	-	-	-	1594
Other credits with the Public Administrations	-	365,799	-	776,354	-	73857
Total	303,549	381,552	921,601	776,354	1,968,707	75,451
Deferred tax liabilities	-	-	2,938		1,074,931	-
Current tax liabilities	-	235	-	29,010	-	53914
Other debts owed to the Public Administrations	-	115,093	-	344,427	-	2252751
Total	-	115,328	2,938	373,437	1,074,931	2,306,665

	01.01.2022		31.12.2022		31.12.2023	
(Euros)	**Non-current**	**Corrient,**	**Non-current**	**Corrient,**	**Non-current**	**Corrient,**
Deferred tax assets	303,549	-	921,601	-	1,968,707	-
Current tax assets	-	15,753	-	-	-	1,594
Other credits with the Public Administrations	-	365,799	-	776,354	-	73,857
Total	303,549	381,552	921,601	776,354	1,968,707	75,451
Deferred tax liabilities	-	-	2,938		1,074,931	-
Current tax liabilities	-	235	-	29,010	-	53,914
Other debts owed to the Public Administrations	-	115,093	-	344,427	-	2,252,751
Total	-	115,328	2,938	373,437	1,074,931	2,306,665

The balance reflected as "Other debts to the Public Administrations" of current liabilities corresponds mainly to balances payable for VAT, IRFP and Social Security.

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

(Euros)	**31.12.2023**	**31.12.2022**
Taxable amount (*)	(8,363,306)	(2,339,889)
Tipo de gravamen(*)	25%	25%
Quota	256,403	(584,972)
Offsetting tax losses	(10)	24,658
Activity Deductions or Incentives	4,646	(175)

(Expressed in euros)

Other	(4,636)	(11,860)
Withholdings and payments to accounts	(46,205)	85
Total	**256.403**	**(572,264)**

(*) It corresponds to the aggregate prior taxable base of all subsidiaries that file tax settlements at the individual level, with the tax being the average of the taxes borne by them.

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

(Euros)	31.12.2021	Variations	31.12.2022	Variations	31.12.2023
Deferred tax assets					
Deductible Temporary Difference Assets	109,558	533,846	643,404	1,047,106	1,690,510
Deduction rights	-	175	175	0	175
Receivables for losses to be offset	193,991	84,031	278,022	0	278,022
Total	**303,549**	**618,052**	**921,601**	**1,047,106**	**1,968,707**
Deferred tax liabilities					
Temporary differences (subsidies)	-	2,938	2,938	1,071,993	1,074,931
Total	**-**	**2,938**	**2,938**	**1,071,993**	**1,074,931**

All the changes have been reflected in the consolidated income statement.

The tax losses generated by the Parent Company in 2023, as a matter of prudence, have not been capitalised, as it is considered that the conditions for this are not met.

<u>Income tax</u>

The relationship between the consolidated income tax expense/(income) and the consolidated profit/loss for the year is as follows:

(Euros)	2022	2023
Profit before tax	(4,965,090)	(8,047,492)
Consolidation Adjustments		(161,373)
Adjusted accounting result	(11,535,833)	(8,208,867)
Permanent Positive Differences	9,152,523	-
Permanent Negative Differences		-
Positive Temporary Differences	2,560,556	4,265,379
Negative Temporary Differences	(98,633)	(4,419,818)
Tax Base	(4,866,476)	(8,363,306)

(Expressed in euros)

Exercises pending verification and inspection actions

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

15. Income and Expenses

15.1. Revenue

a) Net turnover

The breakdown of net turnover for the years ended 31,12,2022 and 31,12,2023 by geographic market is as follows:

(Euros)	31.12.2023	31.12.2022
Domestic Businesses	5,237,313	2,613,069
Intra-community businesses	304,316	471,522
Export Business	3,067,168	51,259
Total	**8,608,797**	**3,135,850**

The Company has signed service contracts with two special interest associations, MOGOR INVESTIGACIONES AIE and TRINITY 2022 AIE respectively, related to the development of two R+D+I projects, for which it has recorded €1,460,377 as a net amount of turnover in the profit and loss account related to the margin obtained in said contract. During the 2022 financial year, the Group recorded €266 thousand as a net amount of MOGOR-related turnover.

15.2 Expense

a) Supplies

The details of the procurement are as follows:

(Euros)	31.12.2023	31.12.2022
Consumption of goods	2,787,791	457,243
Consumption of raw materials and other consumables	17,838	14,271
Work carried out by other companies	46,473	14,829
Total	**2,852,102**	**486,343**

(Expressed in euros)

b) Personnel costs

The breakdown of personnel costs is as follows:

(Euros)	31.12.2023	31.12.2022
Wages, salaries and the like	3,414,142,00	2,770,130,23
Social security to be paid by the company and other social expenses	549,134,00	432,053,73
Total	**3,963,276**	**3,202,184**

The "Salaries, wages and the like" line does not include significant amounts of compensation.

c) Operating expenses

The breakdown of the operating expenses is as follows:

(Euros)	31.12.2023	31.12.2022
Leases and royalties	72,501	65,592
Repairs & Maintenance	20,256	15,866
Independent Professional Services	2,987,946	1,745,003
Transport	33,972	15,666
Insurance premiums	14,741	11,696
Bank fees	22,757	29,175
Advertising, Advertising & Public Relations	124,611	320,204
Supplies	33,832	41,423
Other operating expenses	7,441,183	530,982
Total	**10,751,799**	**2,775,607**

16. Grants

(Euros)	Initial balance	Additions	Transfer to income	Disposals	Other movements	Final balance
Fiscal Year 2023						
Other income to be distributed	288,619	8297,720	(34,085)	-	-	552,254
	288,619	**297,720**	**(34,805)**	**-**	**-**	**552,254**
Fiscal Year 2022						
Other income to be distributed	178,841	152,280	(31.877)	-	(10,625)	288,619
	178,841	**152,280**	**(31,877)**	**-**	**(10,625)**	**288,619**

(Expressed in euros)

As of 01.01.2022, the Group had income to be deferred over several years amounting to €178,841. This amount comes from a subsidy granted by the Institute of Foreign Trade to the company Substrate AI Spain for 170,423 euros and a total of 8,418 euros from a subsidy granted by the Ministry of Finance and Economic Model of the Generalitat Valenciana to the company Substrate Artificial Inteligence, S.A. In 2023, an amount of €34,085 from the subsidy of the Institute of Foreign Trade has been charged to the income statement, leaving €102,254 in income to be distributed pending to be attributed to the result.

During the 2022 financial year, the Public Business Entity RED.ES awarded SUBSTRATE ARTIFICIAL INTELIGENCE, S.A. a grant of 600,000 euros to finance an experimental artificial intelligence project for the energy management of hotels. In 2022, an amount of €152,280 was recorded in income to be deferred over several years, increasing this amount to €450,000 in 2023. The amount recognised in revenue to be deferred over several years corresponds to the percentage of the project that had been executed at the end of 2022 (75%) and the amount in financial liabilities corresponds to the amount pending execution.

At the end of 2023, the asset associated with the grant was not recorded as ongoing fixed assets. For this reason, the repayment of the subsidy was not carried out.

17. Related Parties

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

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

(Euros)	DEBIT BALANCES			
	Equity Instrument	Credits Delivered	Clients	Capital Increase Credit
31/12/2023				
ZONA VALUE FOUNDATION (Group Company)	30,000			
TOTAL	**30,000**	**-**	**-**	**-**
31/12/2022				
ZONA VALUE FOUNDATION (Group Company)	30,000			
KAU SPECIAL SITUATIONS (Other related party)		79,935		
OTHER RELATED PARTIES			26,504	
TOTAL	**30,000**	**-**	**26,504**	**-**
1/1/2022				
ZONA VALUE FOUNDATION (Group Company)	30,000			
SUBSTRATE UNIPESSOAL (Other Related Party)		68,990	60,000	
KAU SPECIAL SITUATIONS (Other related party)		50,035		336,500
OTHER RELATED PARTIES		11,000	26,504	
TOTAL	**30,000**	**130,025**	**86,504**	**336,500**

(Expressed in euros)

(Euros)	CREDIT BALANCES			
	Equity Instrument	Credits received	Suppliers	Capital Increase Credit
31/12/2023				
ZONA VALUE FOUNDATION (Group Company)		29,000		
TOTAL	**-**	**29,000**	**-**	**-**
31/12/2022				
ZONA VALUE FOUNDATION (Group Company)		29,000		
KAU SPECIAL SITUATIONS (Other related party)		219,155		
TOTAL	**-**	**248,155**	**-**	**-**
1/1/2022				
SUBSTRATE UNIPESSOAL (Other Related Party)		200,000		
TOTAL	**-**	**200,000**	**-**	**-**

There have been no relevant income and expense transactions with related parties as of December 31, 2023.

Administrators and senior management

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

(Euros)	**31.12.23**	**31.12.22**
Administrators		
Salaries	555,080	521,884
Diets	-	-
Option Plans	0	180,000
Senior Management		
Salaries	357,121	380,123
Option Plans	255,000	80,000
Contributions to pension plans		-
Total	**1,167,201**	**1,162,007**

As of December 31, 2023 and 2022, the Group had no pension and life insurance obligations owed to former or current members of the Board of Directors.

As of December 31, 2023, the Company has registered two incentive plans for employees and investors approved by the meeting of March 14, 2022 and by the meeting of January 30, 2023 which, in any case, do not individually exceed 4% of the company's capital when they consist of the delivery or acquisition of ordinary shares with voting rights of the company, limit imposed by the aforementioned shareholders' meetings. The amount accrued and outstanding as of December 31, 2023 amounts to €260,000 corresponding to the 2022 plan and €1,000,000 corresponding to the 2023 plan, the former having been made effective through the capital increase approved at the Extraordinary General Meeting of January 19, 2024 and the latter will be effective during 2024 with the formula for the delivery of treasury shares at the year-end price.

As of 31 December 2023 and 2022, there were no advances or credits granted to senior management staff or members of the Board of Directors, nor were there any obligations assumed on their behalf by way of guarantee.

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

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

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

18. Subsequent events

Since the end of the financial year, no relevant facts, circumstances and/or information have occurred that would require the Annual Accounts for the year ended December 31, 2023 to be amended and/or additional explanations to be included, except for those described below:

- Up to the date of formulation, 2 additional tranches of the contract signed with ABO (see note 8) have been executed for a value of €500,000 each in January and March 2024 and, likewise, 787,036 equity warrants associated with the convertible bonds have been issued.

- On January 16, 2024, the resolution of the Board dated December 23, 2023, in execution of the authorization granted by the Extraordinary General Meeting of January 30, 2023, was made public, in which it was agreed to increase the share capital by 4,000,000 class A shares with a par value of €0,1 with an issue premium of €0,4, fully subscribed and paid out in cash by IMPULSE TECH TRANSFER CLM FCR.

- The company held an extraordinary meeting on January 19, 2024 and approved the following items:

    - Increase of the share capital through the modality of compensation of credits in a nominal amount of 2,464,566.50 euros, through the issuance and circulation of 24,645,665, new class A shares, with a nominal value of 0,10 euros each, and an issue premium of 0,154 euros per share, with the type of issuance of these shares being 0,254 euros per share (0,10 euros nominal plus 0,154 euros premium) of issuance).

- Authorisation to the Board of Directors so that, in accordance with the provisions of article 297,1,b), 506 and related articles of the Capital Companies Act, it may carry out capital increases, for a period of five years, up to a maximum amount of 20% of the share capital at the time of authorisation, in one or more times, through the issuance of new shares, with or without a vote, with the provision of incomplete subscription established in article 507 of the Capital Companies Act,. To expressly authorise the Board of Directors, under the terms established in Article 506 of the Capital Companies Act, to have the power to exclude the pre-emptive subscription right if the interest of the company so requires as well as any other acts necessary for its complete execution.

- Approval of the delegation to the Board of Directors of the power to issue debentures and warrants convertible into shares of the Company, excluding the pre-emptive subscription right, as well as to increase the share capital by the amount necessary to cover the conversion or exchange of these as well as any other acts necessary for its complete execution.

- Express authorisation and as broad as the law corresponds to the Board of Directors so that, in accordance with the Law and the Articles of Association in force, it is empowered to allocate the company's treasury stock in sufficient amount and number at any given time.

- Appointment of the entity IMPULSE TECH TRANSFER MT as a new member of the Board of Directors, as well as the natural person appointed by it, MR, JESÚS HIDALGO QUESADA.

- On February 7, 2024, Substrate AI has reached an investment agreement with INDICO INVESTMENTS AND MANAGEMENT, S.L. This agreement will materialize through various capital increases for a maximum amount of two million euros (€2,000,000). The investment commitment will end on February 7, 2027. The capital increases will be carried out in tranches of €500,000 at the request of the Company, at the fixed price of the share price at any given time, with a discount of 10%.

- By deed dated February 15, 2024, the resolution to increase the Company's share capital in a nominal amount of TWO HUNDRED AND FIFTY THOUSAND SIX HUNDREDAND NINE EUROS (€250,609), through the conversion of tranche 13 of convertible debentures, with the issuance and circulation of TWO MILLION FIVE HUNDRED SIX THOUSAND NINETY (2,506,090) new Class A shares with a par value of 0,10 Euros each, and a total issue premium amounting to TWO HUNDRED AND FORTY-NINE THOUSAND THREE HUNDRED AND NINETY EUROS AND SIX CENTS (249,390.06 Euros).

- On February 20, 2024, the company acquired 136,394 Series A treasury shares for €28,642,74 (€0,21 per share), On the same date, it acquired 2,476,000 shares of Series A for €517,484,00 (€0,21 per share).

(Expressed in euros)

- On March 8, 2024, the company formalized the acquisition of an additional 21% of the companies BINIT, S.R.L. and DELTANOVA, S.A. for a total amount of 2,000,000 euros to be paid through shares of the company Subgen AI LTD.

19. Other Information

Average number of employees

The average number of employees of the Group in the course of the year, distributed by category and sex, is as follows:

2023

	MEN	WOMEN	TOTAL
Analyst	8	6	14
Administrative Assistant	2	3	5
Commercial	4	-	4
Accountant	-	2	2
Graphic Designer	2	1	2
Management	1	-	1
Project Manager	1	-	1
Senior Boss	6	3	9
Cleaning	-	1	1
First Officer	3	9	12
Veterinary Staff – Administrative Assistant	-	1	1
Veterinary Staff – Generalist	1	2	3
Veterinary Staff – Director	1	1	2
Programmer	42	6	48
Recruiter	6	4	10
Deputy director	-	1	1
Telephonist	-	1	1
Graduate/Director	8	4	12
Traveller	2	-	2
TOTAL	**87**	**44**	**131**

2022

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

As of December 31, 2023, the Group's companies do not have employees with a disability greater than or equal to 33% (one employee as of December 31, 2022).

