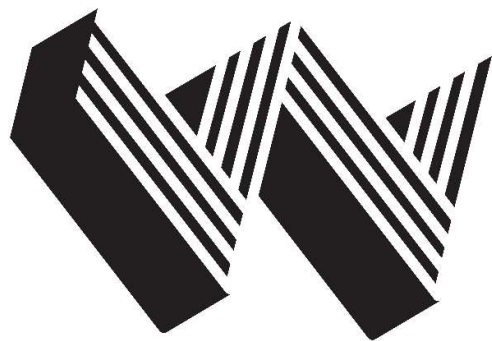




VIRTUALWARE®

VIRTUALWARE 2007, S.A. & subsidiaries
Consolidated Interim Financial Statements for 30 June 2026

CONSOLIDATED BALANCE SHEET FOR 30 JUNE 2026
VIRTUALWARE 2007 SA & SUBSIDIARIES

UNITS: Euro

ASSETS	30/06/2026	30/06/2025
A) NON-CURRENT ASSETS	5.377.207,24	5.384.232,04
<i>I. Intangible fixed assets</i>	<i>3.388.043,00</i>	<i>3.302.148,19</i>
3. Other intangible assets.	3.388.043,00	3.302.148,19
<i>II. Tangible fixed assets</i>	<i>52.537,81</i>	<i>66.216,67</i>
2. Plant & other tangible fixed assets.	52.537,81	66.216,67
<i>IV. Long-term investments in group & associated companies</i>	<i>90.200,00</i>	<i>90.200,00</i>
1. Holdings accounted for using the equity method.	90.200,00	90.200,00
<i>V. Long-term financial investments</i>	<i>53.922,84</i>	<i>53.922,83</i>
<i>VI. Deferred tax assets.</i>	<i>1.792.503,59</i>	<i>1.871.744,35</i>
B) CURRENT ASSETS	5.166.261,61	2.369.551,86
<i>II. Stocks.</i>	<i>43.663,34</i>	<i>15.189,42</i>
<i>III. Trade receivables and other receivables</i>	<i>2.079.714,13</i>	<i>1.138.069,23</i>
1. Customer receivables from sales & services.	1.893.833,51	799.891,22
4. Other debtors.	185.880,62	338.178,01
<i>IV. Short-term investments in group & associated companies.</i>	<i>150.000,01</i>	<i>100.000,01</i>
1. Loans to companies accounted for by the equity method.	150.000,01	100.000,01
<i>V. Short-term financial investments.</i>	<i>2.032.997,38</i>	<i>553.726,00</i>
<i>VI. Short-term accruals.</i>	<i>246.346,15</i>	<i>41.702,30</i>
<i>VII. Cash & cash equivalents.</i>	<i>613.540,60</i>	<i>520.864,90</i>
TOTAL ASSETS (A+B)	10.543.468,85	7.753.783,90

CONSOLIDATED BALANCE SHEET FOR 30 JUNE 2026
VIRTUALWARE 2007 SA & SUBSIDIARIES

UNITS: Euro

EQUITY & LIABILITIES	30/06/2026	30/06/2025
A) NET EQUITY	2.280.191,20	2.123.247,88
A-1) Own Funds.	2.274.086,05	2.122.957,04
<i>I. Capital</i>	158.970,00	158.970,00
1. Issued capital	158.970,00	158.970,00
<i>III: Reserves.</i>	2.113.247,87	2.270.730,20
2. Other Reserves	2.113.247,87	2.270.730,20
<i>VI. (Own shares and equity holdings of the parent company)</i>	(130.811,21)	(7.661,29)
<i>VII. Profit/(loss) for the year attributed to the parent company.</i>	132.679,39	-299.081,87
A-2) Adjustments for changes in value.	(4.643,55)	290,80
<i>I. Exchange rate differences.</i>	(4.643,55)	290,80
A-3) Subsidies, donations & bequests received.	10.748,70	0,04
B) NON-CURRENT LIABILITIES	4.924.375,97	2.198.037,68
<i>II. Long-term debts.</i>	480.526,20	1.168.700,98
2. Bank debts.	221.750,83	705.673,18
4. Other financial liabilities.	258.775,37	463.027,80
<i>IV. Deferred tax liabilities.</i>	2.687,04	-
<i>V. Long-term accruals.</i>	4.441.162,73	1.029.336,70
C) CURRENT LIABILITIES	3.338.901,68	3.432.498,34
<i>III: Short-term debts.</i>	459.404,20	1.508.291,07
2. Bank debts.	356.413,46	1.281.279,17
4. Other financial liabilities.	102.990,74	227.011,90
<i>V. Trade & other payables.</i>	1.207.256,60	494.923,52
1. Suppliers.	232.100,61	74.553,65
3. Current tax liabilities.	0,00	0,00
4. Other payables	975.155,99	420.369,87
<i>VI. Short-term accruals</i>	1.672.240,88	1.429.283,75
TOTAL NET EQUITY & LIABILITIES (A+B+C)	10.543.468,85	7.753.783,90

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 30 JUNE 2026
VIRTUALWARE 2007 SA & SUBSIDIARIES

