

Board of Directors Report – First Half of 2025

Virtualware presents its report for the first half of 2025, a period marked by strategic consolidation within industrial international markets, technological reinforcement of its VIROO platform, and the preparations and negotiations ahead of the signing of the largest contract in its history.

Strategic Development

During the first half of 2025, Virtualware continued to strengthen its international position, particularly in the U.S. market, while introducing improvements to reinforce VIROO as a critical platform for the development of XR and RT3D applications.

In September 2025, the company announced the largest contract in its history—worth more than €5 million—for the development of 66 VET Centres in Spain. At the same time, Virtualware established new partnerships in the United States and other international markets and continued investing in new functionalities and commercial capabilities in North America.

In the first half of the year, Virtualware successfully listed on Euronext Growth, delivering on its promise to investors to be present in a more liquid market with broader international investor access.

The company's results once again reflect seasonality in both revenue flow and investment cycles. Growth cycles are multi-year, directly linked to the signing of large contracts that impact results over extended periods.

The company anticipates a very positive second half of 2025, supported by the most recent contract signed, the existing pipeline, the technology partnerships with key players, and a healthy financial position trending toward zero net debt.

Evaluation of Results

Revenues for the first half of 2025 were down 22% compared with the same period in 2024. The decline reflects the seasonal nature of non-recurring business lines and the multi-year nature of the company's contracts.

During this semester, significant progress was made in product development, including Simumatik, which was acquired at the end of 2024 and is being integrated into Virtualware progressing well.

Gross margin for the first half of the year stood at 95%, well above last year's 85%. This improvement is mainly due to the fact that the revenue decline was largely associated with lower sales of hardware-related services, which reduced the consumption of goods linked to sales.

Personnel expenses increased as a result of headcount growth, primarily linked to the integration of Simumatik acquired in late 2024. The company views this continued investment in talent as a driver of stronger revenues in future periods.

For the first time since 2022, the company reported negative EBITDA in the first half of the year, due to a shift in the product mix.

Net financial debt increased by €1 million during the period. Cash decreased from €680,000 to €520,000, while short- and long-term financial debt rose. Given the company's low leverage at the end of fiscal year 2024, it was able to access new debt facilities to cover working capital commitments during the first half of 2025.

Business Situation and Projections

During the first half of the year, the company drew on available working capital credit lines to maintain operations, fully aware of the temporary nature of the situation. As a result, net debt increased by €1 million, bringing total net financial debt to €1.4 million.

Despite the negative half-year results, the company reaffirms its growth outlook for fiscal year 2025, expecting both positive EBITDA and positive cash flow. These expectations are based on the signing of major contracts already in place at the date of this report, as outlined in the section on Significant Post-Period-End Events.

Furthermore, the company anticipates that 2025 will be a record year in terms of the volume of new contracts signed. For all these reasons, Virtualware continues to execute its strategy and operations as planned.

Related-Party Transactions

The balances detailed below correspond to the associated company Hermeneus World, S.L. Transactions between the two companies are limited to the provision of services of an intangible nature.

Hermeneus World, S.L.

As of June 30, 2025

- Sales: €6,876.83
- Business loans: €100,000.00
- Total: €106,876.83

Significant Post-Period-End Events

Virtualware signed the largest contract in its history, exceeding €5 million, representing a major milestone for the VIROO platform as it was chosen by the Spanish Ministry of Education to be deployed across the country's vocational training centers of excellence.

This six-year contract places VIROO at the core of Spain's national strategy to modernize vocational training and foster the development of future professionals. The agreement will add 66 new training centers to the more than 30 centers in Spain that are already equipped with the VIROO platform.

In the third quarter of 2025, the liquidation process has commenced for Evolv Rehabilitation Technologies S.L., in which Virtualware holds a majority stake. However, since 2023 Evolv has not been part of Virtualware's consolidated accounts, as it was already in an active shareholder exit phase.