(Expressed in euros)

Audit Fees

The Group's fees for 2023 and 2022 are as follows:

(Euros)	2023	2022
For company audit services (individual and consolidated)	47,830	52,800
For audit services of dependent companies	9,400	9,000
Review of interim consolidated financial statements	20,360	19,500
For other services (*)	39,500	9,500

(*) Special reports for capital increase

20. Environmental Information

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

21. Additional explanation regarding the translation of the financial statements into English

This document is a translation of the consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

Madrid, 27 March 2023

Mr. Lorenzo Serratosa Gallardo

Mr. José Iván García Braulio

Don Christopher Nicolas Embik

Don Tawhid Chtioui

Mr. Jesús Hidalgo Quesada as an individual appointed by the Director IMPULSE TECHNOLOGY TRANSFER MANAGEMENT TEAM SL

Attending, in his capacity as Legal Advisor, Mr. Manuel Vera Revilla

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,
AND SUBSIDIARIES

Consolidated Annual Report for 2023
(Expressed in euros)

MANAGEMENT REPORT 31.12.2023

1. EVOLUTION OF THE SUBSTRATE GROUP

At the end of the 2023 financial year, the Group grew by 192% in revenues, reaching total revenues of 13,857 thousand euros, a strong growth that is in line with the Group's plans. The Group's business was mainly driven by the artificial intelligence consultancy we provide to third parties and by the integration of the new businesses acquired in 2023, as well as by growth in all the areas in which it works.

In addition, the Group continues with its development plan during 2023 of various AI solutions, which we will discuss and expand on later.

It should be noted that during this year 2023, the following businesses have been acquired.

Ifit solutions. The Ifit group is dedicated to the recruitment of qualified personnel for large corporations such as NTT Data, Pepsi or Roche and has a presence in the US, UK and several Latin American countries. Ifit solutions has been integrated into the Fleebe AI subgroup, our subgroup dedicated to the application of Artificial Intelligence in the world of human resources.

HD (Hospital Equipment). The hospital equipment business focuses on the sale of radiology equipment for hospitals and clinics and is a master dealer for Samsung in Spain. This business has been integrated into the Diaxemag company and has become part of the subgroup of companies dedicated to the sale of artificial intelligence hardware and software in the health sector.

Psvet. This company sells veterinary services through its own software and provides service to more than 100 dairy farms in the north of Spain and Portugal and has been integrated into Boalvet, our company focused on developing software for early detection of diseases in dairy farms with Artificial Intelligence.

Binit subgroup. The Binit subgroup is dedicated to digital transformation consulting and has a presence in Spain, Latam and the UK, with a development hub in Buenos Aires with more than 100 developers. This subgroup has been integrated into our Generative Artificial Intelligence technology subsidiary Subgen AI and has completed the missing pieces together with the team led by Bren Worth and Mei Si.

With all these acquisitions and their integration, a group has been formed consisting of six subsidiaries that work in 6 different verticals: Deep tech, Fintech, Energy, Agritech, Health and Human Resources and that has yielded these consolidated results:

In Euros	2023
Total revenues	13,857,005
EBITDA	(3,661,045)
Financial result	(799,185)
Result before taxes	(8,180,434)
Net income	(8,436,837)
Attributable result to parent company	*(8,703,604)*
Attributable result to external partners	*266,767*

In addition, it should be noted that at the end of the 2023 financial year, the Group recorded an impairment of 2,608 thousand euros of goodwill generated by the purchase of the Summon Press business unit in line with the claims filed with 2022 against the selling company Summon Press SL, whose breach of contract has generated irreparable damage to the value of this goodwill that we expect to recover when the courts make their opinion.

2. Subsequent events

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- Up to the date of formulation, 2 additional tranches of the contract signed with ABO (see note 8) have been executed for a value of €500,000 each in January and March 2024 and, likewise, 787,036 equity warrants associated with the convertible bonds have been issued.

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- The company held an extraordinary meeting on January 19, 2024 and approved the following items:

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- On March 8, 2024, the company formalized the acquisition of an additional 21% of the companies BINIT, S.R.L. and DELTANOVA, S.A. for a total amount of 2,000,000 euros to be paid through shares of the company Subgen AI LTD.

3. RESEARCH & DEVELOPMENT

- The Group has developed two R&D projects for third parties with the following objectives:

  - The creation of an AI system capable of helping farmers in their daily work on farms by helping them with the early detection of diseases and with the dispensing of herbal medicines and walking towards a fully digitized farm with systems capable of promptly correcting possible deviations of animal health markers, all managed with artificial intelligence.

- The creation of a new radiology system for humans and animals managed with artificial intelligence capable of reducing the radiation that animals and humans receive in the diagnostic process and improving it and making it faster, especially focused on human heart diseases.

- Likewise, the Group continues to work on the subsidy received by RED.ES for the development and implementation of its energy saving system in hotels. This project will complete its development in May 2024

4. OWN SHARES

- As of December 31, 2023, the Parent Company's own shares held by the Group amounted to 971,360 shares.

5. RISKS AND UNCERTAINTIES

- Credit risk: Credit risk represents the losses that the Group would suffer in the event that a counterparty defaults on its contractual payment obligations to the Group. This risk is reduced, due to the collection method required of its customers.
- Liquidity risk: Liquidity risk in the Group's financial assets would exist in the event that the Group invests in small-cap securities or in financial markets with a small size and limited trading volume, which could result in investments being deprived of liquidity. Management regularly monitors the Group's liquidity forecasts based on expected cash flows. The Group is looking for alternative ways to obtain additional sources of funding should it become necessary
- 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 Group's debts and interest rates on borrowing are low, interest rate risk is minimal.
    - Exchange rate risk: the Company has financial assets and liabilities in currencies other than the euro, although exposure to risk from exchange rate fluctuations is estimated to be low.
    - Price risk of shares or stock market indices: Investing in equity instruments means that the Company's profitability 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, 27 March 2023

Mr. Lorenzo Serratosa Gallardo

Mr. José Iván García Braulio

Don Christopher Nicolas Embik

Don Tawhid Chtioui

Mr. Jesús Hidalgo Quesada as an individual appointed by the Director IMPULSE TECHNOLOGY TRANSFER MANAGEMENT TEAM SL

Attending, in his capacity as Legal Advisor, Mr. Manuel Vera Revilla

III. Audit report corresponding to the individual annual accounts for the year ended December 31, 2023.

IV. Individual annual accounts for the year ended December 31, 2023.

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Financial statements for the

Annual Year Ended December 31, 2023

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Balance sheet as of December 31, 2023 and 2022
(expressed in euros)

ASSETS	Notes	31/12/2023	31/12/2022
NON-CURRENT ASSETS		**44,315,778.57**	**24,127,260.29**
Intangible fixed assets	**5**	**6,839,539.65**	**5,072,244.36**
Development		1,200,482.69	1,339,787.63
Patents, licenses, trademarks and similars		4,340.84	4,881.77
Goodwill		-	3,197,212.44
Computer Applications		-	21,391.52
Other intangible fixed assets		5.634,716.12	508,971.00
Property, plant and equipment	**6**	**77,801.68**	**88,461.68**
Land & Buildings		3,208.47	4,308.51
Technical installations and other property, plant and equipment		74,593.21	84,153.17
Fixed assets under construction and advances		-	-
Long-term investments in group companies and associates	**7**	**34,838,996.22**	**18,063,705.82**
Equity Instruments	13	5,741,125.60	16,420,769.60
Loans to companies	13	29,097,870.62	1,642,936.22
Long-term financial investments	**7**	**776,160.99**	**143,689.72**
Equity Instruments		-	-
Third-party receivables		166,502.99	125,031.72
Other Financial Assets		609,658.00	18,658.00
Deferred tax assets	**11**	**1,783,280.03**	**759,158.71**
CURRENT ASSETS		**6,569,095.78**	**2,666,643.46**
Trade receivables and other accounts receivable		**3,732.350.74**	**1,193,676.71**
Sales and service customers	7	2,682,935.45	95,142,41
Customers, group companies and associates	7, 13	1,041,735.67	438,494.40
Miscellaneous debtors	7	5,279.62	1,741.93
Personnel	7	2,400.00	-
Other credits with the Public Administrations	11	-	658,297.97
Accruals and accruals		**1,000.00**	**1,000.00**
Cash and cash equivalents	**7**	**2,741,411.29**	**1,471,966.75**
Treasury		2,742,411.29	1,471,966.75
TOTAL ASSETS		**50,791,540.00**	**26,793,903.75**

Madrid, 27 March 2024

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,

Balance sheet as of December 31, 2023 and 2022
(expressed in euros)

LIABILITIES AND EQUITY	Notes	31/12/2023	31/12/2022
EQUITY		**31,064,234.50**	**21,532,771.76**
EQUITY	**10**	**30,726,734.5**	**21,418,561.76**
Capital		**7,335,246.75**	**2,451,022.80**
Deeded capital		7,335,246.75	2,451,022.80
Issue premium		**45,159,547.17**	**34,548,123.83**
Reserves		**(1,450,285.90)**	**(1,411,930.84)**
Legal & Statutory		600.00	600.00
Other Bookings		(1,450,885.90)	(1,412,530.84)
Own shares and equity holdings		**(1,837,416.02)**	**(1,116,288.60)**
Results of previous years		**(13,419,883.43)**	**(473,207.47)**
Profit for the year		**(6,845,186.08)**	**(12,929,825.96)**
Other Equity Instruments		**1,784,712.01**	**350,668,00**
GRANTS, DONATIONS AND BEQUESTS RECEIVED	**10**	**337,500.00**	**114,210.00**
TOTAL NON-CURRENT LIABILITIES		**6,919,500.18**	**3,122,239.87**
Long-term debts	**8**	**5,324,977.30**	**2,158,565.46**
Bonds and other negotiable securities		-	-
Debts to credit institutions		467,920.10	557,179.76
Other financial liabilities		4,857,057.20	1,601,385.70
Long-term debts to group companies and associates	**8,13**	**419,291.86**	**925,604.41**
Deferred tax liabilities	**11**	**1,175,231.02**	**38,070.00**
TOTAL CURRENT LIABILITIES		**12,807,805.92**	**2,138,892.12**
Short-term debts	**8**	**6,454,284.92**	**1,276,929.36**
Debts to credit institutions		93,524.80	87,072.50
Other financial liabilities		6,360,760.12	1,189,856.86
Short-term debts to group companies and associates	**8,13**	**9,300.00**	**-**
Trade Creditors and Other Payables		**6,344,221.00**	**861,962.76**
Short-Term Suppliers	8	1,317,046.37	275,045.40
Suppliers, group companies and associates	8, 13	3,052,417.59	316,434.74
Miscellaneous creditors	8	640,021.04	57,894.54
Staff (unpaid wages)	8	6,256.00	-
Current tax liabilities		-	-
Other debts owed to the Public Administrations	11	1,328,480.00	219,117.94
Customer Advances		-	(6,529.86)
TOTAL EQUITY AND LIABILITIES		**50,791,540.00**	**26,793,903.75**

Madrid, 27 March 2024

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,

PROFIT AND LOSS ACCOUNT FOR 2023 AND 2022
(Expressed in euros)

PROFIT AND LOSS STATEMENT	Notes	31/12/2023	31/12/2022
Net turnover	**14**	**2,790,584.65**	**1,642,031.06**
Sales			-
Provision of services		2,790,584.65	1,642,031.06
Work carried out by the company for its asset	**5**	**5,366,885.12**	**1,494,578.71**
Supplies		**(317,643.60)**	**(873.35)**
Consumption of goods		(317,643.60)	**(198.35)**
Consumption of raw materials and other consumables		**-**	**(675.00)**
Work carried out by other companies		**-**	**-**
Other Operating Income		**100,680.31**	**2,381.60**
Ancillary and other revenue under current management		100,680.31	2,381.60
Operating subsidies included in profit or loss for the year		**-**	-
Personnel costs	**14**	**(1,943,170.34)**	**(1,836,634.37)**
Wages, salaries and the like		(1,758,228.64)	(1,605,988.84)
Social security contributions		(184,941.70)	(230,645.53)
Other operating expenses		**(11,742,679.98)**	**(2,705,316.14)**
External services	14	(11,740,645.14)	(2,556,383.14)
Tributes		(2,034.84)	(13,707.46)
Losses, impairments and changes in provisions for commercial operations		-	(124,961.49)
Other current management costs			(10,264.05)
Depreciation of fixed assets	**5, 6**	**(373,355.48)**	**(644,050.00)**
Allocation of non-financial fixed assets and other subsidies		**-**	**8,418.00**
Impairment and profit or loss on disposals of fixed assets	**5**	**-**	**(2,211,968.75)**
Other results		**(36.83)**	**-**
OPERATING RESULT		**(6,118,736.15)**	**(4,251,433.24)**
Financial Income		**141,217.80**	**55,659.42**
Negotiable securities and other financial instruments		141,217.80	55,659.42
Financial Expenses	**8**	**(735,130.22)**	**(139,301.27)**
For debts with group companies and associates		(22,282.36)	(21,263.51)
For debts to third parties		(712,847.86)	(118,037.76)
Change in fair value in financial instruments		**-**	**-**
Trading Book & Others		-	-
Exchange Differences		**(585.21)**	**460.81**
Impairment and profit or loss on disposals of financial instruments	**7**	**(93,342.60)**	**(9,233,379.73)**
FINANCIAL RESULT		**(687,840.23)**	**(9,316,560.77)**
PROFIT BEFORE TAX		**(6,806,576.38)**	**(13,567,994.01)**
Taxes on profits	**11**	**(38,609.70)**	**638,168.05**
PROFIT FOR THE YEAR		**(6,845,186.08)**	**(12,929,825.96)**

Madrid, 27 March 2024

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,

Statement of changes in equity for the year ended December 31, 2023
(expressed in euros)

(A) Statement of Recognized Income and Expenses for the Year Ended December 31, 2023

	Notes	31/12/2023	31/12/2022
Profit and loss statement result		**(6,845,186.08)**	**(12,929,825.96)**
Income and expenses charged directly to equity			
Grants, Donations and Bequests Received	10	297,720.00	152,280.00
Tax effect		(74,430.00)	(38,070.00)
Total income and expenses charged directly to consolidated equity		**223,290.00**	**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		**(6,621,896.08)**	**(12,824,033.96)**

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A,

Statement of changes in equity for the year
Ended December 31, 2023
(expressed in euros)

B) Total Statement of Changes in Equity for the Annual Year Ended December 31, 2023

	Deeded capital	Premium emission	Reserves	Own shares anc holdings	Other Equity Instruments	Results of previous years	Result of the exercise	Grants, donation and bequests received	TOTAL
Adjusted balance, beginning of the year 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 Recognized Income and Expenses	-	-	-	-	-	-	(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 Equity	-	-	-	-	-	(602.69)	602.69	-	-
Translation of financial liabilities into equity (note 10)	244,140.00	405,856.63	-	-	90,668.00	-	-	-	740,664.63
Other transactions (note 13)	-	-	-	-	260,000.00	-	-	-	260,000.00
Transactions in treasury shares (net) (note 10)	-	-	(1,241,722.98)	(1,116,288.60)	-	-	-	-	(2,358,011.58)
Other Moves	-	-	(203,327.14)	-	-	-	-	-	(203,327.14)
Year-end balance 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**
Total Recognized Income and Expenses	-	-	-	-	-	-	(6,845,186.08)	223,290.00	(6,621,896.08)
Capital increases (note 10)	2,838,675.85	7,512,824.99	-	-	-	-	-	-	10,351,500.84
Other Changes in Equity	-	-	-	-	-	(12,929,825.96)	12,929,825.96	-	0,00
Translation of financial liabilities into equity (note 10)	2,045,548.10	3,098,598.35	-	-	434,044.01	-	-	-	5,578,190.46
Other transactions (note 13)	-	-	-	-	1,000,000.00	-	-	-	1,000,000,00
Transactions in treasury shares (net) (note 10)	-	-	(38,355.06)	(721,127.42)	-	-	-	-	(759,482.48)
Other Moves	-	-	-	-	-	(16,850.00)	-	-	(16,850)
Year-end balance for 2023	**7,335,246.75**	**45,159,547.17**	**(1,450,285.90)**	**(1,837,416.02)**	**1,784,712.01**	**(13,419,883.43)**	**(6,845,186.08)**	**337,500.00**	**31,064,234.50**

Madrid, 27 March 2024

SUBSTRATE ARTIFICIAL INTELIGENCE, S,A.