UNITS: Euro

PROFIT & LOSS ACCOUNT	30/06/2026	30/06/2025
A) ONGOING OPERATIONS		
1. Net turnover.	2.600.346,30	1.572.368,53
b) Provision of services.	2.600.346,30	1.572.368,53
2. Changes in inventories of finished goods & work in progress.	35.760	0,00
3. In-house work on assets.	272.984,97	357.437,04
4. Supplies.	(268.622,82)	(56.944,24)
a) Consumption of goods.	(2.875,07)	(11.417,07)
b) Raw materials & other consumables used.	(187.098,32)	0,00
c) Work carried out by other companies.	(78.649,43)	(45.527,17)
5. Other operating income.	170.015,25	307.286,79
a) Non-core & other current operating income.	14.055,42	14.504,38
b) Operating subsidies included in the profit or loss for the year.	155.959,83	292.782,41
6. Personnel costs.	(1.640.581,96)	(1.593.072,47)
a) Wages, salaries & similar expenses.	(1.371.172,53)	(1.316.718,44)
b) Social security contributions.	(269.409,43)	(276.354,03)
7. Other operating expenses.	(794.577,78)	(652.250,97)
b) Other current operating expenses.	(794.577,78)	(652.250,97)
8. Depreciation/amortisation of fixed assets.	(222.389,21)	(210.085,64)
9. Allocation of subsidies on non-financial fixed assets & others.	0,00	0,00
14. Other profit/(loss)	0,00	3.390,56
A.1) Operating profit/(loss) (1+2+3+4+5+6+7+8+9+14)	152.934,75	-271.870,40
15. Financial income.	10.107,48	4.121,06
b) Income from negotiable securities & other financial instruments.	10.107,48	4.121,06
16. Financial expenses.	-37.264,79	-41.093,95
17. Change in fair value on financial instruments.	10.578,59	(7.256,12)
a) Trading portfolio & others.	10.578,59	-7.256,12
18. Exchange rate differences.	(3.676,64)	17.017,54
b) Other exchange rate differences.	(3.676,64)	17.017,54
A.2) Financial profit/(loss) (15+16+17+18+19).	(20.255,36)	-27.211,47
A.3) Pre-tax profit/(loss) (A.1+A.2).	132.679,39	-299.081,87
24. Tax on profit.	0,00	0,00
A.4) Profit for the year from ongoing operations (A3+24)	132.679,39	(299.081,87)

VIRTUALWARE 2007, S.A. & subsidiaries

Notes to the Consolidated Interim Financial Statements for 30 June 2026

NOTE 1. BASIS FOR PRESENTING INTERIM FINANCIAL STATEMENTS

1.1 True and fair view and applicable framework for financial reporting

The consolidated interim accounts attached were obtained from the accounting records of VIRTUALWARE 2007, S.A. and the Investee companies, which are detailed in Note 1, and are presented in accordance with the applicable regulatory framework for financial reporting and, in particular, the accounting principles and criteria contained therein, after making the necessary adjustments and reclassifications to ensure the consistency of valuation with the parent company, and to eliminate balances and transactions between consolidated companies, so as to present a true and fair view of the Group's equity and financial position.

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

These consolidated interim accounts were drawn up by the Board of Directors of the parent company under the regulatory framework for financial reporting applicable, as set out in:

- The Code of Commerce and other mercantile legislation;
- The General Accounting Plan approved by Royal Decree 1514/2007, amended by Royal Decree 602/2016 and Royal Decree 1/2021, of 12 January, and its sectoral adaptations.
- The compulsory regulations approved by the Institute of Accountants and Auditors in implementing the General Accounting Plan and its supplementary regulations.
- Royal Decree 1159/2010, of 17 September, approving the regulations for preparing consolidated interim accounts.
- Other applicable Spanish accounting regulations.

1.2 Critical aspects of assessing and estimating uncertainty

The preparation of consolidated interim accounts requires the Group to make use of certain estimates and judgement calls in regard to the future which are subject to continual assessment and are based on past experience and other factors, including expectations regarding future events which are deemed reasonable under the current circumstances.

By definition, the resulting accounting estimates seldom coincide exactly with the relevant actual results. These estimates refer basically to:

- Activating development costs-Industrial Property

The Group's management will assess whether the development expenses incurred during the year meet the criteria for being recognised as an asset, as set out in valuation standards 5 and 6 of the General Accounting Plan. The management will also carry out an impairment test on these intangible assets at least once a year, looking at the possible technological obsolescence of these assets and changes in the factors that initially allowed them to be capitalised. Once this has been assessed, the Group will incorporate them as an increase in the value of the industrial property being exploited.

- Useful life of intangible assets.

The management of the Group will determine the estimated useful life and corresponding depreciation/amortisation charges for its intangible assets. One of the aspects that could change the value of non-current assets in the future would be a change to the estimated useful life of intangible assets.

- Investments in Group and associated companies

Every year, the Group checks whether its investments in the equity of Group and associated companies have suffered any impairment losses, as per the accounting policies.

- Valuation adjustments to receivables

The Group is exposed to credit risk insofar as its customers are unable to meet their payment obligations.

The valuation adjustment for customer bad debts involves judgement by the management and a review of individual balances based on the credit quality of the customers and current market trends. At 30 June 2026, there were no significant risks of customers defaulting on payments other than those already impaired.

