



VIRTUALWARE®

ANNUAL SUMMARY
REPORT
2018

BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

Virtualware Group is specialized in the development of **innovative digital business models**.

Virtualware Group is diversified in the business model, with a main company: **Virtualware 2007, S.A**, and two spin outs: **Evolv Rehabilitation Technologies S.L** and **Hermeneus World S.L**

In addition, diversification within the Group takes place both, in **professional sectors** (industry, health, leisure, etc.) and in **geographical areas** (subsidiaries in Mexico, the United Kingdom and Canada and bespoke projects/solutions in several countries).

BUSINESS PERFORMANCE AND SITUATION OF THE GROUP

The Group's performance is based on the following criteria:

1. **Average annual turnover growth of 20%** over the last three years (2016-2018), based on geographical and business model diversification, as well as on innovation.
2. Development of **innovative solutions** and **generation of patents**, which entails **investments** in the development of new solutions and Research and **expenses** on R&D&i of more than **5% of turnover**.
3. **Generation of value** to our clients with our knowledge. Virtualware Group is operating in **Net Added Value** ratios over **50%**.

CRITICAL SUCCESS FACTORS

1. **Detailed annual management plan**, by areas and countries, which enables operating ratios to be established and reviewed quarterly, generating actions for improvement. Risk analysis by process and SWOT analysis are also carried out on a quarterly basis.
2. **Strict budgetary compliance** in accordance with the **Annual Management Plan** and **strict financial policy**, with **net debt of less than 2 times our EBITDA**.
3. **A deep-rooted company culture** based on **clearly defined values** that are perfectly identified with the **"how" things are done** in the Virtualware Group.

Virtualware Group's business model is based mainly on providing **high added value** to our customers. This is why we work on **company values and culture** that **encourage this contribution of value**.



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CRITICAL SUCCESS FACTORS

The **technology business** demands **great flexibility** due to the **constant changes** in technology. Providing **value** by **bringing this technology to real solutions** for our clients is the **basis of our model**. And therefore, the **capacity to assimilate and adapt it** for an effective use of our clients is **essential**.

This can only be achieved through a deeply-rooted company culture based on the development of "**Core Competences**" that give us an advantage over our competitors and at the same time define our values as a company.

The Strategic Plan always seeks to develop those **differentiating competences** that allow us to continue being a **reference in the sector** and give **security and reliability to our clients**.

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INNOVATION ACTIVITIES

In 2018 Virtualware Group completed the development of its **patented product Nmerso** as well as the development of the **VIROO solution**.

Both the Nmerso product and the VIROO solution form the **basis of the business development** contained in the **2019-2021 Strategic Plan**, which was officially presented in the last quarter of 2018.

RELATIONSHIP WITH THE ENVIRONMENT

Virtualware Group is aware of the **responsibility** it has in **preserving the environment** and the impact that its professional activities have on it.

During 2018, the **carbon footprint generated** by the daily commuting of people to work and also that derived from their professional travels **was calculated**.

RELATIONSHIP WITH THE ENVIRONMENT

To mitigate this **CO2 footprint generated during 2018**, the planting of the corresponding autochthonous trees was promoted through the **Lurguia Association**, a non-profit entity responsible for the **conservation and management of natural heritage** that operates in Spain and above all in the Basque Country.

In addition, Virtualware Group implements **energy-saving measures** in its offices: sets maximum and minimum working temperatures in accordance with ranges established by entities such as the EVE (Energy Agency of the Basque Government), manages the waste generated in daily activity, recycling it and keeps an "accounting" of the waste generated.

All this allows it to establish **policies to minimise this waste**.



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SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Have not occurred

ACQUISITION OF STAKES IN COMPANIES

Not acquired



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RISKS AND UNCERTAINTIES

The **management** of risks and uncertainties is **essential** and that is why they are monitored, not only at a **strategic or corporate level**, but also at the level of **work processes and projects**.

Risks are identified and classified through **risk assessment matrices**, implementing measures to mitigate them. This takes place on a **quarterly basis**.

In addition, **SWOT analysis** (Weaknesses, Threats, Strengths and Opportunities) is carried out **every quarter**, implementing **measures** to manage **uncertainties**, **take advantage** of the **identified Opportunities** and **mitigate Weaknesses**.

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LEADING THE IMMERSIVE (R)EVOLUTION