Statement of Cash Flows for the Annual Year Ended December 31, 2023 (Expressed in euros)

	Notes	31/12/2023	31/12/2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		**(6.806,576.38)**	**(13,567,994.01)**
Result Adjustments		**1,061,195.71**	**12,549,123.01**
Depreciation of fixed assets	5, 6	373,355.48	644,050.00
Valuation adjustments for impairment	5, 7	-	11,146,159.24
Change in provisions (+/-)		-	260,000.00
Allocation of subsidies		-	(8,418.00)
Results from retirements and disposals of financial instruments		93,342.60	424,150.73
Financial Income		(141,217.80)	(55,659.42)
Financial Expenses		735,130.22	139,301.27
Exchange Differences		585,21	(460.81)
Changes in current capital		**2,020,244.98**	**(3,163,720.43)**
Stock		-	198.44
Accounts receivable and other accounts receivable		(2,538,674.03)	(2,148,374.29)
Other current assets		-	(19,221.20)
Accounts payable and other accounts payable		5,381,563.45	(135,883.38)
Other current liabilities		(822,644.44)	(860,440.00)
Other cash flows from operating activities		**(142,547.86)**	**(83,641.85)**
Interest Payments		(149,802.86)	(139,301.27)
Charging Interest		7,255.00	55,659.42
Cash flows from operating activities		**3,867,683.55**	**(4,266,233.28)**

Madrid, 27 March 2024

CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Payments		**(1,485,799.27)**	**(2,073,938.74)**
Property, plant and equipment	5, 6	(853,328.00)	(70,682.62)
Group companies and associates	13	-	(1,100,000.00)
Other Financial Assets	17	(632,471.27)	(903,256.12)
Divestment Charges		**59,600.82**	**-**
Property, plant and equipment	5, 6	59,600.82	-
Group companies and associates		-	-
Other Financial Assets		-	-
Cash flows from investing activities		**(1,426,198.45)**	**(2,073,938.74)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for equity instruments		**4,500,000.00**	**2,660,350.00**
Issuance of equity instruments	10	4,500,000.00	2,660,350.00
Receipts and payments for financial liability instruments		**2,064,326.54**	**2,073,095.98**
Emission:		**2,659,898.75**	**3,041,215.77**
Debts to credit institutions	8	6,452.30	700,000.00
Debts to group companies and associates	13	9,300.00	906,209.47
Other debts	8	2,644,146.45	1,435,006.30
Return and amortization of:		**(595,572.21)**	**(61,910.32)**
Debts to credit institutions	8	(89,259.66)	(58,117.43)
Debts to group companies and associates	13	(506,312.55)	
Other debts			(3,792.89)
Cash flows from financing activities		**6,564,326.54**	**7,712,751.43**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**1,270,444.54**	**1,372,579.41**
Cash or equivalent at the beginning of the financial year		1,471,966.75	99,387.34
Effect or equivalents at the end of the year		2,742,411.29	1,471,966.75

Madrid, 27 March 2024

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.

Annual report
Ended December 31, 2023

NOTE 1. - COMPANY ACTIVITY

Substrate Artificial Inteligence, S.A2 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.", with its current registered office at Calle María de Molina nº41, Madrid. The company is registered in the Mercantile Registry of Madrid, Volume 43321, Book 0, Folio 89, Page M-765355.

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

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

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 literacy and instruments that allow them to interpret such information through the learning modality called e-learning.
- Acquisition, holding and administration and management of securities, shares.
- Acquisition, possession, marketing, lease and operation of all types of rural or urban real estate.
- Customization of computer programs, including configuration and modification of existing programs.
- Creation and development of state-of-the-art artificial intelligence systems and their application in various sectors.

The Company's main activity 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 literacy and instruments that allow them to interpret 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 stakes in Group companies. The Company has developed its own technology 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 Society, presented at Biologically Inspired Cognitive Architectures 2021 and by the patents under development and registration detailed in note 5 of the attached report.

The Company is the head of a group of subsidiaries and, in accordance with current legislation, is required to prepare separate consolidated accounts. The consolidated financial statements were prepared by the Directors on 27 March 2024. The consolidated financial statements for the financial year 2022 were approved by the General Shareholders' Meeting on 17 May 2023 and deposited with the Commercial Registry.

The company has prepared the individual annual accounts for the financial year 2023 on 27 March 2024 and, once approved, they will be deposited with the Mercantile Registry of Madrid. Information relating to holdings in group companies, associates and multi-group companies is presented in Note 7.

NOTE 2. - TERMS AND CONDITIONS FOR THE 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 R.D. 1514/2007 approving the General Chart of Accounts, which since its publication has been subject to several amendments, the latest of which has been amended by Royal Decree 1/2021, of 12 January, and the rest of the legal provisions in force on accounting matters, so that they show a true and fair view of the Company's assets, financial position, results and cash flows during the corresponding year. These annual accounts, which have been prepared by the Directors of the Company, will be submitted for approval by the Ordinary General Meeting of Members, it being estimated that they will be approved without any modification.

The Annual Accounts for the previous year were approved by the Ordinary General Meeting on May 17, 2023.

There are no exceptional reasons why, in order to give a true and fair view, accounting legal provisions 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 that, although mandatory, has ceased to apply.

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

In the preparation of these annual accounts, the Board of Directors have made estimates to determine the carrying amount of some of the assets, liabilities, income and expenses and on the breakdowns 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 take place in the future will force them to be modified (upwards or downwards) in future years. Given the predictive nature of any estimate based on future expectations in the current economic environment and the activity carried out by the Company, differences between projected and actual results could be revealed.

Recoverable value of investees and intangible fixed assets

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

The Company's Directors, in order to carry out the corresponding impairment test of the investees and intangible fixed assets, have prepared a financial projection for the coming years. These projections reflect an estimate based on the fulfillment of certain milestones, variables and assumptions, which, despite being based on the worst-case scenarios, are subject to uncertainty and could be substantially modified (upwards or downwards) based on the occurrence of future events. Any change in future principal assumptions may affect the recoverable value of certain assets (see notes 5 and 7). The main features are:

- The value in use has been used based on future flows and not the market value of the company, taking into account the short period of time in which it is listed and its high volatility as a result of low liquidity and the adverse economic environment.
- The projections have a duration of 5 years, until 2028. For the purposes of calculating the impairment test, a terminal value with a discount rate and growth in perpetuity as indicated in notes 5 and 7 is considered.
- The forecasts are based, among other factors, on the knowledge and expected development of the various verticals in which the Group operates and will operate and on the expectations of its future evolution.
- They include expectations of obtaining new contracts with customers within a reasonable period of time (2 years).
- They include increases in average selling prices.
- Average EBITDA is considered based on estimates and comparables, as historical information is not available for a portion of revenues.

Deferred tax assets

Deferred tax assets are recognized for all those deductible temporary differences, tax losses pending offsetting and deductions pending application, for which it is likely that the Company will have future taxable gains that allow the application of these assets. Directors are required to make significant estimates to determine the amount of deferred tax assets that can be recognized, taking into account the amounts and dates on which future taxable gains will be realized and the reversal period of taxable temporary differences (see Note 11).

Usable life

The Company estimates the usable life of property, plant and equipment and intangible assets in order to reasonably record the depreciation of these types of assets (see Notes 4.1 and 4.2).

Going Concern Principle

The Company's directors have drawn up these annual accounts, assuming the continuity of the Company's activity, stating that the results are negative as of December 31, 2023, values characteristic of any startup. In addition, as of December 31, 2023, the Company had a negative working capital of €6,332 thousand (positive fund in 2022 of €528 thousand), although of this working capital €6,000 thousand are debts that will be settled in treasury shares as a result of the shareholding acquisition agreements made during 2023 (see notes 7 and 15), and €3,052 thousand correspond to debts with group companies whose payment period can be adjusted taking into account cash availability. On the other hand, the Company has €2,742,411.29 of cash and cash equivalents (see note 7). The Strategic Plan drawn up by the Company until 2028 is based on the effective application of the artificial intelligence systems developed by the Company.

On the basis of the above, together with the new financing described in note 15, the Company's Directors have prepared the annual accounts on a going concern basis.

2.4. Comparison of information.

The data for the 2022 financial year are presented for comparison 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 Companies Act, and rule 4 on the preparation of the Annual Accounts, the Company has prepared normal annual accounts.

2.5. Correction of Errors.

No bug fix adjustment has been made.

2.6. Materiality

When determining the information to be disaggregated 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 Chart of Accounts, has taken into account the materiality in relation to the financial statements for the financial year 2023.

NOTE 3.- DISTRIBUTION OF RESULTS

The proposed distribution of the 2023 profit that the Board of Directors proposes to the General Shareholders' Meeting is as follows:

Distribution basis	**Euros**
Profit & Loss Account Balance	(6,845,186.08)
Total	**(6,845,186.08)**
Application	
Negative results for previous years	(6,845,186.08)
Total	**(6,845,186.08)**

NOTE 4. - REGISTRATION AND VALUATION RULES

The main valuation standards used by the Company in the preparation of its annual accounts for the year ended December 31, 2023, were as follows:

4.1 Intangible Assets

Computer Applications

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

Costs associated with the development or maintenance of software are recognized as an expense as they are incurred. Expenses directly related to the production of unique and identifiable software controlled by the 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 recognized separately after a business combination.

Goodwill is amortized over a period of 10 years. At the end of each financial year, the company carries out an assessment of the recoverability of goodwill, impairing the part of it that, if applicable, it does not consider recoverable.

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

Each CGU(s) to which goodwill is assigned:

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

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

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

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

Development

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

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

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

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

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

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

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

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

Industrial property

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

Other intangible fixed assets

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

Subsequent assessment

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

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

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

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

4.2 Property, plant and equipment

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

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

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

Elements	% Amortization
Machinery	15 %
Furniture	10-12 %
Information Processing Equipment	25 %
Other Immobilized	10%

4.3 Impairment of tangible and intangible assets

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

The recoverable amount is the greater of the market value, less the costs of sale, and the value in use, which is understood to be the present value of the estimated future cash flows. For the calculation of use value, the assumptions used include discount rates, growth rates, and expected changes in sales prices and costs. 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.

In addition, 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 for the difference would be recorded under the heading "Impairment and profit on disposal of fixed assets" in the income statement and credited to the heading "Property, plant and equipment" or "Intangible fixed assets", in each case. of the balance sheet.

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

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

4.4 Leases

Financial lease agreements shall, at the initial time, be recorded as an asset according to their nature, depending on whether they are property, plant and equipment or intangibles, and a financial liability for 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 option to purchase where there is no reasonable doubt as to its exercise and any amount that has been guaranteed, directly or indirectly, and excludes contingent fees, the cost of services and taxes payable by the lessor. The initial direct costs inherent in the operation incurred by the lessee should be considered as the higher value of the asset. The total financial burden shall be distributed over the term of the lease and charged to the profit and loss account for the year in which it accrues, applying the effective interest rate method.

The amortization, impairment and derecognition criteria corresponding to their nature will be applied to the assets recognized as a result of the lease and the provisions of the financial instruments standard will be applied to the deducting of financial liabilities.

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

4.5 Financial instruments

Financial Assets

1. Financial assets at amortised cost

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

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

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

b) Receivables for non-commercial transactions: these are financial assets that, not being equity instruments or derivatives, are not of commercial origin and whose receipts are of a determined or determinable amount, which come from loan or credit operations granted by the company.

Financial assets classified in this category shall initially be measured at their fair value, which, unless otherwise evidenced, shall be the transaction price, which shall be equal to the fair value of the consideration paid, plus any transaction costs directly attributable to them. However, receivables from commercial operations with a maturity of no more than one year and which do not have an explicit contractual interest rate, as well as loans to personnel, dividends receivable and disbursements required on equity instruments, the amount of which is expected to be received in the short term, may be valued at their nominal value when the effect of not updating cash flows is not significant.

The subsequent valuation of financial assets included in this category will be carried out at their amortised cost. Accrued interest shall be recorded in the profit and loss account, applying the effective interest rate method. However, loans with a maturity of no more than one year which, in accordance with the provisions of the preceding paragraph, are initially valued at their nominal value, shall continue to be valued at that amount, unless they have been impaired. When the contractual cash flows of a financial asset change due to the issuer's financial difficulties, the company will consider whether to account for an impairment loss.

At least at the end of the financial year, the necessary valuation adjustments should be made whenever there is objective evidence that the value of a financial asset, or of a group of financial assets with similar risk characteristics collectively valued, has deteriorated as a result of one or more events that have occurred after its initial recognition and that cause a reduction or delay in estimated future cash flows. which may be motivated by the insolvency of the debtor. The impairment loss on these financial assets shall be the difference between their carrying amount and the present value of future cash flows, including, where applicable, those from the enforcement of collateral and personal collateral, which are estimated to be generated, discounted at the effective interest rate calculated at the time of their initial recognition. For financial assets at a variable interest rate, the effective interest rate corresponding to the closing date of the annual accounts will be used in accordance with the contractual conditions. Models based on formulas or statistical methods may be used in the calculation of impairment losses for a group of financial assets.

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

2. Financial assets at cost.

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

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

3. Cash and cash equivalents

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

Financial liabilities

1. Financial liabilities at amortised cost

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

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

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

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

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

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

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

2. Retirement of financial assets and liabilities

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

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

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

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

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

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

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

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

4.6 Foreign Currency Transactions

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

As of December 31, 2023, monetary assets and liabilities determined in foreign currency will be measured at the closing exchange rate, existing on that date. Exchange differences, both positive and negative, arising from this process shall be recognised in the profit and loss account for the year in which they occur.

4.7 Shareholders' equity

Common shares are classified as equity.

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

Own shares

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

Pre-emptive shares

The initial carrying amount of the issued shares is distributed by assigning to the liability component the fair value of a similar liability that does not have the equity component associated with it. The difference between the initial amount and the value assigned to the liability component is assigned to the equity component. The costs of the transaction are distributed in the same proportion.