1.3 Consolidation principles

Subsidiaries

Subsidiaries are all entities, including special purpose entities, over which the Group directly or indirectly has or may have control, where control is understood as the power to govern the financial and operating policies of a business so as to obtain economic benefits from its operations. The existence and effect of potential voting rights that can currently be exercised or converted are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation on the date on which control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred to acquire a subsidiary is the fair value of the assets transferred, the liabilities incurred to the previous owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each business combination, the Group

may elect to recognise any non-controlling interest in the acquiree at fair value or at the proportional share of the non-controlling interest of the recognised amounts of the acquiree's identifiable net assets.

Costs related to the acquisition are recognised as expenditure in the year in which they are incurred.

Acquisitions by the parent company (or another Group company) of control of a subsidiary constitute a business combination accounted for using the acquisition method. This method requires the acquirer to account for the identifiable assets acquired and liabilities assumed in a business combination and any related goodwill or negative goodwill at the acquisition date. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from the consolidation on the date on which control ceases.

The acquisition cost is determined as the sum of the fair values of the assets transferred, liabilities incurred or assumed and equity instruments issued by the acquirer at the acquisition date and the fair value of any contingent consideration that is dependent on future events or the fulfilment of certain conditions, which must be recognised as an asset, liability or equity depending on its nature.

Expenses related to issuing the equity instruments or financial liabilities transferred are not part of the cost of the business combination and are recognised in accordance with the rules that apply to financial instruments. Fees paid to legal advisers or other professionals involved in the business combination are recognised as expenses as they are incurred. The cost of the combination does not include the expenses incurred internally for these items, or those incurred by the acquired company, where applicable.

The excess of the cost of the business combination at the acquisition date, over the proportional share of the value of the identifiable assets acquired, less the liability assumed representing the equity interest in the acquired company, is recognised as goodwill. In the exceptional case that this amount exceeds the cost of the business combination, the excess will be recognised in the profit and loss account as income.

When control over a subsidiary is acquired through various transactions on different dates, the goodwill (or negative goodwill) will be the difference between the cost of the business combination plus the fair value of any previous investment of the acquirer in the acquiree at the acquisition date and the value of the identifiable assets acquired less the value of the liabilities assumed.

Any profit or loss resulting from a valuation at fair value at the date on which control of the acquirer's previously held interest in the acquiree was obtained is recognised in profit or loss. If the investment had previously been measured at fair value, the valuation adjustments not yet taken to profit or loss will be transferred to the profit and loss account.

The assets, liabilities, income and expenses of subsidiaries are included in the consolidated interim accounts using the full consolidation method:

1. Consistency in timing.

The Interim consolidated financial statements were drawn up on the same date and for the same period as the interim accounts of the company to be consolidated. The inclusion of companies with a different year end is done by means of interim accounts for the same date and period as the consolidated accounts.

2. Consistency in valuation.

The assets and liabilities, income and expenses and other items in the interim accounts of the Group companies were valued using standardised methods. Those assets or liabilities, income or expense items that were measured on a basis that is not consistent with that applied in the consolidation were revalued and the adjustments required were made solely for the purpose of consolidation.

3. Aggregation.

The different items in the individual interim accounts that have been harmonised beforehand are aggregated based on their nature.

4. Elimination of investment-equity.

The book values of the equity instruments of the subsidiary held, directly or indirectly, by the parent company are offset against the proportionate share of the subsidiary's equity items attributable to those holdings, usually on the basis of the values resulting from applying the acquisition method described above. In consolidations subsequent to the year in which control was acquired, the excess or deficit in equity generated by the subsidiary since the acquisition date that is attributable to the parent company is shown in the consolidated balance sheet under reserves or adjustments for changes in value, depending on their nature

5. Elimination of intra-group items.

Receivables and payables, including the equity loan used to finance the payment of the sale of its shares to former shareholders, income and expenses and cash flows between Group companies are eliminated in full. Similarly, all earnings from internal transactions are eliminated and deferred until they are carried out with third parties outside the Group.

Changes in shareholding without loss of control

Once control of a subsidiary has been obtained, subsequent transactions that result in a change in the parent company's interest in the subsidiary, without losing control of the subsidiary, are treated in the consolidated interim accounts as an own equity transaction and the following rules apply:

- There is no change in the amount of goodwill or negative goodwill recognised, or in the amount of other assets and liabilities recognised.
- The profit or loss that would have been recognised in the individual accounts is eliminated on consolidation, with a corresponding adjustment to the reserves of the company whose shareholding is reduced.
- The amounts for 'Adjustments for changes in value' and 'Grants, donations and bequests' are adjusted to reflect the interest in the subsidiary's capital held by the Group companies.

Loss of control

The following rules apply when control of a subsidiary is lost:

- The profit or loss recognised in the individual interim accounts is adjusted for consolidation purposes.
- If the subsidiary is classified as a jointly controlled entity or associated company, it will be consolidated and initially recognised using the equity method, and the fair value of the shareholding retained at that date will be taken into account for initial valuation purposes.
- The interest in the equity of the subsidiary retained after the loss of control and not included in the scope of consolidation will be valued in accordance with the criteria applicable to financial assets, and the fair value at the date on which it ceases to be included in the scope of consolidation will be taken as the initial valuation.
- An adjustment is recognised in the consolidated profit and loss account to show the interest of minority interests 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 income and expenses recognised directly in equity.

NOTE 2. RECORD-KEEPING AND VALUATION RULES

The most important accounting policies and valuation rules applied in preparing the accompanying consolidated interim financial statements for the six months ended 30 June 2026 are described below:

a) Intangible assets

Intangible assets are recognised at their acquisition and production cost and subsequently valued at cost less any accumulated amortisation and impairment losses.

The amount of work carried out by the Group related to its own intangible assets is calculated by adding the purchase price of consumable materials and the direct or indirect costs attributable to the asset.

The Company recognises any impairment losses in the carrying amounts for these assets. The criteria for recognising impairment losses and, if necessary, recoveries of impairment losses recognised in prior years, are similar to those applied for tangible assets.

Intangible fixed assets are amortised on a straight line basis over their estimated useful lives, in line with the following lives in years:

Description	Years	Annual
Industrial Property	10	10%
IT Applications	4	25%

IT applications

IT applications purchased from third parties are capitalised based on the costs incurred in acquiring them and preparing them to use the specific software. These costs are amortised over their estimated useful lives.

Expenses related to maintaining computer software are recognised as an expense when they are incurred.

Once the appropriate checks had been carried out, no impairment adjustments were made to IT applications.

Industrial property

Industrial property rights will be valued at the cost incurred in acquiring ownership, the right to use or the concession to use their various manifestations, provided that the financial terms and conditions of the relevant contracts require them to be inventoried by the acquiring firm. These will include patents for inventions, utility model protection certificates, industrial design protection and patents of introduction.

Industrial property rights will be valued at their acquisition price or cost of production. The carrying amount of development expenditure capitalised at the time the corresponding patent or similar is obtained will be accounted for under this item. This will include the cost of registering and formalising the industrial property, provided that the legal conditions for registering it in the relevant register are met, and without prejudice to any amounts that may also be accounted for by reason of the acquisition from third parties of the relevant rights. Research expenditure will follow the amortisation rate and under no circumstances will it be incorporated into the book value of industrial property.

Any adjustments that need to be made to assets accounted for as industrial property, both for amortisation and impairment, will be made as generally specified for intangible assets.

The Group currently recognises the capitalised development costs associated with the enhancements to and new functionalities of VIROO, its virtual reality (VR) platform, as industrial property. This solution was designed to facilitate the creation, management and deployment of immersive multi-user content. Moreover, as a result of acquiring ownership of Virtualware Sweden AB, the Group has recognised the cost of acquiring the SIMUMATIK product as industrial property.

b) Tangible fixed assets

Tangible fixed assets are accounted for at acquisition price or production cost minus cumulative depreciation and, where relevant, the cumulative amount of any losses recognised.

The amount of work carried out by the Group related to its own tangible assets is calculated by adding the purchase price of consumable materials and the direct or indirect costs attributable to the asset.

The costs of extending, modernising and upgrading tangible fixed assets are incorporated into assets as increases in value of the assets themselves only when they entail an increase in capacity or productivity or an extension of useful life, and only provided that the book value of the elements written off the inventory on replacement can be determined or estimated. Major repair costs are capitalised and depreciated over their estimated useful lives, while recurring maintenance costs are charged to the profit and loss account in the year in which they are incurred.

Financial expenses directly attributable to acquiring or constructing fixed assets that require a period of more than one year to be ready for use are included in their cost until they are ready for use.

Depreciation of tangible fixed assets is calculated systematically using the straight-line method, in line with their estimated useful life, with the exception of land, which is not depreciated, taking into account the depreciation actually incurred from operating, using and enjoying them. Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives as from the time when they become available for entry into operation, with zero residual value being estimated as follows on the basis of the useful life.

Description	Annual %
Other Fixtures & Fittings	25%
Furniture	15%
Data Processing Equipment	25%
Other Tangible Fixed Assets	25%

Assets that are subject to depreciation are tested for impairment whenever some event or changes in circumstances suggest that the carrying amount may not be recoverable.

An impairment loss is recognised for the asset's excess carrying amount over its recoverable amount, which is the higher of fair value less sale costs and value in use.

Assets are grouped together at the lowest level for which there are separately identifiable cash flows (cash-generating units) for the purposes of evaluating impairment losses. Non-financial assets, other than goodwill, which have suffered a deterioration loss, are submitted to reviews at each balance sheet date in case there has been a reversal of the loss.

Profit and loss from the sale of tangible fixed assets are calculated by comparing the income from sales with the book value and are recorded in the profit and loss account.

Derecognitions and disposals are recorded by writing off the cost of the relevant item and the corresponding accumulated depreciation.

c) Leasing and similar operations

When the Group is a lessee

Leasing operations are classified as finance leases and operating leases.

Leases in which the Group assumes the risks and benefits of owning the leased asset are classified as finance leases.