4.8 Taxes on profits

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

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

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

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

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

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

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

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

4.9 Income and expenditure

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

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

Recognition

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

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

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

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

Fulfilment of the obligation over time

The 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 carries it out.
b) The Company produces or improves an asset that the client controls as the business is carried out.
c) The Company develops a customer-specific asset with no alternative use and the Company has an enforceable right to be paid for the activity that has been completed to date.

Indicators of compliance with the obligation at a point in time

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

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

Valuation

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

According to the accrual principle, revenue is recorded with the transfer of control and expenses are recorded when they occur, regardless of the date of collection or payment. 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 customer.

4.10 Transactions with affiliates

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

4.11 Grants, Donations or Legacies Received

Non-refundable grants, donations and legacies will initially be accounted for, as a general rule, as income directly charged to equity and are recognised in the profit and loss account as income on a systematic and rational basis in a manner correlated with the expenditure or investment covered by the grant.

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

4.12 Provisions and contingencies

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

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

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

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

4.13 Heritage elements of an environmental nature

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

4.14 Transactions 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, according to their nature, at the time they are obtained and, on the other hand, the corresponding increase in equity, if the transaction is settled with equity instruments, or the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

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

4.15 Classification of current and non-current assets and liabilities

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

NOTE 5. - INTANGIBLE FIXED ASSETS

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

(Euros)	Initial Balance	Entries	Outputs	Transfers	Final Balance
31.12.2023					
Cost					
Development	1.464,668.96	-	(80,000.00)	254,340	1,639,008.96
Industrial property	5,582.32	-	-	-	5,582.32
Goodwill	6,100,000.00	-	(6,100,000.00)	-	-
Computer Applications	104,541.23	1,486.30	(5,084.75)	-	100,942.78
Other fixed assets in progress	508,971.00	5,380,085.12	-	(254,340)	5,634,716.12
Total Cost	**8,183,763.51**	**5,381,571.42**	**(6,185,084.75)**	**-**	**7,380,250.18**
Accumulated depreciation					
Development	(124,881.33)	(334,348.52)	20,703.58	-	(438,526.27)
Industrial property	(700.55)	(540.93)	-	-	(1,241.48)
Goodwill	(692,787.56)	-	692,787.56	-	-
Computer Applications	(83,149.71)	(22,877.82)	5,084.75	-	(100,942.78)
Other fixed assets in progress	-	-	-	-	-
Total amortization	**(901,519.15)**	**(357,767.27)**	**718,575.89**	**-**	**(540,710.53)**
Total impairment of goodwill	**(2,210,000.00)**	**-**	**2,210,000.00**	**-**	**-**
NET BOOK VALUE	**5,072,244.36**	**5,023,804.15**	**(3,256,508.86)**	**-**	**6,839,539.65**

(Euros)	Initial Balance	Entries	Outputs	Final Balance
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 amortization				
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)**
Total impairment of goodwill	**-**	**(2,210.000.00)**	**-**	**(2,210,000.00)**
NET BOOK VALUE	**6,523.757.21**	**(1,244,915.08)**	**(206,597.77)**	**5,072,244.36**

There have been no investments outside Spanish territory during the 2023 financial year. During 2022. the Company received a subsidy of €600.000 in RED.ES relating to intangible fixed assets. with €223,290 (€114,210 in 2022) recorded in equity. net of taxes. as detailed in note 10. followed by the remainder of the €150,000 recorded as non-current liabilities (see note 8). As of December 31. 2023. the entire grant is outstanding (see note 11).

In the 2023 financial year. acquisitions of intangible fixed assets amounting to €5,381,571.42 (€1,593,962.41 in 2022) were made. of which €5,366,885.12 correspond to work carried out by the Company for its project assets that are in progress. On the other hand. an intangible asset amounting to €254,340.00 has been reclassified from Other fixed assets in progress to Development.

The goodwill arising from the acquisition of two production units called Summon and Hexenebel by the Company in May 2021 for amounts of €5,500.000 and €600,000 respectively. with no outstanding liabilities. The first goodwill has been transferred to FLEEBE AI SL for its net book value of 2,677,212.14 euros. The second goodwill has been transferred to the company ZONA VALUE GLOBAL. S.L. for its net book value of 520.000 euros.

NOTE 6. - PROPERTY. PLANT AND EQUIPMENT

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

(Euros)	Initial Balance	Additions	Retreats	Final Balance
31.12.2023				
Cost				
Constructions	5,500.00	-	-	5,500.00
Machinery	1,152.14	-	-	1,152.14
Other Facilities	54,649.41	-	-	54,649.41
Furniture	31,392.03	4,011.95	(1,256.79)	34,147.19
Information Processing Equipment	26,266.81	1,220.66	-	27,487.47
Other Immobilized	2,962.62	-	-	2,962.62
Fixed assets in progress	-			
Total Cost	**121,923.01**	**5,232.61**	**(1,256.79)**	**125,898.83**

Accumulated depreciation				
Constructions	(1,191.49)	(1,100.04)	-	(2,291.53)
Machinery	(823,84)	(144.40)	-	(968.24)
Other Facilities	(5,176.97)	(5,464.92)	-	(10,641.89)
Furniture	(4,565.08)	(3,287.53)	952.39	(6,900.22)
Information Processing Equipment	(14,961.65)	(5,264.30)	-	(20,225.95)
Other Immobilized	(6,742.30)	(327.02)	-	(7,069.32)
Total amortization	**(33,461.33)**	**(15,588.21)**	**952.39**	**(48,097.15)**
NET WORTH	**88,461.68**	**(10,355.60)**	**(304.00)**	**77,801.68**

(Euros)	Initial Balance	Additions	Retreats	Final Balance
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 Processing Equipment	19,958.03	6,308.78	-	26,266.81
Other Immobilized	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)	(1,100.04)	-	(1,191.49)
Machinery	(650.56)	(173.28)	-	(823.84)
Other Facilities	(13.9)	(5,163.07)	-	(5,176.97)
Furniture	(1,326.68)	(3,238.4)	-	(4.565.08)
Information Processing Equipment	(9,703.57)	(5,258.08)	-	(14,961.65)
Other Immobilized	(6,502.66)	(239.64)	-	(6,742.30)
Total amortization	**(18,288.82)**	**(15,172.51)**	**-**	**(33,461.33)**
NET WORTH	**50,185.07**	**55,510.11**	**(17,233.50)**	**88,461.68**

In 2023. no acquisitions of property. plant and equipment were made from Group companies.

In 2023 and 2022. no impairment adjustment for property. plant and equipment has been recognised or reversed.

The Company has taken out insurance policies to cover the risks to property. plant and equipment.

As of December 31. 2023 and 2022. the Company did not have fully amortized property. plant and equipment.

NOTE 7. – FINANCIAL ASSETS

Holdings in group companies

As of 31.12.2022. the Company owned 100% of the share capital of the following entities: Substrate AI Spain. S.L.. Zona Value Global. S.L. and Substrate AI USA INC amounting to €16,000,000. €1,800,000 and €6,000,000 respectively. which were acquired in the previous year. Since the different acquisitions were highly interrelated since one depended on the other and the price determined was conditional. everything was considered as a single business combination. There was no variable or contingent price on the amount of that transaction.

On December 30. 2023. the Company sold 100% of its stake in Substrate AI Spain. S.L. to the controlled company Subgen AI LLC at book value. deregistering said stake for an amount of €16,000,000 together with its assigned impairment of €1,009,229. leaving an impairment of €6,000,000.00 corresponding to the stake in Substrate AI USA INC and €1,800,000 corresponding to the stake in Zona Value Global.

On November 22. 2022. the company Fleebe AI SL was incorporated. although it had no activity during that year.

On February 25. 2022. the Company 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 contributions. delivering the Company's own shares. There is no variable or contingent price on the amount of such a transaction.

On March 2. 2023. the Company incorporated SAVE THE PLANET. SL with an initial share capital of 3.000 euros.

On July 31. 2023. the Company acquired 100% of the Company domiciled in London. United Kingdom. called Yamro Holding Limited. head of a group of companies (IFIT Group) with presence in the United Kingdom. the United States. Spain. Mexico and Costa Rica. for an amount of 4.602.573 US dollars (US $). recorded at the exchange rate on the day of the transaction for 4.175.427 euros. which must be satisfied as follows:

- US$290.573 through the issuance of Class A shares (with voting rights) of the purchaser. Substrate Artificial Inteligence S.A. and
- US$4.312.000 through the issuance and sale of class A and B shares (non-voting) in such proportion as may be determined by the purchaser.

Purchased shares have collateral. If the total sum received by the seller YAMRO INVESTMENT HOLDING LTD is less than US$4.312.000. the seller may:

- Elect to recover a portion of the shares sold (the 100 common shares of Yamro Holding Limited) to cover the missing value; or
- Demand immediate payment from Substrate Artificial Inteligence. S.A. in cash of the missing amount

On May 10. 2023. the Company acquired 100% of the shares of Diagximag. S.L. for an amount of 3.300 euros.

On October 31. 2023. the Company acquired 70% of the shares in Deltanova. S.A.. head of a group of companies with a presence in Brazil and Spain. for an amount of €600.000. and Binit S.R.L.. an

Argentine company. for an amount of €5.400.000. This amount is outstanding as of December 31. 2023 and will be settled through the capital increase approved by the General Meeting held on January 19. 2024 (see notes 13 and 15). Subsequently. on December 30. 2023. the Company sold these shares for the same value to the controlled company Subgen AI. LLC.

On November 14. 2023. the Company acquired 2.000 shares in the company DIGITAL LAWYER CICERO. S.L.. corresponding to 11.76% of its capital. by offsetting a credit it had in its favor for an amount of 121.000 euros.

On December 29. 2023. the Company incorporated Subgen AI. LLC with registered office at 100 Avebury Boulevard. Milton Keynes. United Kingdom.

On December 30. 2023. the Company acquired 100% of the shares in BOALVET SL and 100% of the shares in AIREN AI FOR RENEWABLE ENERGY SL from the controlled company Substrate Al Spain. S.L. for amounts of €2.700 and €2.700 respectively.

The movement in this section was as follows:

(Euros)	**Balance 31.12.22**	**Additions**	**Low**	**Balance 31.12.23**
Holdings in Group companies	25,229,998.6	10,311,127.00	(22,000,000.00)	13,541,125.60
Impairment	(8,809,229.00)		1,009,229.00	(7,800,000.00)
Net Book Value	**16,420,769.60**	**10,311,127.00**	**(20,990,771.00)**	**5,741,125.60**

The movement in fiscal year 2022 was:

(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
Impairment	-	(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 group. multi-group and associated companies as of December 31. 2023 is as follows:

(Euros)	Total Assets	Total Funds Own (*)	Result	Dividends distributed	Valor partic.	Deterioration
Fiscal year 2023						
BOALVET AI SL	1,736,934.00	306,042.00	97,996.00	-	2,700.00	-
AIREN AI	75,891.00	(438,962.00)	(17,350.00)	-	2,700.00	-
ZONA VALUE GLOBAL. S.L.	1,294,661.27	(2,356,134.00)	(2,445,297.06)	-	1,800.000.00	(1,800.000)
FLEEBE AI SL	366,406.00	(146,848.00)	(149,848.00)	-	3,000.00	-
CUARTA DIMENSIÓN MÉDICA. S.L.	2,813,713.52	1,193,423.98	164,473.81	-	1,399,998.60	-
SUBSTRATE AI USA INC	443,298.00	(146,313.00)	(29,937.00)	-	6,000,000.00	(6,000.000)
SAVE THE PLANET	4,183.00	2,087.00	(912.67)	-	3,000.00	-
YAMRO HOLDING LIMITED	1,200,645.30	1,200,645.30	-	-	4,175,427.00	-
SUBGEN AI LLC	20,990,771.00	-	-	-	-	-
DIAGXIMAG	2,977,223.00	53,830.00	50,575.00	-	3,300.00	-
ZONA VALUE FOUNDATION	n.a	n.a	n.a	n.a	n.a	n.a

2022

(Euros)	Total Assets	Total equity(*)	Result	Dividends distributed	Partic value.	Deterioration
Fiscal year 2023						
CUARTA DIMENSIÓN MÉDICA. S.L.	1,025,338	409,497.00	149,458.00	-	1,399,998.60	-
ZONA VALUE GLOBAL. S.L.(**)	197,400.00	89,137.00	7,151.00	-	1,800.000.00	-
SUBSTRATE AL SPAIN. S.L. (**)	1,221.948.00	288,117.00	49,109.00	-	16,000,000.000	-
SUBSTRATE AI USA INC (**)	309,693.00	(128,441.00)	(151,864.00)	-	6,000,000.00	-
ZONA VALUE FOUNDATION	n.d.	n.d.	n.d.	-	30,000.00	-

(*) Includes profit or loss for the year.

(**) The impairment on these holdings in 2022 amounted to €8.809.229

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

- BOALVET AI. S.L.

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

    Registered office: Calle de la plazuela 43. 41370 Seville (Spain)
    Unaudited

- AIREN AI FOR RENEWABLE ENERGY. S.L.

    Main activities:
    - Computer programming activities.

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

Registered office: Calle Colón. 4-5 Bº. 46004 Valencia (Spain)
Unaudited

- ZONA VALUE GLOBAL. S.L.

Main activities:

- Acquisition. holding and administration management of securities. shares
- Acquisition. possession. marketing. lease and operation of all types of rural or urban real estate

Registered office: Calle Colón. 4-5 Bº. 46004 Valencia (Spain)
Unaudited.

At the same time. this investee maintains 100% of the capital in KAU MARKET EAF. S.L.

- FLEEBE

Main activities:

- Electronic exploitation by third parties

Registered office: Calle Cronista Carreres. 10. 46250 Valencia (Spain)
Unaudited.

- CUARTA DIMENSIÓN MÉDICA. S.L.

Main activities:
Marketing and after-sales service of diagnostic imaging machinery (radiology. MRIs and computed tomography).
Registered office: Carrer Baronessa Santa Bàrbara. 28. 46740 Carcaixent. Valencia (Spain)
Audited by Ernst & Young in 2023 and 2022.

- SUBSTRATE AI USA INC.

Main activities:
Miscellaneous Businesses. Activities. or Functions
Engage in any other lawful activity in connection with. or incidental to. the foregoing.
Domicilio social: Gunsmoke Dr.Bailey. Colorado. 80421. EE. UU.
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. EE. UU.
Unaudited

- SAVE THE PLANET

Main activities:

- Businesses. activities or functions related to the application of AI to energy saving.
- Engage in any other lawful activity in connection with. or incidental to. the foregoing.

Registered office: Valencia-46002. Calle Correos. number 10. door 7.
Unaudited

- YAMRO HOLDING LTD

Main activities:

- Miscellaneous businesses. activities. or functions related to human resources.
- Engage in any other lawful activity in connection with. or incidental to. the foregoing.

Registered office: 85 Great Portland Street. First Floor – Londres (Reino Unido)
Unaudited
In turn. this investee holds 100% of the capital ifit Solutions LTd (United Kingdom). Crifit Solutions (Costa Rica). Ifit Solutions LLC (USA) and Ifit Solutions SRL of >CV (Mexico).