Finance leases, where the Group acts as a lessee, are recognised as an asset at the start of the term of the lease, in accordance with their nature, and as a liability for the lower of the fair value of the leased asset and the current value of the minimum lease payments, discounted at the explicit interest rate of the agreement and, if this cannot be determined, the Group's interest rate for similar transactions will be used. Initial direct costs are included as an increase in the value of the asset. Minimum payments are divided between the finance charge and the reduction of the outstanding debt.

The finance charge is spread over the term of the lease in the profit and loss account so that the interest rate is constant for each year on the outstanding balance of the debt to be repaid. The payment obligation arising from the lease, net of finance charge, is shown in long-term or short-term payables, depending on

its maturity date. Contingent lease payments are recognised as an expense when it is likely that they will be incurred.

Assets acquired under finance leases are depreciated in accordance with the criteria applied by the Group to assets of the same type. If, at the start of the lease, there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the term of the lease, the tangible asset acquired will be depreciated over the shorter of the useful life of the asset and the term of the lease.

Leases where the lessor retains a significant portion of the risks and benefits of ownership are classified as operating leases.

Where the Group acts as lessee, lease expenses are recognised in the profit and loss account on a straight-line basis over the term of the lease, irrespective of the manner of payment stipulated in the lease. In cases where lease incentives have been agreed upon by the lessor in the lease agreement in the form of payments to be made by the lessor that should be made by the lessee, the income from these payments is recognised in the profit and loss account as a reduction of the lease costs on a straight-line basis, as are the lease expenses.

d) Financial assets

A financial asset is considered to be any asset which comprises cash, an equity instrument of another company or the contractual right to receive cash or other financial assets (debt instruments) or exchange financial assets or liabilities with third parties on potentially favourable terms

For valuation purposes, financial assets are included in one of the following categories:

1. Financial assets at amortised cost

In general, this category includes trading receivables and non-trading receivables.

Also included in this category are debt securities with a fixed maturity date, even if they are traded in an active market, that the Group holds for the purpose of receiving cash flows from the performance of the contract, and the contractual terms of the financial asset give rise, at specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

These financial assets are initially measured at fair value, including the transaction costs that are directly attributable to them, and subsequently at amortised cost, recognising accrued interest based on the effective interest rate, which is understood to be the discount rate that matches the carrying amount of the instrument with all of its estimated cash flows up to maturity. Trade receivables maturing in less than one year are valued, both at initial recognition and subsequently, at their nominal value provided that the effect of not adjusting the flows is not material.

Any adjustments for impairment are made at least at year end if there is objective evidence that not all of the amounts due will be collected.

The amount of the impairment loss is the difference between the carrying amount of the asset and the current value of estimated future cash flows, discounted at the effective interest rate at initial recognition. Value adjustments and their reversal, where applicable, are recognised in the profit and loss account.

2. Changes in financial assets at fair value recognised in equity

Financial assets will be included under this heading when the contractual conditions for same give rise to cash flows on specific dates which are solely receipts from capital and interest on the amount of capital outstanding, and the assets in question are not held for trading and do not need to be classed under Financial Assets at Amortised Cost. Also included in this category are investments in equity instruments that are not held for trading, and are not to be valued at cost, for which the Group has made an irrevocable decision at the outset to recognise subsequent changes in fair value directly in equity.

They are measured at fair value, with changes in fair value recognised directly in equity until the asset is disposed of or impaired, at which time accumulated profits and losses in equity are recognised in the profit and loss account, provided that it is possible to determine the fair value. Otherwise they are recognised at cost less impairment losses.

Valuation adjustments are made to these assets if there is objective evidence that their value is impaired as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or due to the non-recoverability of the carrying amount of the asset in the case of investments in equity instruments.

In the case of equity instruments that are valued at cost because their fair value cannot be determined, the value adjustment is determined in the same way as for equity investments in Group companies, jointly controlled entities and associated companies. If there is objective evidence of impairment, the Group recognises the cumulative losses previously recognised in equity in the profit and loss account as an impairment loss.

Impairment losses recognised in the profit and loss account for equity instruments are not reversed through the profit and loss account.

3. Financial assets at fair value through the profit and loss account

Financial assets held for trading are included in this category. The concept of trading in financial instruments generally reflects active, frequent buying and selling in order to make a profit from short-term fluctuations in price or brokerage margin. The Group also includes those financial assets that have not been included in any of the other categories under this heading.

These financial assets are valued, both initially and in subsequent appraisals, at a fair value, attributing the changes produced to that value in the profit and loss account for the year. The transaction costs directly attributable to the acquisition are recognised in the profit and loss account.

4. Financial assets at cost

This valuation category includes equity investments in Group, jointly controlled and associated companies, as defined in Rule 13 on preparing annual accounts. It also includes other investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and the derivatives underlying such investments. Where they exist, this category also includes financial assets whose fair value cannot be reliably estimated, unless they qualify for recognition at amortised cost, contributions made as a result of a joint venture contract and similar arrangements, equity loans whose interest is contingent either because a fixed or variable rate of interest has been agreed and is conditional on the borrowing company achieving a milestone (e.g. profits) or

because a fixed or variable interest rate has been agreed and is conditional on the borrower meeting a milestone (e.g. making a profit), or because it is calculated solely on the basis of the borrower's business performance and any other financial assets that were initially classified in the portfolio at fair value through the profit or loss account when it is not possible to obtain a reliable estimate of their fair value.