- SUBGEN AI LLC

Main activities:

- Business and IT development and AI activities.
- Engage in any other lawful activity in connection with. or incidental to. the foregoing.

Registered office: 100 Avebury Boulevard. Milton Keynes. United Kingdom.
Unaudited
In turn. this investee holds 70% of Binit SRL (Argentina). Deltanova SA (Uruguay). Binit Brasil Holding LTD (Brazil) and Deltanova tech SL (Spain) and 22.82% of Cibit Tecnología Ltda

- DIAGXIMAG

Main activities:
Various businesses. activities or functions. including the sale of diagnostic imaging equipment (mainly X-ray and ultrasound) and SAT of such equipment
Registered office: C/ Álava. 24 - 33210 Gijón - Asturias
Unaudited

- DIGITAL LAWYER CICERO. SL

Main activities:
Businesses and activities related to the application of artificial intelligence to law.
Registered office: Avenida Villadelprat nº 18B 08173 – Sant Cugat del Vallés (Barcelona)
Unaudited

Evidence of impairment of the recoverable value of interests in group companies

During the 2022 financial year. there was a progressive deterioration in general economic conditions as a result of persistently high inflation rates. which led to a progressive increase in interest rates. supply chain tensions and rising energy costs. circumstances in many cases resulting from the war in Ukraine. generating a scenario of uncertainty in the world economy.

In this context. the Board of Directors of Substrate Artificial Inteligence. S.A.. following a principle of extreme prudence. approved during 2022 new projections for the years 2023 and 2024 based solely on this organic growth as a result of the development of the 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 on the Company's holdings in its different subsidiaries. the Company proceeded to update the financial projections of the businesses. using the discounted cash flow method. As a result. the Company impaired its holdings by 8.809 thousand euros in the year.

During the 2023 financial year. some of the uncertainties mentioned above have been smoothed out. however. the directors. being conservative in their business plan estimates. expect to comply with their strategic plan in the future.

In general terms. the main assumptions considered by the Company for the calculation of the present value of the average expected cash flows for the period 2024 - 2028 have been the following:

	Hypothesis
Duration of screenings	5 years
Discount Rate	11-13%
Growth rate in perpetuity	1-3%

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

- Do not contemplate new corporate acquisitions.
- Sales/Market Share: SaaS businesses are cumulative businesses. one year's sales generate revenue every other year through monthly usage licenses. i.e.. they are ultimately subscription businesses. Some businesses will be developed by the Company and others through the sale of licenses. which makes it easier to obtain customers quickly. In all businesses. it is projected to achieve very low market shares.
- EBITDA: EBITDA margins are expected to be achieved in the medium term in line with the SaaS services sector.
- Discount rate: Discount rates reflect management's estimate of sector-specific risk. This is the benchmark used by management to evaluate operational development and future investment proposals.

In accordance with these estimates and considering both economic and financial development assumptions. the forecasts of future cash flows would allow the net book value of the resulting investee value to be recovered as of December 31. 2023.

<u>Categories of financial assets</u>

The breakdown of current and non-current financial assets as of December 31. 2023 and 2022. classified by category and maturities. is as follows (loans with the Treasury are not included):

(Euros) Tuition	Long-term financial instruments		Short-term financial instruments	
Categories	**Equity Instrument**	**Credits. derivatives and others**	**Credits. derivatives and others**	**Total**
31.12.2023				
Financial assets at amortised cost	0.00	29,874,031.61	3,732,350.74	33,606,382.35
Financial assets at cost	5,741,125.60			5,741,125.60
Total	**5,741,125.60**	**29,874,031.61**	**3,732,350.74**	**39,347,507.95**
31.12.2022				
Financial assets at amortised cost	0	1.786,625.94	535,378.74	2,322,004.68
Financial assets at cost	16,420,769.60	0	0	16,420,769.60
Total	**16,420,769.60**	**1,786,625.94**	**535,378.74**	**18,742,774.28**

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

	31.12.2023		31.12.2022	
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**
Equity Instruments	5,741,125.60		16,420,769.60	-
Other Equity Instruments			-	-
Loans to companies	29,097,870.62		1,642,936.22	-
Loans Delivered	166,502.99		125,031.72	-
Customers for sales and service provision		2,682,935.45	-	95,142.41
Customers. group companies and associates		1,041,735.67	-	438,494.40
Miscellaneous debtors	-	7,679.62	-	1,741.93
Other credits with the Public Administrations	-	0.00	-	0
Personnel	-	-	-	-
Surety bonds. deposits and others	609,658.00	-	18,658.00	-
Total	**35,615,157.21**	**3,732,350.74**	**18,207,395.54**	**535,378.74**

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

Financial assets at long-term amortized cost as of December 31. 2023 correspond mainly to loans made to companies in the Substrate group.

The Company has formalized loans during the 2023 financial year with other related parties for a total amount of 29.097.870.62 euros (1.642.936.22 in the 2022 financial year) with a long-term maturity mainly from the sale of its subsidiary Substrate SPAIN SL to the controlled company SUBGEN AI LLC and the transfer of the business of Summon Press and Hexenebel to the controlled company Zona Value Global. SL. The deposit that the Company has provided for the rental of its offices has been formalized for a total amount of 9.658 euros (9.658 euros as of December 31. 2022). On the other hand. the company records in bonds. deposits and others the amount of the subsidy received from RED.ES amounting to 600.000 euros relating to intangible fixed assets (see notes 5 and 10)

Cash and cash equivalents as of December 31. 2023 amounted to €2.835.745.04 (€1.471.996.75 in 2022). As of December 31. 2023. there is an amount of cash retained amounting to 93.333.75 euros related to the R+D+I project mentioned in note 14 of the report. the amount of which will be released during the first half of 2023 if all the milestones set out in the contract are met.

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**			
	2023		2022		2023		2022	
Category	Debts to credit institutions and financial institutions	Derivatives & Others	Debts to credit institutions and financial institutions	Derivatives & Others	Debts to credit institutions and financial institutions	Derivatives & Others	Debts to credit institutions and financial institutions	Derivatives & Others
Financial liabilities at amortised cost	467,920.10	5,126,349.06	557,179.76	2,526,990.11	93,524.80	11,385,801.12	87,072.50	1,839,231.54
Other liabilities	0	150,000	0	0	0	0	0	0
Total	**467,920.10**	**5,276,349.06**	**557,179.76**	**2,526,990.11**	**93,524.80**	**11,385,801.12**	**87,072.50**	**1,839,231.54**

In the 2022 financial year. the Company formalised a loan with a financial institution for an amount of €700.000.00. maturing in 2029 and at an interest rate of Euribor 12 months + 3.25%. Such a loan is not subject to compliance with financial ratios. The maturity per year is as follows:

(Euros)	2024	2025	2026	2027	2028 and following	Total
Debts with financial institutions	90,453.43	96,293.73	102,851.06	102,851.06	165,924.25	558,373.53
Other debts with financial institutions	3,071.37					3,071.37

As of December 31. 2022. the maturity date was:

(Euros)	2023	2024	2025	2026	2027 and following	Total
Debts with financial institutions	84,702.71	90,154.46	96,293.73	102,851.06	267,880.51	641,882.47
Other debts with financial institutions	2,369.79					2,369.79

The class Derivatives and Others presents the following detail:

		31.12.2023		31.12.2022
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**
Deposits received for capital increases	2,000,000.00	0	0	0
Credits received	2,707,057.20	6,360,760.12	1,153,665.70	1,189,856.86
Grants received (note 5)	150,000.00	0	447,720.00	0
Debts to group companies and associates	419,291.86	9,300.00	925,604.41	0
Finance Leases	0	0	0	0
Suppliers for purchases and provision of services	0	1,317,046.37	0	275,045.40
Suppliers. group companies and associates	0	3,052,417.59	0	316,434.74
Other miscellaneous creditors	0	640,021.04	0	57,894.54
Personnel	0	6,256.00	0	0
Customer Advances	0	0	0	(6,529.86)
	5,276,349.06	**11,385,801.12**	**2,526,990.11**	**1,832,701.68**

The receivables received reflected in current liabilities at the end of 2023 correspond mainly to debts arising from the acquisition of shareholdings during 2023 that will be settled through capital increases amounting to 6.000.000 thousand (see note 7 and 15). On the other hand. the receivables received. which are reflected in non-current liabilities. correspond mainly to the liability component linked to the B shares issued during 2023. amounting to €2.359.483.23 (see note 10).

Likewise. in relation to the loans received in 2022. the Company formalized a loan with a crowdfunding platform. maturing in 2026 and at an interest rate of 6.60%. Such a loan is not subject to compliance with financial ratios. This loan is recorded under the heading "other financial liabilities" in the balance sheet.

(Euros)	2024	2025	2026	2027	2028 and onwards	Total
Other Debts	50,367.56	53,745.89	52,428.08	-		156,541.53

Finally. also in relation to the loans received. in 2022 the company signed a three-year contract for bonds compulsorily convertible into shares within a period of one year. for 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 agreement is key to ensuring the achievement of the objectives set out in the company's business plan. whose numbers for 2023 and 2024 were published as a relevant fact in June 2022 and updated for 2023 through a communication dated December 27. 2023.

The bonds are associated with a certain number of equity warrants that are determined according to the price of the Company's shares and that may or may not be exercised by the fund over a period of 3 years. The bonds issued are recorded as debt instruments at amortized cost by the difference between the amount received for the issuance of the different tranches and the fair value of the warrants issued together with the convertible debentures. The amount of the warrants is recorded in an equity account. Within one year. the fund can convert this debt at any time and if the bonds have not been converted within that period. they become compulsorily convertible. At the time of conversion. the liabilities generated will be reclassified as equity as share capital and share premium. During the 2023 financial year. nine tranches of bonds were issued for an amount of €500.000 each. totalling €4.500.000 (during the 2022 financial year. three tranches of bonds were issued for an amount of €500.000. €300.000 and €500.000 totalling €1.300.000). At the end of the 2023 financial year. ABO has converted the tranches issued up to December 12. increasing the share capital and the share premium (see note 10). leaving no outstanding debt on the balance sheet liability as of December 31. 2023.

Likewise. during the 2023 financial year. 2.715.894 warrants associated with these convertible bonds were issued with exercise prices ranging from €0.26 to €0.39 per share (612.433 warrants in 2022 with exercise prices between €0.21 and €1.89). totalling 3.328.327 warrants at the end of the year.

The deposits received in non-current liabilities correspond mainly to a deposit of 2.000.000 received in 2023 from the company IMPULSE TECHNO-LOGY TRANSFER MANAGEMENT TEAM. S.L. for a capital increase of that amount (see note 15).

Financial expenses from financial liabilities in the 12-month period ended December 31. 2023 amounted to €735.130.22 (€139.301.27 as of December 31. 2022).

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 any counterparty failed to comply with its contractual payment obligations to the Company. This risk is reduced. due to the collection method 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. which could result in the investments being deprived of liquidity. Management regularly monitors the Company's liquidity forecasts based on expected cash flows. The Company is looking for 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 Company's debts and borrowing interest rates are low. interest rate risk is minimal.
    - Exchange rate risk: the Company does not have significant financial assets or liabilities in currencies other than the euro at closing. so it is not exposed to risk from exchange rate fluctuations.
    - Price risk of shares or stock market indices: Investing in equity instruments means that the Company's profitability 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 5 July

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

	31.12.2023	31.12.2022
	Days	**Days**
Average Payment Period to Suppliers	54	36
Ratio of Paid Trades	97%	77%
Ratio of outstanding transactions	3%	23%
	Amount (euros)	**Amount (euros)**
Total payments made	3,377,979.13	1,962,888.90
Total Outstanding Payments	89,825.29	581,466.60

Likewise. the amount of payments made during the 2023 financial year in a period below the maximum established is 3.095.474.38 euros (91% of the total). corresponding to 86% of the total invoices amounting to 1.094 invoices. In 2022. the amount of payments made in a period below the established maximum is 1.583.702.75 euros (81% of the total). corresponding to 95% of the total invoices. which amount 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 75.204.40 euros as of December 31. 2023. During the 2022 financial year. the amount of the Company's leases amounted to 95.301.12 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 2023	46,944	234,720	-
Minimum Future Payments 2022	57,948	289,740	-

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

NOTE 10. – EQUITY AND GRANTS

The Company's share capital as of December 31. 2023 was €7.335.246.75. divided into 71.966.074 class A shares with a par value of €0.1 each. fully subscribed and paid up. and 138.638.460 non-voting class B shares with a par value of €0.001. As of December 31. 2022. the Company's share capital amounted to €2.451.022.80 (24.510.228 shares with a par value of €0.1 each). All shares are listed on the BME Growth and the London Aquis Market.

On January 30. 2023. the Company's Extraordinary General Meeting approved the amendment to the bylaws in order to incorporate the legal regime of non-voting shares (B shares). Holders of non-voting shares will enjoy the rights recognised by Royal Legislative Decree 1/2010. which approves the Revised Text of the Capital Companies Act. and will be entitled to receive a minimum annual dividend of 0.01 euros for each non-voting share.

At the same Extraordinary Meeting. the issuance of 96.316.100 new non-voting shares of series B with a par value of €0.001 each and an issue premium of €0.009 was approved. which would amount to a total par value of €96.316.1 and a premium of €866.844.90. Increase of share capital through the modality of compensation of credits.

On the other hand. at the Extraordinary General Meeting held on September 19. 2023. the non-monetary issue of 27.000.365 new shares with voting rights of series A. of equal par value and content of rights. with a par value of €0.10 each and an issue premium of €0.10. was approved by means of credit offsetting. amounting to an overall nominal value of EUR 2.700.036.50 and an overall issue premium of EUR 2.700.036.50. and 42.322.360 new non-voting Series B shares of equal par value and rights content each with a par value of EUR 0.001 and an issue premium of EUR 0.149. which would amount to an overall nominal value of €42.322.36 and a global issue premium of €6.306.031.64.

In relation to the non-voting preferred shares approved at the two aforementioned Shareholders' Meetings. the company has distributed the initial book value of the issued shares. assigning a value of €2.359.483.23 to the liability component and the difference to the equity component. always recording the capital by its nominal amount of the issued shares.

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

In relation to the contract with ABO described in note 8.1 of the attached report. at the end of the 2023 financial year. ABO has converted tranches 1 to 12 in their entirety. increasing the share capital and the share premium in 2023 by €2.045.548.1 and €3.098.598.35. respectively.

Taking into account the capital increases described above. the capital as of December 31. 2023 amounts to €7.335.246.75 (€2.451.022.80 in 2022) and the share premium amounts to €45.159.547.17 (€34.548.123.83 as of December 31. 2022).

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

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

As of December 31. 2023. the Company's legal reserve is not fully constituted in accordance with the preceding paragraph.

At the end of the 2023 financial year. the shareholders with a stake of more than 10% in the Company's share capital are as follows:

	Shares A	
	Euros	% participation
Yaro Investment Holding LTD	1,301,146.62	18.08%
JMSAN Agente Financieros Globales. S.L.	974,420.64	13.54%
United General. LTD	649,853.65	9.03%

	Shares B	
	Euros	% participation
D. Juan José esteve Pous	37,487.84	27.04%

At the end of the 2022 financial year. the shareholders with a stake of more than 10% in the Company's share capital are as follows:

	Euros	% participation
JMSAN AGENTES FINANCIEROS GLOBALES. S.L.	575,000	23.45%

Own shares

The breakdown of the Group's own shares as of December 31. 2023 and December 31. 2022 is as follows:

	31.12.2023			31.12.2022		
	Euros			Euros		
	Nº of shares	Acquisition price	Market Value	Nº of shares	Acquisition price	Market Value
Ordinary	117,374	1,629,804.68	26,643.90	633,546	1,122,288.60	181,194.15
No Vote	704,922	207,611.34	173,410.81	-	-	-
Total	822,296	1,837,416.02	200,054.71	633,546	1,122,288.60	181,194.15

This number of treasury shares represents 1.14% of the share capital. Thus complying with the 10% limit established in the revised text of the Capital Companies Act.

As of December 31. 2022. the Parent Company held 259.602 shares for an amount of €1.116.288.60. representing 1.06% of the share capital. thus complying with the 10% limit established in the revised text of the Capital Companies Act. The trading value of the shares of the Parent Company at the end of the 2022 financial year was €0.2860.

<u>Grants. Donations & Bequests</u>

During the 2022 financial year. the Company received a subsidy of €600.000 per RED.ES. with €223.290 in equity allocated in 2023 (€114.210 in 2022). totalling 75% of the same net of taxes. As milestones are met in the following years. the Company will receive 100% of the grant (See note 11). This grant is financing a development project. which will be charged to the profit and loss account annually based on the depreciation criterion of the associated asset when the project ends in 2024.

NOTE 11. – TAX SITUATION

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

SUBSTRATE AI. S.A.

	31.12.2023		31.12.2022	
(Euros)	**Non-current**	**Stream**	**Non-current**	**Stream**
Deferred tax assets	1,783,280.03	-	759,158.71	-
Current tax assets	-	-	-	-
Other credits with the Public Administrations	-	-	-	658.297,97
Total	**1,783,280.03**	**-**	**759,158.71**	**658,297,97**
Deferred tax liabilities	1,175,231.02	-	38,070.00	-
Current tax liabilities	-	-	-	-
Other debts owed to the Public Administrations	-	1,328,480.00	-	219,117.94
Total	**1,175,231.02**	**1,328,480.00**	**38,070.00**	**219,117.94**

SUBSTRATE AI. S.A.

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

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

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAXABLE BASE OF INCOME TAX

	31.12.2023		
	Profit and Loss Accounts		
	Increases	**Decrease**	**Net effect**
Income and expense balances for the year before tax			(6,806,576.38)
Permanent Differences			
Temporary Differences			
Originating in the exercise	4,265,379.08	(4,419,817.88)	(154,438.80)
Offsetting of tax losses from previous years			
Taxable base (tax result)			**(6,961,015.18)**

RECONCILIATION OF THE NET AMOUNT OF INCOME AND EXPENSES FOR THE YEAR WITH THE TAXABLE BASE OF INCOME TAX			
	31.12.2022		
	Profit and Loss Accounts		
	Increases	Decrease	Net effect
Income and expense balances for the year before tax			(13,567,994.01)
Permanent Differences	9,132,389.80	-	9,132,389.80
Temporary Differences			
Originating in the exercise	2,552,672.21	-	2,552,672.21
Offsetting of tax losses from previous years	-	-	-
Taxable base (tax result)			(1,882,932.00)

In 2023. there was a net reduction in temporary differences of €154.438.80. which are fundamentally related. on the one hand. to the increase in the difference between the tax result. the accounting result on the benefit of the sale of an intangible to Trinity 2022. and the reduction in the tax base due to cash criteria related to the sale of previous intangibles. and the exit of two goodwill sold to Fleebe and Zona Value Global (see note 5).

The tax losses generated by the Company in 2023 and 2022. as a matter of prudence. have not been capitalised. as the conditions for this are not considered to be met.

According to the current legal provisions. tax assessments cannot be considered final until they have been inspected by the tax authorities or the limitation period. currently set at four years. has expired. The Company has opened the last four fiscal years for inspection for all taxes that are applicable to it. In the opinion of the Company's Directors and their tax advisors. there are no tax contingencies of significant amounts that could arise. in the event of an inspection. from possible different interpretations of the tax regulations applicable to the transactions carried out by the 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)	31.12.2023	31.12.2022
Taxable base	(6,961,015.18)	(1,882,932.00)
Tax Rate	25%	25%
Quota	-	-
Offsetting of tax losses	-	-
Activity Deductions or Incentives	-	-
Withholdings and payments on account	-	-
Total	**-**	**-**

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

(Euros)	31.12.2022	Variations	31.12.2023
Deferred tax assets			
Deductible Temporary Difference Assets	638,168.05	1,024,121.32	1,662,289.37
Right of deduction	175		175,00
Receivables for losses to be offset	120,815.66		120,815,66
Total	**759,158.71**	**1,024,121.32**	**1,783,280.03**
Deferred tax liabilities			
Temporary differences (subsidies)	38,070.00	74,430.00	112,500.00
Temporary differences (depreciation. Intang.)		1,062,731.02	1,062,731.02
Total	**38,070.00**	**1,137,161.02**	**1,175,231.02**

(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
Receivables for losses to be offset	120,815.66	-	120,815.66
Total	**120,990.66**	**638,168.05**	**759,158.71**
Deferred tax liabilities			
Temporary differences (subsidies)	-	38,070.00	38,070.00
Total	**-**	**38,070.00**	**38,070.00**

All changes have been reflected in the income statement. except for the liability for temporary differences for subsidies. which have been reflected in equity.

NOTE 12. FOREIGN CURRENCY

At the end of the 2023 financial year. the Company had expenses in foreign currency of 52.791.71 dollars. equivalent to 48.822.45 euros. As of December 31. 2022. the amount is $20.332.26. equivalent to €20.150.95. As of December 31. 2023. credit balances in foreign currency are in the amount of $72.791.67. equivalent to €52.791.71. and £107.780.95. equivalent to €125.823.12. As of December 31. 2022. credit balances in foreign currency are in the amount of $15.000.00. equivalent to €14.851.48. As of December 31. 2023. the Company's total foreign currency sales amounted to $23.076.64. equivalent to €22.848.16. As of December 31. 2022. the Company's total foreign currency sales amounted to $4.140.10. equivalent to €3.418.58.

Negative exchange differences have been recognised in the profit for the 2023 financial year. amounting to €585.21 (in 2022 the differences were positive amounting to €460.81).

NOTE 13. – TRANSACTIONS WITH RELATED PARTIES

Related Party	BALANCES					
	Customers and receivables		Financial Investments		Credits made	
	2023	2022	2023	2022	2023	2022
KAU MARKETS EAF.S.L. (Related Party)	-	-	-	-	118.417.47	-
SUBSTRATE AL SPAIN. S.L. (Related Party)	242,000.00	242,000.00	-	-	321,057.36	645,155.21
AIREN AI FOR RENEWVABLE ENERGY. S.L. (Related Party)	1,607.00	1,607.10	-	-	339,855.53	323,731.31
SUBSTRATE AI USA INC (Linked Party)	11,083.30	11,083.30	-	-	575,921.69	457,385.18
BOALVET AI. SL (Related Party)	133.100.00	24,200.00	-	-	124,862.92	215,846.64
CUARTA DIMENSIÓN MÉDICA S.L.	226,815.37	48,400.00	-	-	-	-
ZONA VALUE GLOBAL, S,L,	84.700,00	84,700,00	-	-	503,295.44	-
SAIVERS	-	-	-	-	22,133.43	-
HEXENEBEL VALUE ZONE	-	-	-	-	579,296.42	-
SAVE THE PLANET	-	-	-	-	1,027.21	-
VALUE SUMMON PRESS ZONE	-	-	-	-	2,387,541.81	-
BAOLVET BUYS PS VET	-	-	-	-	750,000.00	-
DIAGXIMAG EH	-	-	-	-	2,000,000.00	-
DELTANOVA TECH.S.L.	133,100.00	-	-	-	-	-
PS VET DAIRYQUALITY.S.L.	148,830.00	-	-	-	-	-
SUBGEN Ai LLC	-	-	-	-	20,990,771.00	-
OTHER RELATED PARTIES (FLEEBE)	60,500.00	26,504.00	-	-	383,690.34	817.88
	1,041,735.67	**438,494.40**	**-**	**-**	**29,097,870.62**	**1,642,936.22**

Related Party	BALANCES			
	Suppliers and Creditors		Credits received	
	2023	2022	2023	2022
KAU MARKETS EAF.S.L. (Related Party)	-	16.117.35	-	120,527.78
SUBSTRATE AL SPAIN. S.L. (Related Party)	30.749.78	30,749.78	-	382.190.50
AI SAIVERS LLC (Related Party)	-	151.630.00	-	19,720.88
BOALVET AI. S.L.	141,004.58	122,341.89	-	-
CUARTA DIMENSIÓN MÉDICA S.L.	919,600.00	-	419,291.86	403,165.25
Fleebe	41,395.29	-	3,000.00	-
Saivers	180,920.66	-	-	-
Global Value Zone	192,543.20	-	-	-
PS Vet Dairyquality SL	369,050.00	-	-	-
Diagximag SL	266,653.28	-	3,300.00	-
Save the Planet	-	-	3,000.00	-
Deltanova Tech SL	910,500.80	-	-	-
TOTAL	**3,052,417.59**	**320,839.02**	**428,591.86**	**925,604.41**

Related Party	Services Received		Services Provided		Sales. fixed assets and financial holdings		Purchases Fixed assets and financial holdings	
	2023	2022	2023	2022	2023	2022	2023	2022
CUARTA DIMENSIÓN MÉDICA. S.L.	860,000.00	-	251,981.13	40,000.00	-	-	-	-
SUBSTRATE AL SPAIN. S.L.	-	25,413.08	-	200,000.00	-	-	5,400.00	-
ZONA VALUE GLOBAL. S.L.	159,126.61	-	-	70,000.00	520,000.00	-	-	-
AI SAIVERS LLC	28.807.70	151,630.00	-	-	-	-	-	-
FLEEBE	210.477.23	-	100,000.00	-	2,677,212.14	-	-	-
BOALVET AI. SL (Related Party)	116,532.71	101,109.00	320,000.00	20,000.00	-	-	-	-
DIAGXIMAG SL	220,374.61	-	-	-	-	-	-	-
PS VET	305,000.00	-	123,000.00	-	-	-	-	-
Subgen AI LLC	-	-	-	-	20,990.771.00		-	
DELTANOVA TECH SL	752,480.00	-	110,000.00	-	-	-	-	-
TOTAL	**2,652,798.86**	**278,152.08**	**904,981.13**	**330,000.00**	**24,187,983.14**	**-**	**5,400.00**	**-**

Administrators and senior management

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

(Euros)	**31.12.23**	**31.12.22**
Administrators		
Salaries	555,079.96	521,884.38
Diets	-	-
Option Plans	-	180,000.00
Senior Management		
Salaries	273,010.21	209,409.72
Option Plans	255,000.00	80,000.00
Contributions to pension plans		-
Total	**1,083,090.17**	**991,294.10**

As of December 31. 2023 and 2022. the Company had no pension and life insurance obligations owed to former or current members of the Board of Directors.

As of December 31. 2023. the Company has registered two incentive plans for employees and investors approved by the meeting of March 14. 2022 and by the meeting of January 30. 2023 which. in any case. do not individually exceed 4% of the company's capital when they consist of the delivery or acquisition of ordinary shares with voting rights of the company. limit imposed by the aforementioned shareholders' meetings. The amount accrued and outstanding as of December 31. 2023 amounts to €260.000 corresponding to the 2022 plan and €1.000.000 corresponding to the 2023 plan. the former having been made effective through the capital increase approved at the Extraordinary General Meeting of January 19. 2024 and the latter will be effective during 2024 with the formula for the delivery of treasury shares at the year-end price.

As of 31 December 2023 and 2022. there were no advances or credits granted to senior management staff or members of the Board of Directors. nor were there any obligations assumed on their behalf by way of guarantee.

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

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

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

Note 14. Income and Expenses

Business Segments

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

Net turnover

The breakdown of this item in the profit and loss account for the twelve-month period ended December 31. 2023 is as follows:

(Euros)	31.12.2023	31.12.2022
Domestic Businesses	2,556,476.60	1,145,285,33
Intra-community businesses	0.00	462,068.83
Export Business	234,108.05	34,676.90
Total	**2,790,584.65**	**1,642,031.06**

The Company has signed service contracts with two economic interest groupings. MOGOR INVESTIGACIONES AIE and TRINITY 2022 AIE respectively. related to the development of two R+D+I projects. for which it has recorded €1.460.377 as a net amount of turnover in the profit and loss account related to the margin obtained in said contract.

Personnel costs

The breakdown of this item in the profit and loss account for the twelve-month period ended December 31. 2023 is as follows:

(Euros)	31.12.2023	31.12.2022
Wages. salaries and the like	(1.758.228.64)	(1.605.988.84)
Social security to be paid by the company and other social expenses	(184.941.70)	(230.645.53)
Total	**(1.943.170.34)**	**(1.836.634.37)**

External services

The breakdown of this item in the profit and loss account for the twelve-month period ended December 31. 2023 is as follows:

(Euros)	31.12.2023	31.12.2022
Leases and royalties	(75,204.40)	(95,138,14)
Repairs & Maintenance	(2,149.86)	(12,235.72)
Independent Professional Services	(4,159,097.47)	(1,636,352.77)
Transport	(610,66)	(897.47)
Insurance premiums	(2,964.55)	(1,805.41)
Bank fees	(2,948.72)	(14,233.03)
Advertising, Advertising & Public Relations	(52,924.56)	(253,963.37)
Supplies	(1,823.51)	(11,705.96)
Other operating expenses	(7,442,921.41)	(530,051.27)
Total	**(11,740,645.14)**	**(2,556,383.14)**

The increase in the item of independent professional services in fiscal year 2023 compared to the financial year 2022 corresponds mainly to the services received from third parties for the realization of R+D projects mentioned above. On the other hand. the increase in Other operating expenses is mainly due to the costs arising from the acquisition of new shares in group companies and associates carried out during the 2023 financial year (see note 7)

NOTE 15. – Subsequent Events

Since the end of the financial year. no relevant facts. circumstances and/or information have occurred that would require the Annual Accounts for the year ended December 31. 2023 to be amended and/or additional explanations to be included. except for those described below:

- Up to the date of formulation. 2 additional tranches of the contract signed with ABO (see note 8) have been executed for a value of €500.000 each in January and March 2024 and. likewise. 787.036 equity warrants associated with the convertible bonds have been issued.