Investments included in this category will initially be valued at cost, which will be equivalent to the fair value of the consideration provided plus any directly attributable transaction costs. Where applicable, the criterion in Section 2 on the rule on transactions between group companies and the criteria for determining the cost of the combination set out in the standard on business combinations.

However, if there was an investment prior to its classification as a Group, jointly controlled or associated company, the cost of that investment is taken to be its book value immediately before the company is classified as such.

Equity instruments included under this heading must subsequently be valued at cost, less the cumulative amount of any corrections in value due to impairment.

When a value needs to be assigned to these assets for derecognition or other purposes, the weighted average cost method shall be applied to them by homogeneous groups, with these understood as values with equal rights.

The Group will make any necessary valuation adjustments at least at the year end if there is objective evidence that the book value of an investment will not be recoverable. The amount of impairment will be the difference between the book value and the amount recoverable, with the latter being the fair value less selling costs or the current value of future cash flows deriving from the investment, whichever is greater. For equity instruments, future cash flows will be calculated by estimating expected receipts from the distribution of dividends by the investee company and from the disposal or writing off of the investment in same, or by estimating the holding in the expected cash flows to be generated by the investee company from all ordinary activities and from disposal or writing off. Unless there is evidence to the contrary in regard to the amount recoverable from investments in equity instruments, the amount of impairment losses thereon will be calculated in line with the equity of the investee company and any tacit increases in value as of the valuation date, net of tax effects.

5. Investment in the Equity of Group, Jointly Controlled and Associated Companies

Group companies are deemed to be those that have a direct or indirect control relationship with the Company. Similarly, associated companies are considered to be those over which the Company exercises significant influence (significant influence is presumed to exist when at least 20% of the voting rights of another company are held). Jointly controlled companies are those that include companies in which the Company exerts joint control with one or more other partners by virtue of an agreement.

Investments in group, jointly controlled and associated companies are initially valued at cost, which means the fair value of the consideration provided plus transaction costs. When there is an investment prior to its classification as a Group, jointly controlled or associated company, the investment cost is deemed to be its book value before having this classification.

They are then valued at cost less any accumulated impairment loss adjustments, where applicable. These adjustments are calculated as the difference between the book value and the recoverable amount, defined as the higher of fair value less costs of selling and the current value of the cash flows earmarked for

investment and, if these are not available, the equity of the investee will be taken into consideration, adjusted for any tacit capital gains on the valuation date (including goodwill, if any).

Valuation adjustments for impairment and, where applicable, their reversal, shall be recorded in the profit and loss account in the financial year in which they occur.

6. Interest & dividends received on financial assets

Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the profit and loss account. Interest is recognised using the effective interest method and dividends when the right to receive them is declared.

For these purposes, in the initial valuation of financial assets, the amount of interest explicitly accrued but not due at that time and the amount of any dividends agreed by the competent body at the time of acquisition must be recorded independently, in line with their maturity dates. Explicit interest is defined as interest obtained by applying the contractual interest rate for the financial instrument.

7. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid investments with a maturity of three months or less and bank overdrafts.

8. Retirement of financial assets

Financial assets, or part of same, are derecognised by the Group when they expire or when the contractual rights to the cash flows arising from them are transferred, and it is necessary for the risks and benefits inherent in their ownership to be substantially transferred. When a financial asset is derecognised, the difference between the consideration received net of attributable transaction costs, taking into account any new asset obtained less any liability assumed, and the book value of the financial asset, determines the profit or loss resulting from derecognising the asset, and is part of the profit/loss for the year.

e) Financial Liabilities

1. Financial assets at amortised cost

These include trade payables (financial liabilities arising from the purchase of goods and services in connection with the company's business transactions with deferred payment) and non-trade payables (financial liabilities which, as they are not derivative instruments, do not have a trading origin, but arise from loans or credits received).

These debts are initially recognised at their fair value adjusted by any directly attributable transaction costs, being recorded subsequently at their amortised cost using the method of effective interest rate.

Trade payables falling due in less than one year without a contractual interest rate are carried at their face value on both initial recognition and subsequent measurement, provided the effect of not discounting flows is not significant.

2. Financial liabilities at fair value through the profit and loss account

This category includes liabilities that are issued or assumed for the purpose of repurchase in the short term or that are part of a portfolio of financial instruments identified and managed together for short-term profit, and financial liabilities that the Group designates for inclusion in this category when they are initially recognised.

These financial liabilities are valued, both initially and in subsequent appraisals, at a fair value, attributing the changes produced to that value in the profit and loss account for the year. Transaction costs directly attributable to the issue are recognised in the profit and loss account in the year in which they arise.

3. Hedging derivatives

This category includes financial instruments classified as accounting hedges (note 3.h).