- On January 16. 2024. the resolution of the Board dated December 23. 2023 was made public. in execution of the authorization granted by the Extraordinary General Meeting of January 30. 2023. in which it was agreed to increase the share capital by 4.000.000 class A shares with a par value of 0.1 euros with an issue premium of 0.4 euros. fully subscribed and paid out in cash by IMPULSE TECH TRANSFER CLM FCR.

- The company held an extraordinary meeting on January 19. 2024 and approved the following items:

  - Increase of the share capital through the modality of compensation of credits in a nominal amount of 2.464.566.50 euros. through the issuance and circulation of 24.645.665.- new class A shares. with a nominal value of 0.10 euros each. and an issue premium of 0.154 euros per share. with the type of issuance of these shares being 0.254 euros per share (0.10 euros nominal plus 0.154 euros premium) of issuance).

  - Authorisation to the Board of Directors so that. in accordance with the provisions of article 297.1.b). 506 and related articles of the Capital Companies Act. it may carry out capital increases. for a period of five years. up to a maximum amount of 20% of the share capital at the time of authorisation. in one or more times. through the issuance of new shares. with or without a vote. with the provision of incomplete subscription established in article 507 of the Capital Companies Act. To expressly authorise the Board of Directors. under the terms established in Article 506 of the Capital Companies Act. to have the power to exclude the pre-emptive subscription right if the interest of the company so requires; as well as any other acts necessary for its complete execution.

  - Approval of the delegation to the Board of Directors of the power to issue debentures and warrants convertible into shares of the Company. excluding the pre-emptive subscription right. as well as to increase the share capital by the amount necessary to cover the conversion or exchange of these; as well as any other acts necessary for its complete execution

  - Express authorisation and as broad as the law corresponds to the Board of Directors so that. in accordance with the Law and the Articles of Association in force. it is empowered to allocate the company's treasury stock in sufficient amount and number at any given time.

  - Appointment of the entity IMPULSE TECH TRANSFER MT as a new member of the Board of Directors. as well as the natural person appointed by it. MR. JESÚS HIDALGO QUESADA.

- On February 7. 2024. Substrate AI has reached an investment agreement with INDICO INVESTMENTS AND MANAGEMENT. S.L. This agreement will materialize through various capital increases for a maximum amount of two million euros (€2.000.000). The investment commitment will end on February 7. 2027. The capital increases will be carried out in tranches of €500.000 at the request of the Company. at the fixed price of the share price at any given time. with a discount of 10%.

- By deed dated February 15. 2024. the resolution to increase the Company's share capital in a nominal amount of TWO HUNDRED AND FIFTY THOUSAND SIX HUNDRED AND NINE EUROS (€250.609.00). through the conversion of tranche 13 of convertible debentures. with the issuance and circulation of TWO MILLION FIVE HUNDRED SIX THOUSAND NINETY (2.506.090) new Class A shares with a par value of 0.10 Euros each. and a total issue premium amounting to TWO HUNDRED AND FORTY-NINE THOUSAND THREE HUNDRED AND NINETY EUROS AND SIX CENTS (249.390.06 Euros).

- On February 20. 2024. the company acquired 136.394 Series A treasury shares for €28.642.74 (€0.21 per share). On the same date. it acquired 2.476.000 shares of Series A for €517.484.00 (€0.21 per share).
- On March 8. 2024. the company formalized the acquisition of an additional 21% of the companies BINIT. S.R.L. and DELTANOVA. S.A.. for a total amount of 2.000.000 euros to be paid through shares of the company Subgen AI LLC.

NOTE 16. – Other information

Average number of employees

The average number of workers by category and gender in 2023 and 2022 was as follows:

	MID-SIZE WORKFORCE AS OF 2023		
	MEN	**WOMEN**	**TOTAL**
Analyst	1	1	2
Administrative Assistant	-	-	-
Commercial	-	-	-
Board of Directors	-	-	-
Graphic Designer	1	-	1
Management	1	-	1
Project Manager	1	-	1
Senior Boss	1	1	2
Cleaning	-	1	1
First Officer	1	-	1
Second Class Officer	-	1	1
Veterinary Staff – Administrative Assistant	-	-	-
Veterinary Staff – Generalist	-	-	-
Veterinary Staff – Director	-	-	-
Official Professional 1st	-	-	-
Programmer	2	1	3
Deputy director	-	-	-
Telephonist	-	-	-
Bachelor's degree	1	2	3
Traveler	-	-	-
TOTAL	**9**	**7**	**16**

	AVERAGE SQUAD 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 Engineer	1	-	1
Administration Officer	1	6	7
First Officer	1	-	1
Second Class Officer	-	1	1
Programmers	1	1	2
Project manager	-	1	1
Telephonist	-	2	2
Bachelor's degree	1	-	1
TOTAL	**12**	**19**	**31**

Template at the end of the period

The number of workers by category and gender in 2023 and 2022 was as follows:

	TEMPLATE CLOSE 31.12.2023		
	MEN	**WOMEN**	**TOTAL**
Analyst	1	1	2
Administrative Assistant	-	-	-
Commercial	-	-	-
Board of Directors	-	-	-
Graphic Designer	1	-	1
Management	2	-	2
Project Manager	1	-	1
Senior Boss	1	1	2
Cleaning	-	1	1
First Officer	-	1	1
Second Class Officer	-	-	-
Veterinary Staff – Administrative Assistant	-	-	-
Veterinary Staff – Generalist	-	-	-
Veterinary Staff – Director	-	-	-
Official Professional 1st	-	-	-
Programmer	2	1	3
Deputy director	-	-	-
Telephonist	-	-	-
Bachelor's degree	1	3	4
Traveler	-	-	-
TOTAL	**9**	**8**	**17**

	TEMPLATE CLOSE 31.12.2023		
	MEN	**WOMEN**	**TOTAL**

Analyst	1	1	2
Administrative Assistant	-	-	-
Commercial	-	-	-
Board of Directors	-	-	-
Graphic Designer	1	-	1
Management	2	-	2
Project Manager	1	-	1
Senior Boss	1	1	2
Cleaning	-	1	1
First Officer	-	1	1
Second Class Officer	-	-	-
Veterinary Staff – Administrative Assistant	-	-	-
Veterinary Staff – Generalist	-	-	-
Veterinary Staff – Director	-	-	-
Official Professional 1st	-	-	-
Programmer	2	1	3
Deputy director	-	-	-
Telephonist	-	-	-
Bachelor's degree	1	3	4
Traveler	-	-	-
TOTAL	**9**	**8**	**17**

	TEMPLATE END 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 Engineer	1	-	1
Administration Officer	1	7	8
First Officer	-	-	-
Second Class Officer	-	1	1
Programmers	1	1	2
Project manager	1	-	1
Telephonist	-	-	-
Bachelor's degree	1	-	1
TOTAL	**8**	**19**	**27**

As of December 31. 2023. the Company does not have a disability in its workforce (a person with a disability greater than 33% as of December 31. 2022).

The auditors' fees for the financial years 2023 and 2022 are as follows:

(Euros)	2023	2022
For corporate audit services (individual and consolidated)	47,830.00	52,800.00
By audit services of subsidiaries	9,400.00	9,000.00
Review of Consolidated Interim Financial Statements	20,360.00	19,500.00
For other services (*)	39,500.00	9,500.00

** Special reports for capital increase*

Other auditors have provided audit services in the amount of €13.100 and other non-audit work in the amount of €26.750

NOTE 17. – Environmental information

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

NOTE 18. – Additional explanation regarding the translation of the financial statements into English

This document is a translation of the financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

On March 27. 2024. the Board of Directors of Substrate Artificial Inteligence. S.A.. prepared and signed the Annual Accounts for the financial year 2023. These Annual Accounts correspond to the financial year ended December 31. 2023. being issued on 51 pages (including this one). which precede this document. with the Secretary of the Board of Directors endorsing all pages and signing on 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 (pages 6 and 7)
5. 2023 Annual Report (pages 8 to 50)
6. Diligence of preparation of Annual Accounts (page 51)

Mr. Lorenzo Serratosa Gallardo	Mr. José Iván García Braulio
Don Christopher Nicolas Dembik	Don Tawhid Chtioui

Mr. Jesús Hidalgo Quesada as an individual appointed by the Director IMPULSE TECHNOLOGY TRANSFER MANAGEMENT TEAM SL

Attending. in his capacity as Legal Advisor. Mr. Manuel Vera Revilla

MANAGEMENT REPORT 31.12.2023

1. EVOLUTION OF SOCIETY

At the end of the 2023 financial year. the Company grew by 162% in revenues. reaching total revenues of 8.258 thousand euros. in line with the company's growth plans. This growth was mainly driven by the artificial intelligence consulting we provide to third parties. In addition. the Company continues with its plan to develop various AI solutions during 2023. which we will discuss and expand on later.

It should be noted that during this year 2023. the following businesses have been acquired.

- Ifit solutions. The Ifit group is dedicated to the recruitment of qualified personnel for large corporations such as NTT Data. Pepsi or Roche and has a presence in the US. UK and several Latin American countries. Ifit solutions has been integrated into the Fleebe IA group. our company dedicated to the application of Artificial Intelligence in the world of human resources.

- Binit Group. The Binit group is dedicated to digital transformation consulting and has a presence in Spain. Latam and the UK. with a development hub in Buenos Aires with more than 100 developers. This group has been integrated into our Generative Artificial Intelligence technology subsidiary Subgen AI and has completed the missing pieces together with the team led by Bren Worth and Mei Si.

- In addition. through the subsidiary Boalvet. Psvet has been acquired. This company sells veterinary services through its own software and provides service to more than 100 dairy farms in the north of Spain and Portugal and has been integrated into Boalvet. our company focused on developing software for early detection of diseases in dairy farms with Artificial Intelligence.

- On the other hand. through the controlled company Diagximag. the EH (Hospital Equipment) business has been acquired. The hospital equipment business focuses on the sale of radiology equipment for hospitals and clinics and is a master dealer for Samsung in Spain. This business has been integrated into the Diagximag company and has become part of the group of companies dedicated to the sale of artificial intelligence hardware and software in the health sector.

With all these acquisitions and their integration. a group has been formed consisting of six subsidiaries that work in 6 different verticals: Deep tech. Fintech. Energy. Agritech. Health and Human Resources.

With all this investment effort. the image of the Company's accounts as of December 31. 2023 and 2022 is as follows:

In Euros	2023	2022
Total revenues	8,258,150.08	3,147,409.37
Operating result	-6,118,736.15	-4,251,433.24
Financial result	-687,840.23	-9,316,560.77
Result before taxes	-6,806,576.38	-13,567,994.01
Net income	-6,845,186.08	-12,929,825.96

The total revenue figure includes "other income" amounting to €5.367 thousand in 2023 and €1.495 thousand in 2022.

After the effort described. the Company plans to continue complying with its strategic plan. which allows us to have access to the financing to develop the planned investments and comply with the plan in the medium term. making Substrate AI a benchmark in the world of artificial intelligence. A new world that is expected to grow at around 30% per year by 2030 and that promises to become. as we believe. a revolution as intense as that of software development in the 80s and 90s.

2. IMPORTANT EVENTS FOR THE COMPANY THAT OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Since the end of the financial year. the following events have been revealed. without any modification of the Annual Accounts for the year ended December 31. 2023 or including additional breakdowns or explanations:

- To the date of formulation. 2 additional tranches of the contract signed with ABO have been executed for a value of €500.000 each in January and March 2024 and. likewise. 787.036 equity warrants associated with the convertible bonds have been issued. In relation to these tranches. on February 15. 2024. the resolution to increase the Company's share capital in a nominal amount of TWO HUNDRED AND FIFTY THOUSAND SIX HUNDRED AND NINE EUROS (€250.609.00) was made public. through the conversion of tranche 13 of convertible debentures. with the issuance and circulation of TWO MILLION FIVE HUNDRED SIX THOUSAND NINETY (2.506.090) new Class A shares with a par value of 0.10 Euros each of them. and a total issue premium amounting to TWO HUNDRED AND FORTY-NINE THOUSAND THREE HUNDRED AND NINETY EUROS AND SIX CENTS (249.390.06 Euros).

- On January 16. 2024. the resolution of the Board of Directors dated December 23. 2023. in execution of the authorization granted by the Extraordinary General Meeting of January 30. 2023. was made public. in which it was agreed to increase the share capital by 4.000.000 class A shares with a par value of 0.1 euros with an issue premium of 0.4 euros. fully subscribed and paid out in cash by IMPULSE TECH TRANSFER CLM FCR.

- The company held an extraordinary meeting on January 19. 2024 and approved the following items:

  - Increase of the share capital through the modality of compensation of credits in a nominal amount of 2.464.566.50 euros. through the issuance and circulation of 24.645.665.- new class A shares. with a nominal value of 0.10 euros each. and an issue premium of 0.154 euros per share. with the type of issuance of these shares being 0.254 euros per share (0.10 euros nominal plus 0.154 euros premium) of issuance).
  - Authorisation to the Board of Directors so that. in accordance with the provisions of article 297.1.b). 506 and related articles of the Capital Companies Act. it may carry out capital increases. for a period of five years. up to a maximum amount of 20% of the share capital at the time of authorisation. in one or more times. through the issuance of new shares. with or without a vote. with the provision of incomplete subscription established in article 507 of the Capital Companies Act. To expressly authorise the Board of Directors. under the terms established in Article 506 of the Capital Companies Act. to have the power to exclude the pre-emptive subscription right if the interest of the company so requires; as well as any other acts necessary for its complete execution.
  - Approval of the delegation to the Board of Directors of the power to issue debentures and warrants convertible into shares of the Company. excluding the pre-emptive subscription right. as well as to increase the share capital by the amount necessary to cover the conversion or exchange of these; as well as any other acts necessary for its complete execution.
  - Express authorisation and as broad as the law corresponds to the Board of Directors so that. in accordance with the Law and the Articles of Association in force. it is empowered to allocate the company's treasury stock in sufficient amount and number at any given time.
  - Appointment of the entity IMPULSE TECH TRANSFER MT as a new member of the Board of Directors. as well as the natural person appointed by it. MR. JESÚS HIDALGO QUESADA.

- On February 7. 2024. Substrate AI has reached an investment agreement with INDICO INVESTMENTS AND MANAGEMENT. S.L. This agreement will materialize through various capital increases for a maximum amount of two million euros (€2.000.000). The investment commitment will end on February 7. 2027. The capital increases will be carried out in tranches of €500.000 at the request of the Company. at the fixed price of the share price at any given time. with a discount of 10%.
- On February 20. 2024. the company acquired 136.394 Series A treasury shares for €28.642.74 (€0.21 per share). On the same date. it acquired 2.476.000 shares of Series A for €517.484.00 (€0.21 per share).
- On March 8. 2024. the company formalized the acquisition of an additional 21% of the companies BINIT. S.R.L. and DELTANOVA. S.A.. for a total amount of 2.000.000 euros to be paid through shares of the company Subgen AI LTD.