4. Derecognition of financial liabilities

The Company derecognises a financial asset or part of same when the related obligation has been met or cancelled or has expired. It will also derecognise its own financial liabilities that it acquires, albeit with the intention of redeploying them in the future. The difference between the carrying amount of the financial liability or the part of the financial liability that has been derecognised and the consideration paid, including any costs or fees incurred and including any asset transferred other than cash or the liability assumed, is recognised in the profit and loss account in the period in which it arises.

f) Fair value

As per Royal Decree 1/2021 of 12 January, fair value is the price received for the sale of an asset or paid to transfer or cancel a liability via a formal transaction between participants in the market, on the valuation date. Fair value is determined without making deductions for transaction costs that may be incurred in disposal or otherwise. The result of a transaction which is forced, urgent or made as a result of our situation of involuntary liquidation may in no case be considered as fair value.

For purposes of determining fair value, the Group uses the listed value of instruments on an active market, if any. If there is no listed price, the valuation methods used are based on market references for substantially identical assets or cash flow discount techniques, with the use of observable market variables being maximised.

It is assumed that the book value of credit and debit entries for trading operations is approximately the same as their fair value.

g) Financial derivatives and hedge accounting

Financial derivatives are valued at fair value, both initially and in subsequent valuations. The method used to account for any resulting profit and loss depends on whether the derivative is designated as a hedging instrument or not and if so on the type of hedging involved. The Group designates certain derivatives as:

- Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
- Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised temporarily in equity. They are recognised in the profit and loss account in the years in which the expected hedged transaction affects profit or loss, unless the hedge relates to an expected transaction that results in recognising a non-financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset when it is acquired or the liability when it is assumed.

In the case of derivatives that do not qualify for hedge accounting, profits and losses on the fair value of derivatives are recognised immediately in the profit and loss account.

The Group uses derivative financial instruments to hedge the risks to which its activities and operations are exposed, primarily those arising from exchange rate fluctuations.

In order for these financial instruments to qualify for hedge accounting, the Group must document the relationship between the hedging instrument and the hedged item at the start of each transaction, and the objective of risk management and the hedging strategy for the hedged transaction. The hedge accounting must be effective over the entire expected term to offset changes in cash flows attributable to the hedged risk, consistent with the initially documented risk management strategy. The Group will also assess the effectiveness of hedges, both at the outset and in their subsequent performance.

The following requirements must be met for the accounting hedge to be classified as effective by the Group:

- There is an economic relationship between the hedged item and the hedging instrument.
- The credit risk must not have a dominant effect on the changes in value that result from that economic relationship.
- The hedge ratio of the hedge accounting relationship, defined as the quantity of the hedged item divided by the quantity of the hedging instrument, must be the same as the hedge ratio used for the purposes of managing the hedged risk.

The Group would only discontinue hedge accounting prospectively when the hedging relationship (or a portion of it) no longer meets the required criteria, after taking into account any rebalancing of the hedging relationship, if applicable, for example, when the hedging instrument expires, is sold, terminated or exercised. However, the recording and valuation of the hedge will not cease if the Group revokes the designation of the hedge if all other requirements continue to be met. The Group did not rebalance any hedging relationships during the year.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised temporarily in equity.

They are recognised in the profit and loss account in the years in which the expected transaction covered by the hedge affects profit or loss, unless the hedge relates to an expected transaction that is highly likely to result in recognising a non-financial asset or liability, in which case the amounts recognised in equity will be included in the cost of the asset when it is acquired or the liability when it is assumed. The profit or loss on the non-effective part is recognised immediately in the profit and loss account.

Hedging instruments are valued and recorded based on their nature insofar as they are not, or cease to be, effective hedges.

h) Foreign currency transactions

Transactions in foreign currency are accounted for in the functional currency of the Group (euros), at the exchange rate applicable at the time of the transaction. During the year, differences between the exchange rates entered in the accounts and those in force at the date of collection or payment are recorded as financial profit/loss in the consolidated P&L. The Group has not changed its operational currency, which is the euro.

At the end of each period, any balances payable or receivable in foreign currency are converted at the closing exchange rate. Any differences in valuation are recorded as financial profit/loss in P&L.

Balances in foreign currency are converted to euros in two consecutive stages:

- 1) Conversion of balances in foreign currency to the functional currency of each subsidiary.

Transactions in foreign currency carried out by consolidated companies are initially recorded in their respective financial statements at the equivalent value in their functional currencies, resulting from the exchange rates in force on the dates when those transactions are carried out.

Then, for purposes of presentation in their own individual interim accounts, consolidated companies convert foreign currency balances to the functional currency at the exchange rates in force at the year-end. Exchange rate differences are recognised by debit or credit entries in the P&L.

- 2) Conversion to euros of the financial statements of subsidiaries that use functional currencies other than the euro.

The balances in the current accounts of consolidated companies whose functional currency is not the euro are converted to euros as follows:

- By applying the exchange rates in force at the year-end in the case of assets and liabilities.
- By applying the average exchange rate for the financial year in the case of income, expenditure and cash flow.
- By applying historical exchange rates in the case of equity.

Any differences that arise during the conversion process are recognised under "Exchange Rate Differences" in equity.

i) Tax on profit

It should be borne in mind that the tax on profit applicable to each year will only be finally determined when there is a final settlement by the tax authorities or when the statute of limitations has elapsed for the tax.

When calculating tax, the Company may include interpretations of the applicable regulations or valuations and estimates of the relevant circumstances that may be disputed by the tax authorities.

Moreover, the correct valuation of expense for the tax on profits depends on several factors, including estimates of the timing and realisation of tax credits and deferred tax assets, as well as the timing of the payments of tax on profits. Collections and payments may be materially deferred as a result of changes in the expected evolution of the Company's business or changes in tax rules or their interpretation, as well as unforeseen future transactions that impact the Company's tax balances.

j) Provisions and contingencies

Provisions are recognised when the Group has a current legal or implicit obligation resulting from past events, it is likely that outlay will be required to settle the obligation and the amount can be reliably estimated.

Provisions are valued at the current value of expenditure that is expected necessary to liquidate the obligation using a pre-tax rate that reflects current market evaluations of the provisional money value and the specific risks of the obligation. Adjustments made to update the provision are recognised as a finance cost when accrued.

Provisions maturing not exceeding one year, with no significant financial effect, are not discounted.

When it is expected that part of the expenditure necessary to liquidate the provision will be reimbursed by a third party, the reimbursement is recognised as a separate asset, provided that its receipt is practically certain.

In turn, contingent liabilities are considered those possible obligations arising as a result of past events, whose realization is conditioned by whether one or more future events beyond the control of the group happens or not or . These liabilities are not subject to accounting records, with the details being presented in the notes to the accounts.

k) Subsidies, donations & bequests

Refundable subsidies are recorded as liabilities until such time as they become non-refundable, while non-refundable subsidies are recognised as revenues directly in equity on a systematic, rational basis in correlation with expenses arising from the subsidies.

Accordingly, a subsidy is considered as non-refundable when there is an individual agreement for its granting, all the terms and conditions set for its granting have been met and there are no reasonable doubts as to whether it will be received.

Monetary subsidies are valued at the fair value of the amount granted and non-monetary subsidies at the fair value of the asset received, with both values being taken at the time of recognition.

Non-refundable subsidies linked to the acquisition of tangible & intangible fixed assets and real estate investments are attributed to revenue for the year in proportion to the amortisation of the assets in question or on the disposal, value correction due to impairment or write-off of the assets on the balance sheet, as the case may be.

Non-refundable subsidies linked to specific costs are recognised in the P&L in the year in which the relevant costs accrue, and subsidies granted to offset operating deficits in the year in which they are granted, except when they are earmarked for offsetting operating deficits in future years, in which case they are attributed to those years.

l) Business combinations

Merger and demerger operations and non-monetary contributions of a business between group companies are recognised by valuing the assets and liabilities acquired at their carrying amounts in the consolidated interim accounts of the ultimate Spanish parent company prepared in accordance with the NFCAC on the date on which the operation is carried out. If these consolidated interim accounts are not prepared, they are valued at the values before the transaction in the individual interim accounts of the contributing company. Any differences that may arise are recorded in reserves. The date for accounting purposes is the start date of the financial year in which the transaction is approved.

Merger or demerger operations other than those mentioned above and business combinations arising from the acquisition of all the assets and liabilities of a company or of a portion that constitutes one or more businesses are recorded by valuing the assets and liabilities acquired, in accordance with the acquisition method. Therefore, as a general rule, these assets and liabilities are valued at their fair value on the date of the operation. For accounting purposes, the date of the business combination is the date of the shareholders' meeting of the company acquired that approved the operation, although its effectiveness is subject to its registration in the Mercantile Register.

In the case of business combinations arising from the acquisition of shares or equity interests in a company, the Company recognises the investment in accordance with the provisions for investments in the equity of group, jointly controlled and associated companies.

m) Related party transactions

Any transactions between companies in the same group, whatever the degree of association, are accounted for in line with general regulations. The items to which such transactions refer are accounted for initially at their fair value. Subsequent valuations are made as provided for in the specific regulations governing the accounts in question.

Thus valuation rule affects those related parties indicated in Regulation 13 on the preparation of annual accounts in the General Accounting Plan. Accordingly:

A company is deemed to belong to the same group if the two are linked by a relationship of direct or indirect control of the type envisaged in Article 42 of the Code of Commerce for corporate groups, and when the two are controlled in any way by one or more physical or legal persons who act jointly or are under the same management in the form of agreements or articles of association.

A company is classed as "associated" when it is not a member of the corporate group but the company or the dominant natural persons exert significant influence over the associated company, as set out at length in the said Regulation 13 on the preparation of annual accounts.

A party is considered as "related" to another when one of them exerts or has the power directly, indirectly or through pacts or agreements between shareholders or stakeholders to exert control over the other or significant influence in the making of the financial and operational decisions of the other, as set out at length in Regulation 15 on the preparation of annual accounts.

In addition to group, associated and jointly controlled companies, natural persons who hold a direct or indirect share in the voting rights of the parent company in such a way as to permit them to exert a significant influence over one or the other are also classed as related parties, as are their close relatives, key personnel of the parent company (natural persons with direct or indirect authority and responsibility in regard to the planning, management and control of company activities). This includes directors and management staff and their close relatives, and any organisations on which the aforesaid persons may exert a significant influence. "Related parties" also include companies that have directors or management staff in common with the parent company, unless the latter has no significant influence on the financial and operational policies of both, and close relatives of any natural person who represents the director of the parent company when the latter is a legal person.