3. RESEARCH & DEVELOPMENT

The Company has developed two R+D projects for third parties with the following objectives:

- The creation of an AI system capable of supporting farmers in their daily work on farms by helping them with the early detection of diseases and with the dispensing of herbal medicines and walking towards a fully digitized farm with systems capable of promptly correcting possible deviations from animal health markers. all managed with artificial intelligence.
- The creation of a new radiology system for humans and animals managed with artificial intelligence. capable of reducing the radiation that animals and humans receive in the diagnostic process and of improving and speeding up diagnosis. especially focused on human heart diseases.
- Likewise. the Company continues to work on the subsidy received by RED.ES for the development and implementation of its energy saving system in hotels. This project will complete its development in May 2024

4. OWN ACTIONS

As of December 31. 2023. the Company's own shares held by the Company amounted to 822.296 shares. representing 1.14% of the share capital. As of December 31. 2022. the Company's own shares amounted to 259.602 shares. representing 1.06% of the share capital.

5. RISKS AND UNCERTAINTIES

- Credit risk: Credit risk represents the losses that the Company would suffer in the event that any counterparty failed to comply with its contractual payment obligations to the Company. This risk is reduced. due to the collection method 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. which could result in the investments being deprived of liquidity. Management regularly monitors the Company's liquidity forecasts based on expected cash flows. The Company is looking for 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 Company's debts and borrowing interest rates are low. interest rate risk is minimal.

  >Exchange rate risk: at the end of the year. the Company does not have significant financial assets or liabilities in currencies other than the euro. so it is not exposed to risk from exchange rate fluctuations.

  >Price risk of shares or stock market indices: Investing in equity instruments means that the Company's profitability 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. 27 March 2024

Mr. Lorenzo Serratosa Gallardo   Mr. José Iván García Braulio

Don Christopher Nicolas Dembik

Don Tawhid Chtioui

Mr. Jesús Hidalgo Quesada as an individual appointed by the Director IMPULSE TECHNOLOGY TRANSFER MANAGEMENT TEAM SL

Attending. in his capacity as Legal Advisor. Mr. Manuel Vera Revilla

Audit Report on Financial Statements
issued by an Independent Auditor

SUBSTRATE ARTIFICIAL INTELIGENCE, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2023

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 18)

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

Report on the financial statements

Opinion

We have audited the financial statements of SUBSTRATE ARTIFICIAL INTELIGENCE, (the Company), which comprise the balance sheet as at December 31, 2023 the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of investments in group companies, jointly controlled entities, and associates

Description	The Company has registered, under the heading " Long term Investments in group companies, and associates " in the balance sheet as of December 31, 2023, equity instruments and loans to companies amounting to 5,741 thousand euros and 29,098 thousand euros, respectively. The Company's management assesses, at least at the end of the financial year, the existence of indications of impairment and makes the necessary valuation adjustments whenever there is objective evidence that the carrying amount of an investment will not be recoverable, the amount of the valuation adjustment being the difference between the carrying amount and the recoverable amount. We have considered this area as a key audit matter because the determination of the recoverable amount requires the realization of complex estimates, which have an uncertainty component, which entails the application of judgments in the establishment of the assumptions considered by the Company's Management in relation to such estimates, as well as the relevance of the amounts involved. The information relating to the valuation accounting policies applied, the main assumptions considered for the determination of the impairment of investments in group companies and associates, and the corresponding disclosures, is set out in notes 2.3, 4.5 and 7 of the annual report.
Our response	In relation to this area, our audit procedures have included, but are not limited to, the following: ▶ Understanding of the process established by the Company's Management to identify signs of impairment and determine the recoverable amount of investments in group companies and associates. ▶ Review of the model used by the management of the parent company to determine the recoverable amount, in collaboration with our valuation specialists, covering, in particular, the mathematical consistency of the model, and the reasonableness of the projected cash flows and the discount and long-term growth rates. In carrying out our review, we have held interviews with those responsible for the development of the model and used recognized external sources and other available information for the comparison of data used. ▶ Review of the sensitivity analyses carried out by the Company's management with respect to the estimates made for the determination of the recoverable amount in the event of changes in the relevant assumptions considered. ▶ Reviewing the disclosures made in the notes to the financial statement comply with the applicable financial reporting framework.

Other information: management report.

Other information refers exclusively to the 2023 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity obtained during the audit, and to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2023 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on April 29, 2024.

Term of engagement

The extraordinary general shareholders' meeting held on August 1st, 2022 appointed us as auditors for 3 years, commencing on December 31, 2022.

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

María Florencia Krauss Padoani
(Inscrita en el Registro Oficial de Auditores de Cuentas con el Nº 22706)

29 de abril de 2024

I. Degree of compliance with forecasts for the 2023 financial year

On December 27, 2023, and due to the new acquisitions made by the Company during the last half of 2023, Substrate published updated forecasts for 2023 through an Insider Information communication, which took into account in addition to its organic growth as a result of the development of its current businesses and inorganic growth with the incorporation of the new acquisitions into the Group.

Below, we detail the degree of compliance with them:

	Euros	Euros	Euros	%
	Previsión 2023	**Actual 2023**	**Dif**	**Dif**
Net turnover	6.500.000	8.608.797	2.108.797	32,4%
Other incomes	4.000.000	5.248.208	1.248.208	31,2%
Total Incomes	**10.500.000**	**13.857.005**	**3.357.005**	**32,0%**
Personnel costs	(3.366.942)	(3.963.276)	(596.334)	17,7%
Other Operating Income	(10.160.369)	(13.554.774)	(3.394.405)	33,4%
Other results	-	(77.862)	(77.862)	100,0%
EBITDA	**(3.027.311)**	**(3.738.907)**	**(711.596)**	**23,5%**
Depreciation, Immpairment and profit or loss on disposals of fixed assets	(2.269.074)	(3.730.753)	(1.461.679)	64,4%
Financial result (*)	(1.012.006)	(733.750)	278.256	-27,5%
Profit before tax	(6.308.391)	(8.203.410)	(1.895.019)	30,0%

(*) Including the impact of hyperinflation of our business in Argentina

Revenue

The Group has exceeded its total revenue forecast by 32% (3,357 thousand euros) due to the better performance of the company's businesses, especially Health, Agritech, Human Resources and Artificial Intelligence Technology, compared to forecasts.

Expense

The group has increased personnel costs by 18% (596 thousand euros) and operating expenses by 33% and 3,394 euros due to the higher costs incurred in the development of its artificial intelligence projects, highlighting the design and development of a new AI system for dairy farms and the development of a new application to support diagnostic imaging and improvement in diagnostic and follow-up procedures.

EBITDA

The group increased negative EBITDA by 23.5% (€712 thousand) to €-3,739 thousand due to higher expenses incurred in the development of its artificial intelligence projects and expenses associated with the acquisition of companies.

Depreciation and impairment

In addition to the depreciation of assets acquired in previous years, this item includes an expense of €2,608 thousand due to the impairment of goodwill generated by the purchase of the Summon Press business unit. The breach of contract by the seller has led to the filing of legal claims and the impairment of the aforementioned goodwill.

VI. Organizational Structure and Internal Control System

1.STRUCTURE OF THE COMPANY

Substrate AI has an organisational structure and an internal control system that allows it to comply with the reporting obligations imposed by Circular 3/2020, of 30 July, on information to be provided by companies listed for trading in the BME Growth segment of BME MTF Equity.

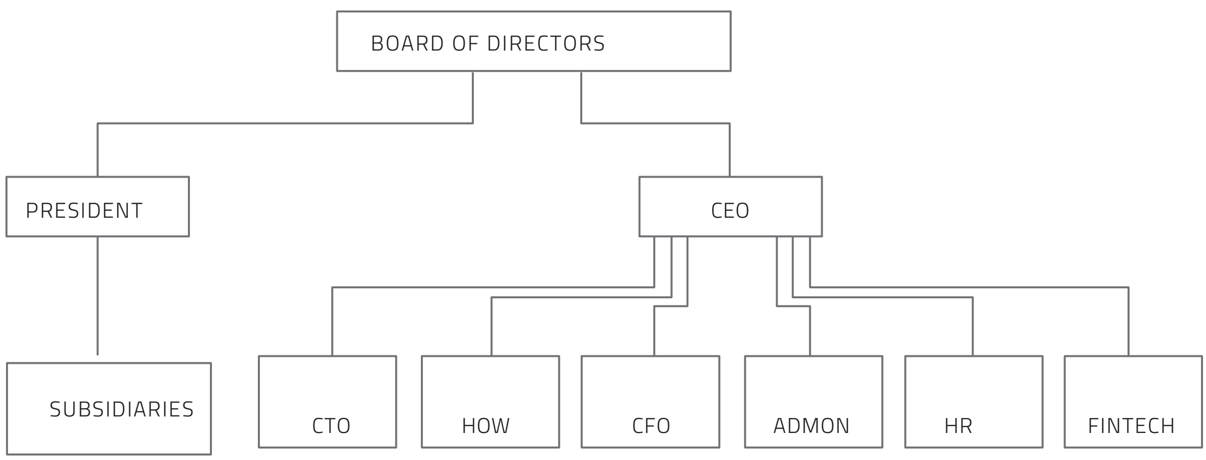
The Issuer's management team has the necessary experience and training to ensure compliance with these obligations by the Issuer.

- Lorenzo Serratosa, President of the Issuer, has a degree in philosophy and extensive experience in business management and financial investment. He has more than 25 years of experience as a director and CEO of various companies in the financial, real estate, agri-food and audiovisual fields.

- José Iván García, CEO of the Issuer, has a degree in Business Administration and Management and has extensive experience in business management and financial investment. He has more than 15 years of experience in markets and business analysis and team leadership.

- David Jiménez, CFO of the Issuer, has a degree in Business Sciences and Law, and has worked at Deloitte for 12 years as an account manager and for the last five years has been CFO at FCC Aqualia.

The organizational chart of the Company is as follows:



Audit Committee

In addition, the issuer has an internal audit committee under the board of directors and chaired by the independent director:

Christopher Dembik is currently Head of Macro Research at Pictet and formerly Saxo Bank and an economic advisor to various companies, as well as a board member of Aivancity, the AI university in Paris (France)

This committee is responsible for the following tasks:

- To report to the General Meeting on matters arising within its competence.

- Supervise the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, as well as discuss with the auditor any significant weaknesses in the internal control system detected in the course of the audit.

- Supervise the process of preparing and presenting the required financial information.

- Submit to the Board proposals for the selection, appointment, re-election and replacement of the auditor, as well as the conditions of their contract, and regularly gather information on the audit plan and its execution, in addition to preserving their independence in the exercise of their functions.

- Establish the appropriate relations with the auditor in order to receive information on those issues that may jeopardize its independence, for examination by the Committee, and any others related to the process of developing the audit of accounts, as well as those other communications provided for in the legislation on auditing of accounts and in the auditing standards.

- Issue annually, prior to the issuance of the auditor's report, a report expressing an opinion on the independence of the auditor

- Be aware of the tax policies applied by the Company.

- Supervise the implementation of the Company's corporate social responsibility policy and monitor the corporate social responsibility strategy and practices.

- Evaluate issues related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks, as well as coordinate the reporting process of non-financial information.

- To inform the Council in advance of all matters provided for in the law, the Statutes and the Regulations of the Council, and in particular on:

    - The financial information that the Company is required to make public from time to time;

    - The creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories that are considered tax havens; and

    - Transactions with related parties.

▶ Conflict of Interest

The issuer has approved a Conflict of Interest Policy that is part of the corporate governance system and aims to establish the action procedures to be followed in terms of the prevention or, where appropriate, treatment of conflicts of interest in which the shareholder, the members of the Board of Directors, etc. Managers and other employees in their relations with the Company, as well as with respect to conflicts that may arise with customers, suppliers and other stakeholders.

2. PROCESSING OF FINANCIAL INFORMATION

Computer Systems

The Company's accounting and financial information is managed through Holded and SAGE Management Software.

Access to the system is only possible by means of a username and password that are changed periodically. Only two users are authorized to have full access to the information: CEO CFO

Backups are made daily on the server (cloud) of this platform.

Accounting Closing Dates:

The Issuer carries out the monthly close on the 6 working days of the following month (x+6). On a monthly basis, it provides financial information to the CEO within 8 working days of the following month (x+8).

The Company closes the annual accounts for the year before January 31, the date agreed with the auditor for the commencement of the annual audit. The auditor completes the audit work prior to the holding of the Accounting Council.

The Company's Board of Directors prepares the annual accounts before March 31 of the following year.

In the same way, the auditor will carry out the limited review of the financial statements as of June 30 once the accounting close is obtained as of July 10.

Relationship with the Registered Advisor

The Issuer's CFO is the person designated to maintain ongoing contact with the Registered Advisor (RA).

Jointly, the CFO and the Registered Advisor will establish for each month a schedule of scheduled meetings and critical dates. Such meetings will be joined by the necessary team members to ensure that the information is as accurate and complete as possible.

BME Growth's Internal Information Committee

The Company has an Internal Committee for Reporting to BME Growth, made up of:

President - CEO - CFO - Chairman of the Audit Committee

The objective of this Committee is to:

- Ensure that all the information required by BME Growth is sent in a timely manner, faithfully reflecting the financial and equity situation of the company.
- Identify any situation or event that may be considered relevant for reporting purposes to BME Growth.
- Ensure that the finance department, led by the CFO, has the professional and material resources to comply with this reporting duty.
- Agree with the Company's auditors on the deadlines for the completion of their work and delivery of the pertinent reports.
- Develop, improve and implement as many internal procedures as may be necessary to ensure compliance with the duty to inform BME Growth.
- Coordination with the Registered Advisor for the provision of periodic information to the Market, inside information or other relevant information, as well as any information required by the Market.

Periodic information

- Half-yearly financial information: Preparation of an audited half-yearly financial report corresponding to the first 6 months of each financial year, in a format comparable to the annual information, within the 4 months following the end of the first half of each financial year.
- Annual financial information: In this case, within 3 months of the end of the financial year, the audited annual accounts in a format in accordance with the provisions of the Circular of Requirements and Procedures applicable to the Incorporation and Exclusion in the BME Growth trading segment of BME MTF Equity, as well as the corresponding Management Report.
- Information on significant shareholdings: On a semi-annual basis, within 10 days of the end of the half-year, the Company will communicate to the Market the identification it has of those shareholders with their respective participation in the capital, provided that it is equal to or greater than 5%.

Procedure:

Internal preparation of the relevant information and Financial Report (annual and half-yearly closings).

The internal committee reviews the first version.

- Always send this version to the Registered Advisor at least 3 weeks before the deadline set by BME Growth (30 April for Annual Accounts and 31 October for Half-Year Accounts).
- The Registered Advisor provides feedback and forwards it to the company.
- The company collects them and posts the Report on the BME Growth website for subsequent approval by the Registered Advisor.

► Information on Other Relevant Information (OIR) and Inside Information (IP):

Procedure:

- Internal preparation of the OIR or PI (as soon as possible).
- The Internal Committee reviews the first version (as soon as possible) and reports to the CEO of the Issuer. Immediately (as soon as possible) forward this draft to the RA.
- The HR provides feedback and forwards it to the company (as soon as possible).
- The company collects them and publishes the Report on the BME Growth website (as soon as possible)